

CITIGROUP INC
Form 10-Q
November 06, 2012

[QuickLinks](#) -- Click here to rapidly navigate through this document

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

FORM 10-Q

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

For the quarterly period ended September 30, 2012

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)

(212) 559-1000

(Registrant's telephone number, including area code)

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

(Do not check if a smaller reporting company)

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of the latest practicable date:

Common stock outstanding as of September 30, 2012: 2,932,520,700

Available on the web at www.citigroup.com

**CITIGROUP INC
THIRD QUARTER 2012 FORM 10-Q**

OVERVIEW	3
CITIGROUP SEGMENTS AND REGIONS	4
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS	5
Executive Summary	5
RESULTS OF OPERATIONS	9
Summary of Selected Financial Data	9
SEGMENT AND BUSINESS INCOME (LOSS) AND REVENUES	11
CITICORP	13
Global Consumer Banking	14
North America Regional Consumer Banking	15
EMEA Regional Consumer Banking	17
Latin America Regional Consumer Banking	19
Asia Regional Consumer Banking	21
Institutional Clients Group	23
Securities and Banking	25
Transaction Services	27
CITI HOLDINGS	29
Brokerage and Asset Management	30
Local Consumer Lending	31
Special Asset Pool	33
CORPORATE/OTHER	34
BALANCE SHEET REVIEW	35
Segment Balance Sheet at September 30, 2012	38
CAPITAL RESOURCES AND LIQUIDITY	39
Capital Resources	39
Funding and Liquidity	44
Off-Balance-Sheet Arrangements	51
MANAGING GLOBAL RISK	51
CREDIT RISK	52
Loans Outstanding	52

Edgar Filing: CITIGROUP INC - Form 10-Q

Details of Credit Loss Experience	53
Non-Accrual Loans and Assets, and Renegotiated Loans	54
North America Consumer Mortgage Lending	58
North America Cards	71
Consumer Loan Details	72
Corporate Loan Details	74
MARKET RISK	76
COUNTRY RISK	87
FAIR VALUE ADJUSTMENTS FOR DERIVATIVES AND STRUCTURED DEBT	95
CREDIT DERIVATIVES	96
INCOME TAXES	98
DISCLOSURE CONTROLS AND PROCEDURES	99
FORWARD-LOOKING STATEMENTS	99
FINANCIAL STATEMENTS AND NOTES TABLE OF CONTENTS	102
CONSOLIDATED FINANCIAL STATEMENTS	103
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS	109
LEGAL PROCEEDINGS	232
UNREGISTERED SALES OF EQUITY AND USE OF PROCEEDS	233

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 3 to the Consolidated Financial Statements.

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

This Quarterly Report on Form 10-Q should be read in conjunction with Citigroup's Annual Report on Form 10-K for the year ended December 31, 2011 filed with the U.S. Securities and Exchange Commission (SEC) on February 24, 2012 (2011 Annual Report on Form 10-K) and Citigroup's Quarterly Reports on Form 10-Q for the quarters ended March 31, 2012 and June 30, 2012 filed with the SEC on May 4, 2012 (First Quarter Form 10-Q) and August 3, 2012 (Second Quarter Form 10-Q), respectively. 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 SEC, are available free of charge through 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-Q, please refer to the tables of contents on pages 2 and 102 for page references to Management's Discussion and Analysis of Financial Condition and Results of Operations and Notes to Consolidated Financial Statements, respectively.

Certain reclassifications have been made to the prior periods' financial statements to conform to the current period's presentation. For information on certain recent such classifications, including the transfer of the substantial majority of Citi's retail partner cards businesses (which is now referred to as Citi retail services) from Citi Holdings *Local Consumer Lending* to Citicorp *North America Regional Consumer Banking*, which was effective January 1, 2012, see Citi's Form 8-K furnished to the SEC on March 26, 2012.

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

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

- (1) *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

THIRD QUARTER 2012 EXECUTIVE SUMMARY

On October 16, 2012, Citi announced that Vikram Pandit had resigned as Chief Executive Officer of Citigroup, effective after the close of business on October 15, 2012. Citi also announced that John Havens had resigned as President and Chief Operating Officer of Citigroup and as Chief Executive Officer of the Institutional Clients Group, effective as of the same time. In connection with the departure of Mr. Pandit, the Citigroup Board of Directors appointed Michael Corbat as Citi's new Chief Executive Officer.

As disclosed in connection with the announcements, these senior management changes are not expected to alter the overall strategy of Citigroup going forward, which is to continue to:

enhance Citi's position as a leading global bank for both institutions and individuals, by building on its unique global network, deep emerging markets expertise, client relationships and product expertise;

position Citi to seize the opportunities provided by current trends (globalization, digitization, urbanization and the rise of the emerging market consumer) for the benefit of clients;

further its commitment to responsible finance and the basics of banking;

strengthen Citi's performance including gaining market share with clients, making Citi more efficient and productive, and building upon its history of innovation; and

wind down Citi Holdings as soon as practicable, in an economically rational manner.

In addition, on October 29 and 30, 2012, the metropolitan New York City region and New Jersey suffered severe damage from Hurricane Sandy. Citi continues to assess the impact on Citi's facilities and customers in the affected areas and what impact, if any, the storm could have on its results of operations for the fourth quarter of 2012.

THIRD QUARTER 2012 RESULTS

Citigroup

Citigroup reported third quarter of 2012 net income of \$468 million, or \$0.15 per diluted share. Citi's reported net income declined from \$3.8 billion in the third quarter of 2011. Results for the third quarter of 2012 included a pre-tax loss of \$4.7 billion (\$2.9 billion after-tax) from the previously announced sale of a 14% interest and other-than-temporary impairment of the carrying value of Citi's remaining 35% interest in the Morgan Stanley Smith Barney (MSSB) joint venture recorded in Citi Holdings *Brokerage and Asset Management*. (For additional information on the agreement entered into with Morgan Stanley regarding MSSB on September 11, 2012 and the impact of that agreement on third quarter of 2012 results, see Citigroup's Form 8-K filed with the SEC on September 11, 2012 and Note 11 to the Consolidated Financial Statements below.)

In addition, third quarter results included credit valuation adjustment on derivatives (excluding monolines), net of hedges (CVA) and debt valuation adjustment on Citi's fair value option debt (DVA) of pre-tax negative \$776 million (negative \$485 million after-tax) as Citi's credit spreads tightened during the quarter, compared to pretax positive \$1.9 billion (positive \$1.2 billion after-tax in the third quarter of 2011). The vast majority of this CVA/DVA was recorded in *Securities and Banking*. Results for the third quarter of 2012 also included a \$582 million tax benefit related to the resolution of certain tax audit items, recorded in the *Corporate/Other* segment.

Excluding CVA/DVA, the loss on MSSB and the tax items described above, Citi earned \$3.3 billion, or \$1.06 per diluted share, compared to \$0.84 per diluted share in the prior-year period. The year-over-year increase in earnings per share, excluding CVA/DVA, the loss on MSSB and the tax items, primarily reflected higher Citicorp revenues, as well as year-over-year declines in both expenses and credit costs.

Edgar Filing: CITIGROUP INC - Form 10-Q

Citi's revenues, net of interest expense, were \$14.0 billion in the third quarter of 2012, down 33% versus the prior-year period. Excluding CVA/DVA and the loss on MSSB, revenues were \$19.4 billion, up 3% from the third quarter of 2011, as revenues in Citicorp rose 5% from the prior-year period while revenues continued to decline in Citi Holdings. Net interest revenues of \$11.9 billion were 2% lower than the prior-year period, largely due to continued declining loan balances in *Local Consumer Lending* in Citi Holdings and ongoing spread compression in *GCB* and *Transaction Services* in Citicorp (as used throughout this Form 10-Q, spread compression refers to the reduction in net interest revenue as a percentage of loans or deposits, as applicable, as driven by either lower yields on interest-earning assets or higher costs to fund such assets (or a combination thereof)). Excluding CVA/DVA and the impact of MSSB, non-interest revenues were \$7.5 billion, up 11% from the prior-year period, principally driven by higher mortgage revenues in *North America RCB* and higher revenues in *Securities and Banking*, partially offset by a lower contribution from MSSB and lower private equity marks in *Brokerage and Asset Management* within Citi Holdings.

Operating Expenses

Citigroup expenses decreased 2% versus the prior-year period to \$12.2 billion. In the third quarter of 2012, Citi continued to incur elevated legal and related costs (\$528 million) and repositioning charges (\$95 million) compared to \$274 million of legal and related costs and \$208 million of repositioning charges in the prior-year period. Excluding these items, as well as the impact of foreign exchange translation into U.S. dollars for reporting purposes (as used throughout this Form 10-Q, FX translation), which lowered reported expenses by approximately \$0.3 billion in the third quarter of 2012 as compared to the prior-year period, operating expenses declined slightly to \$11.6 billion versus \$11.7 billion in the

Edgar Filing: CITIGROUP INC - Form 10-Q

prior-year period. Citi expects to continue to incur elevated legal and related expenses and repositioning costs in the fourth quarter of 2012.

Citicorp's expenses were \$10.3 billion, down 2% from the prior-year period, as efficiency savings more than offset investments and volume-related increases.

Citi Holdings expenses were down 21% year-over-year to \$1.2 billion, principally due to the continued decline in assets and thus lower operating expenses.

Credit Costs

Citi's total provisions for credit losses and for benefits and claims of \$2.7 billion declined 20% from the prior-year period. Net credit losses of \$4.0 billion were down 12% from the third quarter of 2011. Net credit losses in the third quarter of 2012 included approximately \$635 million of incremental mortgage charge-offs in *Local Consumer Lending* within Citi Holdings required by new industry guidance from the Office of the Comptroller of the Currency (OCC) regarding the treatment of mortgage loans where the borrower has gone through Chapter 7 bankruptcy (see Note 1 to the Consolidated Financial Statements). The vast majority of the charge-offs were related to loans which were current. Excluding the charge-offs related to the new OCC guidance, net credit losses would have declined to \$3.3 billion or by 26% from the prior-year period.

Consumer net credit losses declined 9% to \$3.9 billion, as the continued credit improvement in *North America* Citi-branded cards and Citi retail services in Citicorp were partially offset by the increase in net credit losses in *Local Consumer Lending* within Citi Holdings related to the new OCC guidance mentioned above. Corporate net credit losses decreased 57% year-over-year to \$117 million, driven primarily by continued credit improvement in the *Special Asset Pool* in Citi Holdings.

The net release of allowance for loan losses and unfunded lending commitments was \$1.5 billion in the third quarter of 2012, 6% higher than the third quarter of 2011. The increase in the net reserve release was due to an approximately \$600 million reserve release related to loans impacted by the new OCC guidance described above. Excluding the reserve release related to loans impacted by the new OCC guidance, the net reserve release would have been \$909 million, 36% lower than the prior-year period.

Of the \$1.5 billion net reserve release, \$696 million was attributable to Citicorp compared to an \$887 million release in the prior-year period. The decline in the Citicorp reserve release year-over-year mostly reflected a lower reserve release in *North America RCB*, partially offset by a net reserve release in the Corporate portfolio. The \$813 million net reserve release in Citi Holdings was up from \$535 million in the prior-year period, due primarily to the release associated with loans impacted by the new OCC guidance mentioned above. \$1.3 billion of the \$1.5 billion net reserve release related to Consumer, with the remainder in Corporate.

Capital and Loan Loss Reserve Positions

Citigroup's Tier 1 Capital and Tier 1 Common ratios were 13.9% and 12.7% as of September 30, 2012, respectively, compared to 13.5% and 11.7% in the prior-year period. Citi's estimated Tier 1 Common ratio under Basel III was 8.6% at the end of the third quarter of 2012, up from an estimated 7.9% as of the end of the second quarter of 2012. Citi's estimated Basel III Tier 1 Common ratio is a non-GAAP financial measure. For additional information on Citi's estimated Basel III Tier 1 Common Capital and Tier 1 Common ratio, including the calculation of these measures, see "Capital Resources and Liquidity Capital Resources" below.

Citigroup's total allowance for loan losses was \$25.9 billion at quarter end, or 4.0% of total loans, compared to \$32.1 billion, or 5.1%, at the end of the prior-year period. The decline in the total allowance for loan losses reflected continued asset sales in Citi Holdings, consistent with Citi's strategy to reduce these assets in an economically rational manner, lower non-accrual loans, and overall continued improvement in the credit quality of the loan portfolios.

The Consumer allowance for loan losses was \$23.1 billion, or 5.7% of total Consumer loans, at quarter-end, compared to \$28.9 billion, or 6.8% of total loans, at September 30, 2011. Total non-accrual assets declined 5% to \$12.7 billion compared to the third quarter of 2011. Corporate non-accrual loans declined 42% to \$2.4 billion. Consumer non-accrual loans increased \$1.9 billion, or 25%, to \$9.8 billion versus the prior-year period, predominantly reflecting the new OCC guidance mentioned above which added \$1.5 billion to Consumer non-accrual loans (of which approximately \$1.3 billion were current).

Citicorp

Citicorp net income decreased 18% from the prior-year period to \$4.1 billion. The decrease largely reflected the negative CVA/DVA versus positive CVA/DVA in the prior-year period. CVA/DVA, recorded in *Securities and Banking*, was a negative \$799 million in the third quarter of 2012, compared to positive \$1.9 billion in the prior-year period. Excluding CVA/DVA, Citicorp net income increased 20% from the prior-year period to \$4.6 billion driven by a 5% increase in revenues, a 2% decline in operating expenses and a 14% decline in provisions for credit losses

Edgar Filing: CITIGROUP INC - Form 10-Q

and for benefits and claims.

Excluding CVA/DVA, Citicorp revenues were \$18.4 billion, up 5% versus the third quarter of 2011. *GCB* revenues of \$10.2 billion were up 2% versus the prior-year period. *North America RCB* revenues grew 6% to \$5.4 billion driven by higher mortgage revenues, partially offset by lower cards revenues as consumers continued to deleverage in the face of ongoing macroeconomic uncertainty. For additional information on the results of operations of *North America RCB* for the third quarter of 2012, see "*Global Consumer Banking North America Regional Consumer Banking*" below.

International *GCB* revenues (consisting of *Asia RCB*, *Latin America RCB* and *EMEA RCB*) declined 2% year-over-year to \$4.8 billion. International *GCB* revenues were

Edgar Filing: CITIGROUP INC - Form 10-Q

negatively impacted by FX translation as the U.S. dollar generally strengthened in the third quarter of 2012 against local currencies in which Citi generates revenues. Excluding the impact of FX translation, international *GCB* revenues rose 3% year-over-year, driven by 7% revenue growth in each of *Latin America RCB* and *EMEA RCB*, partially offset by a 2% decline in *Asia RCB* revenues.(1) In *Asia RCB*, the revenue decline reflected the continued impact of several factors, including spread compression in several countries within the region, lower revenues in Japan and regulatory actions to limit the availability of consumer credit in certain countries, particularly Korea. For additional information on the results of operations of *Asia RCB* for the third quarter of 2012, see "*Global Consumer Banking Asia Regional Consumer Banking*" below.

In *North America RCB*, average deposits of \$154 billion grew 6% year-over-year and average retail loans of \$41 billion grew 17%, while average card loans of \$108 billion declined 4% and card purchase sales of \$58 billion were roughly flat due to the deleveraging related to ongoing macroeconomic uncertainty, as referenced above. Excluding the impact of FX translation, international *GCB* average deposits grew 4% year-over-year, average retail loans increased 11%, average card loans grew 7% year-over-year and international card purchase sales increased 7%. Growth in these metrics year-over-year reflected continued execution of Citi's strategy to grow its core businesses in Citicorp, particularly in emerging markets such as *Latin America*.

Securities and Banking revenues were \$4.8 billion in the third quarter of 2012, down 29% year-over-year. Excluding the impact of CVA/DVA, *Securities and Banking* revenues were \$5.6 billion, or 15% higher than the prior-year period. Fixed income markets revenues of \$3.7 billion in the third quarter of 2012, excluding CVA/DVA,(2) increased 63% from the prior-year period, reflecting significantly higher trading revenues in credit-related and securitized products, as well as a strong performance in rates and currencies, driven by improved market conditions. Equity markets revenues of \$510 million in the third quarter of 2012, excluding CVA/DVA, were 76% above the prior-year period driven by improved derivatives performance as well as the absence of proprietary trading losses in the prior-year period, partially offset by lower cash equity volumes.

Investment banking revenues rose 26% from the prior-year period to \$926 million, reflecting higher revenues in debt underwriting, equity underwriting and advisory services. Lending revenues of \$194 million were down 81% from the prior-year period, reflecting \$252 million in losses on hedges related to accrual loans as credit spreads tightened during the third quarter 2012 (compared to a \$702 million gain in the prior-year period as spreads widened). Excluding the mark-to-market impact of loan hedges related to accrual loans, lending revenues rose 35% year-over-year to \$445 million reflecting higher lending volumes and improved spreads. Private Bank revenues of \$590 million increased 8% from the prior-year period, excluding CVA/DVA, driven primarily by growth in North America lending and deposits.

Transaction Services revenues were \$2.7 billion, down 2% from the prior-year period, but up 1% excluding the impact of FX translation, as growth in *Treasury and Trade Solutions* offset a decline in *Securities and Fund Services*.(3) Excluding the impact of FX translation, *Treasury and Trade Solutions* revenues were up 4%, reflecting strong growth in average deposits and trade loans, partially offset by ongoing spread compression given the low interest rate environment. *Securities and Fund Services* revenues were down 8% excluding the impact of FX translation, mostly reflecting lower settlement volumes.

Citicorp end of period loans increased for the seventh consecutive quarter, up 11% year-over-year to \$537 billion, with 5% growth in Consumer loans, primarily in *Asia* and *Latin America*, and 19% growth in Corporate loans.

Citi Holdings

Citi Holdings net loss was \$3.6 billion in the third quarter of 2012 compared to a \$1.2 billion loss reported in the third quarter of 2011. The increase in the net loss year-over-year was driven by the \$4.7 billion pre-tax (\$2.9 billion after-tax) loss on MSSB mentioned above. Excluding the loss on MSSB and CVA/DVA,(4) Citi Holdings net loss improved to \$679 million, from a \$1.3 billion loss in the prior-year period, as revenue declines were more than offset by lower operating expenses and lower credit costs, all reflecting the continued decline in Citi Holdings assets, consistent with Citi's strategy. In addition, the net loss in the third quarter of 2012 also reflected a tax benefit of approximately \$200 million related to the sale of certain assets in the *Special Asset Pool*.

Citi Holdings revenues decreased to a negative \$3.7 billion from \$1.1 billion in the prior-year period. Excluding CVA/DVA and the loss on MSSB, Citi Holdings revenues were \$971 million in the third quarter compared to \$1.1 billion in the prior-year period. *Special Asset Pool* revenues, excluding CVA/DVA, were a negative \$13 million in the third quarter 2012, compared to a negative \$277 million in the prior-year period, largely due to lower funding costs as well as an improvement in asset marks. *Local Consumer Lending* revenues of \$1.1 billion declined 15% from the prior-year period primarily due to the 26% decline in average assets. *Brokerage and Asset Management* revenues, excluding the loss on MSSB, were \$(120) million, compared to \$55 million in the prior-year period, reflecting a lower equity contribution from MSSB as well as lower asset marks. Net interest revenues declined 14% year-over-year to \$668 million, largely driven by continued declining loan balances in *Local Consumer Lending*. Non-interest revenues, excluding MSSB

- (1) For the impact of FX translation on the third quarter of 2012 results of operations for each of *EMEA RCB*, *Latin America RCB* and *Asia RCB*, see the table accompanying the discussion of each respective business' results of operations under "*Global Consumer Banking*" below.
- (2) For the summary of CVA/DVA by business within *Securities and Banking* for the third quarter of 2012 and comparable periods, see "*Citicorp Institutional Clients Group*."
- (3) For the impact of FX translation on the third quarter of 2012 results of operations for *Transaction Services*, see the table accompanying the discussion under "*Institutional Clients Group Transaction Services*" below.
- (4) CVA/DVA in Citi Holdings, recorded in the *Special Asset Pool*, was a positive \$23 million in the third quarter of 2012, compared to a positive \$50 million in the prior-year period.

Edgar Filing: CITIGROUP INC - Form 10-Q

and CVA/DVA, were essentially flat at \$303 million versus the prior-year period, reflecting the lower equity contribution from MSSB in *Brokerage and Asset Management* offset by the improvement in asset marks within the *Special Asset Pool*.

Citi Holdings assets declined 31% year-over-year to \$171 billion as of the end of the third quarter of 2012. At the end of the third quarter of 2012, Citi Holdings assets comprised approximately 9% of total Citigroup GAAP assets and 16% of risk-weighted assets (as defined under current regulatory guidelines). *Local Consumer Lending* continued to represent the largest segment within Citi Holdings, with \$134 billion of assets as of the end of the third quarter, of which approximately 70% consisted of mortgages in *North America* real estate lending.

RESULTS OF OPERATIONS

SUMMARY OF SELECTED FINANCIAL DATA Page 1

Citigroup Inc. and Consolidated Subsidiaries

<i>In millions of dollars, except per-share amounts and ratios</i>	Third Quarter		%	Nine Months		%
	2012	2011	Change	2012	2011	Change
Net interest revenue	\$ 11,913	\$ 12,114	(2)%	\$ 35,453	\$ 36,364	(3)%
Non-interest revenue	2,038	8,717	(77)	16,546	24,815	(33)
Revenues, net of interest expense	\$ 13,951	\$ 20,831	(33)%	\$ 51,999	\$ 61,179	(15)%
Operating expenses	12,220	12,460	(2)	36,673	37,722	(3)
Provisions for credit losses and for benefits and claims	2,695	3,351	(20)	8,520	9,922	(14)
Income (loss) from continuing operations before income taxes	\$ (964)	\$ 5,020	NM	\$ 6,806	\$ 13,535	(50)%
Income taxes (benefits)	(1,488)	1,278	NM	233	3,430	(93)
Income from continuing operations	\$ 524	\$ 3,742	(86)%	\$ 6,573	\$ 10,105	(35)%
Income (loss) from discontinued operations, net of taxes(1)	(31)	1	NM	(37)	112	NM
Net income before attribution of noncontrolling interests	\$ 493	\$ 3,743	(87)%	\$ 6,536	\$ 10,217	(36)%
Net income (loss) attributable to noncontrolling interests	25	(28)	NM	191	106	80
Citigroup's net income	\$ 468	\$ 3,771	(88)%	\$ 6,345	\$ 10,111	(37)%
Less:						
Preferred dividends Basic	\$ 4	\$ 4	%	\$ 17	\$ 17	%
Dividends and undistributed earnings allocated to employee restricted and deferred shares that contain nonforfeitable rights to dividends, applicable to Basic EPS	11	70	(84)	138	164	(16)
Income allocated to unrestricted common shareholders for Basic EPS	\$ 453	\$ 3,697	(88)%	\$ 6,190	\$ 9,930	(38)%
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	2	6	(67)	10	12	(17)
Income allocated to unrestricted common shareholders for diluted EPS	\$ 455	\$ 3,703	(88)%	\$ 6,200	\$ 9,942	(38)%
Earnings per share(2)						
Basic						
Income from continuing operations	\$ 0.17	\$ 1.27	(87)%	\$ 2.13	\$ 3.38	(37)%
Net income	0.15	1.27	(88)	2.12	3.41	(38)
Diluted						
Income from continuing operations	\$ 0.16	\$ 1.23	(87)%	\$ 2.07	\$ 3.28	(37)%
Net income	0.15	1.23	(88)	2.06	3.32	(38)
Dividends declared per common share	0.01	0.01		0.03	0.02	50

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

SUMMARY OF SELECTED FINANCIAL DATA Page 2

Citigroup Inc. and Consolidated Subsidiaries

<i>In millions of dollars, except per-share amounts, ratios and direct staff</i>	Third Quarter		% Change	Nine Months		% Change
	2012	2011		2012	2011	
At September 30:						
Total assets	\$ 1,931,346	\$ 1,935,992				%
Total deposits	944,644	851,281				11
Long-term debt	271,862	333,824				(19)
Trust preferred securities (included in long-term debt)	10,560	16,089				(34)
Citigroup common stockholders' equity	186,465	177,060				5
Total Citigroup stockholders' equity	186,777	177,372				5
Direct staff (<i>in thousands</i>)	261	267				(2)
Ratios						
Return on average common stockholders' equity(3)	0.99%	8.44%		4.61%		7.82%
Return on average total stockholders' equity(3)	1.00	8.43		4.61		7.82
Tier 1 Common(4)	12.73%	11.71%				
Tier 1 Capital	13.92	13.45				
Total Capital	17.12	16.89				
Leverage(5)	7.39	7.01				
Citigroup common stockholders' equity to assets	9.65%	9.15%				
Total Citigroup stockholders' equity to assets	9.67	9.16				
Dividend payout ratio(6)	0.07	0.01				
Book value per common share(2)	\$ 63.59	\$ 60.56				
Ratio of earnings to fixed charges and preferred stock dividends	0.81x	1.81x		1.41x		1.71x

- (1) Discontinued operations in 2012 includes definitive agreements executed by Citi to transition a carve-out of its liquid strategies business within Citi Capital Advisors to certain employees responsible for managing those operations. Discontinued operations in 2011 primarily reflect the sale of the Egg Banking PLC credit card business. See Note 2 to the Consolidated Financial Statements.
- (2) 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.
- (3) 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.
- (4) As currently defined by the U.S. banking regulators, the Tier 1 Common ratio represents Tier 1 Capital less non-common elements, including qualifying perpetual preferred stock, qualifying noncontrolling interests in subsidiaries and qualifying trust preferred securities divided by risk-weighted assets.
- (5) The leverage ratio represents Tier 1 Capital divided by quarterly adjusted average total assets.
- (6) Dividends declared per common share as a percentage of net income per diluted share.

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

<i>In millions of dollars</i>	Third Quarter		%	Nine Months		%
	2012	2011	Change	2012	2011	Change
Income (loss) from continuing operations						
CITICORP						
Global Consumer Banking						
<i>North America</i>	\$ 1,300	\$ 1,103	18%	\$ 3,813	\$ 3,151	21%
<i>EMEA</i>	10	9	11	20	99	(80)
<i>Latin America</i>	405	339	19	1,109	1,208	(8)
<i>Asia</i>	449	562	(20)	1,400	1,494	(6)
Total	\$ 2,164	\$ 2,013	8%	\$ 6,342	\$ 5,952	7%
Securities and Banking						
<i>North America</i>	\$ 232	674	(66)%	\$ 848	\$ 1,485	(43)%
<i>EMEA</i>	346	735	(53)	1,223	1,840	(34)
<i>Latin America</i>	363	207	75	1,030	776	33
<i>Asia</i>	190	526	(64)	747	946	(21)
Total	\$ 1,131	\$ 2,142	(47)%	\$ 3,848	\$ 5,047	(24)%
Transaction Services						
<i>North America</i>	\$ 120	\$ 112	7%	\$ 370	\$ 347	7%
<i>EMEA</i>	283	286	(1)	930	847	10
<i>Latin America</i>	157	168	(7)	520	500	4
<i>Asia</i>	286	316	(9)	862	888	(3)
Total	\$ 846	\$ 882	(4)%	\$ 2,682	\$ 2,582	4%
Institutional Clients Group	\$ 1,977	\$ 3,024	(35)%	\$ 6,530	\$ 7,629	(14)%
Total Citicorp	\$ 4,141	\$ 5,037	(18)%	\$ 12,872	\$ 13,581	(5)%
Corporate/Other	\$ (55)	\$ (74)	26	\$ (794)	\$ (687)	(16)%
Total Citicorp and Corporate/Other	\$ 4,086	\$ 4,963	(18)%	\$ 12,078	\$ 12,894	(6)%
CITI HOLDINGS						
<i>Brokerage and Asset Management</i>	\$ (3,018)	\$ (83)	NM	\$ (3,178)	\$ (193)	NM
<i>Local Consumer Lending</i>	(694)	(1,011)	31%	(2,148)	(3,209)	33%
<i>Special Asset Pool</i>	150	(127)	NM	(179)	613	NM
Total Citi Holdings	\$ (3,562)	\$ (1,221)	NM	\$ (5,505)	\$ (2,789)	(97)%
Income from continuing operations	\$ 524	\$ 3,742	(86)%	\$ 6,573	\$ 10,105	(35)%
Discontinued operations	\$ (31)	\$ 1	NM	\$ (37)	112	NM
Net income attributable to noncontrolling interests	25	(28)	NM	191	106	80%

Edgar Filing: CITIGROUP INC - Form 10-Q

Citigroup's net income	\$	468	\$	3,771	(88)%	\$	6,345	\$	10,111	(37)%
-------------------------------	----	------------	----	-------	-------	----	--------------	----	--------	-------

NM Not meaningful

CITIGROUP REVENUES

<i>In millions of dollars</i>	Third Quarter		%	Nine Months		%
	2012	2011	Change	2012	2011	Change
CITICORP						
Global Consumer Banking						
<i>North America</i>	\$ 5,402	\$ 5,100	6%	\$ 15,735	\$ 14,992	5%
<i>EMEA</i>	381	379	1	1,125	1,210	(7)
<i>Latin America</i>	2,419	2,417		7,182	7,119	1
<i>Asia</i>	1,978	2,067	(4)	5,923	5,989	(1)
Total	\$ 10,180	\$ 9,963	2%	\$ 29,965	\$ 29,310	2%
Securities and Banking						
<i>North America</i>	\$ 1,439	\$ 2,445	(41)%	\$ 4,713	\$ 6,898	(32)%
<i>EMEA</i>	1,511	2,299	(34)	5,074	6,002	(15)
<i>Latin America</i>	802	521	54	2,314	1,791	29
<i>Asia</i>	1,018	1,460	(30)	3,349	3,538	(5)
Total	\$ 4,770	\$ 6,725	(29)%	\$ 15,450	\$ 18,229	(15)%
Transaction Services						
<i>North America</i>	\$ 623	\$ 620		\$ 1,929	\$ 1,839	5%
<i>EMEA</i>	867	893	(3)%	2,691	2,628	2
<i>Latin America</i>	447	444	1	1,353	1,300	4
<i>Asia</i>	721	759	(5)	2,235	2,188	2
Total	\$ 2,658	\$ 2,716	(2)%	\$ 8,208	\$ 7,955	3%
<i>Institutional Clients Group</i>	\$ 7,428	\$ 9,441	(21)%	\$ 23,658	\$ 26,184	(10)%
Total Citicorp	\$ 17,608	\$ 19,404	(9)%	\$ 53,623	\$ 55,494	(3)%
<i>Corporate/Other</i>	\$ 33	\$ 300	(89)%	\$ 268	\$ 502	(47)%
Total Citicorp and Corporate/Other	\$ 17,641	\$ 19,704	(10)%	\$ 53,891	\$ 55,996	(4)%
CITI HOLDINGS						
<i>Brokerage and Asset Management</i>	\$ (4,804)	\$ 55	NM	\$ (4,763)	\$ 239	NM
<i>Local Consumer Lending</i>	1,104	1,299	(15)%	3,361	4,163	(19)%
<i>Special Asset Pool</i>	10	(227)	NM	(490)	781	NM
Total Citi Holdings	\$ (3,690)	\$ 1,127	NM	\$ (1,892)	\$ 5,183	NM
Total Citigroup net revenues	\$ 13,951	\$ 20,831	(33)%	\$ 51,999	\$ 61,179	(15)%

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, including many of the world's emerging economies. 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 its large multinational clients and for meeting the needs of retail, private banking, commercial, public sector and institutional clients around the world. At September 30, 2012, Citicorp had approximately \$1.5 trillion of assets and \$875 billion of deposits, representing approximately 75% of Citi's total assets and approximately 92% of its deposits.

Citicorp consists of the following businesses: *Global Consumer Banking* (which consists of Citi's *Regional Consumer Banking* in North America, EMEA, Latin America and Asia) and *Institutional Clients Group* (which includes *Securities and Banking* and *Transaction Services*).

<i>In millions of dollars except as otherwise noted</i>	Third Quarter			Nine Months		
	2012	2011	% Change	2012	2011	% Change
Net interest revenue	\$ 11,381	\$ 11,363		\$ 33,647	\$ 33,585	
Non-interest revenue	6,227	8,041	(23)%	19,976	21,909	(9)%
Total revenues, net of interest expense	\$ 17,608	\$ 19,404	(9)%	\$ 53,623	\$ 55,494	(3)%
Provisions for credit losses and for benefits and claims						
Net credit losses	\$ 2,173	\$ 2,632	(17)%	\$ 6,639	\$ 8,864	(25)%
Credit reserve build (release)	(671)	(932)	28	(1,988)	(4,134)	52
Provision for loan losses	\$ 1,502	\$ 1,700	(12)%	\$ 4,651	\$ 4,730	(2)%
Provision for benefits and claims	65	56	16	173	147	18
Provision for unfunded lending commitments	(25)	45	NM	(11)	44	NM
Total provisions for credit losses and for benefits and claims	\$ 1,542	\$ 1,801	(14)%	\$ 4,813	\$ 4,921	(2)%
Total operating expenses	\$ 10,266	\$ 10,427	(2)%	\$ 30,871	\$ 31,332	(1)%
Income from continuing operations before taxes	\$ 5,800	\$ 7,176	(19)%	\$ 17,939	\$ 19,241	(7)%
Provisions for income taxes	1,659	2,139	(22)	5,067	5,660	(10)
Income from continuing operations	\$ 4,141	\$ 5,037	(18)%	\$ 12,872	\$ 13,581	(5)%
Net income attributable to noncontrolling interests	17	6	NM	108	29	NM
Citicorp's net income	\$ 4,124	\$ 5,031	(18)%	\$ 12,764	\$ 13,552	(6)%
Balance sheet data (in billions of dollars)						
Total end of period (EOP) assets	\$ 1,458	\$ 1,406	4%			
Average assets	1,432	1,423	1	\$ 1,420	\$ 1,404	1%
Total EOP loans	537	483	11			
Total EOP deposits	875	779	12			

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 through retail banking, commercial banking, Citi-branded cards and Citi retail services. *GCB* is a globally diversified business with 4,069 branches in 39 countries around the world. For the three months ended September 30, 2012, *GCB* had \$388 billion of average assets and \$324 billion of average deposits.

<i>In millions of dollars except as otherwise noted</i>	Third Quarter		% Change	Nine Months		% Change
	2012	2011		2012	2011	
Net interest revenue	\$ 7,395	\$ 7,515	(2)%	\$ 21,965	\$ 22,258	(1)%
Non-interest revenue	2,785	2,448	14%	8,000	7,052	13
Total revenues, net of interest expense	\$ 10,180	\$ 9,963	2%	\$ 29,965	\$ 29,310	2%
Total operating expenses	\$ 5,389	\$ 5,382		\$ 15,912	\$ 15,830	1%
Net credit losses	\$ 2,030	\$ 2,545	(20)%	\$ 6,432	\$ 8,417	(24)%
Credit reserve build (release)	(522)	(964)	46	(1,984)	(3,716)	47
Provisions for unfunded lending commitments	1				3	(100)
Provision for benefits and claims	65	56	16	173	147	18
Provisions for credit losses and for benefits and claims	\$ 1,574	\$ 1,637	(4)%	\$ 4,621	\$ 4,851	(5)%
Income from continuing operations before taxes	\$ 3,217	\$ 2,944	9%	\$ 9,432	\$ 8,629	9%
Income taxes	1,053	931	13	3,090	2,677	15
Income from continuing operations	\$ 2,164	\$ 2,013	8%	\$ 6,342	\$ 5,952	7%
Net income (loss) attributable to noncontrolling interests	3	1	NM	3	2	50
Net income	\$ 2,161	\$ 2,012	7%	\$ 6,339	\$ 5,950	7%
Average assets (<i>in billions of dollars</i>)	\$ 388	\$ 380	2%	\$ 384	\$ 375	2%
Return on assets	2.22%	2.10%		2.21%	2.12%	
Total EOP assets	\$ 395	\$ 377	5			
Average deposits (<i>in billions of dollars</i>)	324	315	3	320	314	2%
Net credit losses as a percentage of average loans	2.83%	3.64%				
Revenue by business						
Retail banking	\$ 4,597	\$ 4,173	10%	\$ 13,509	\$ 12,250	10%
Cards(1)	5,583	5,790	(4)	16,456	17,060	(4)
Total	\$ 10,180	\$ 9,963	2%	\$ 29,965	\$ 29,310	2%
Income from continuing operations by business						
Retail banking	\$ 789	\$ 628	26%	\$ 2,389	\$ 1,938	23%
Cards(1)	1,375	1,385	(1)	3,953	4,014	(2)
Total	\$ 2,164	\$ 2,013	8%	\$ 6,342	\$ 5,952	7%
Foreign Currency (FX) Translation Impact						
Total revenue as reported	\$ 10,180	\$ 9,963	2%	\$ 29,965	\$ 29,310	2%
Impact of FX translation(2)		(217)			(735)	

Edgar Filing: CITIGROUP INC - Form 10-Q

Total revenues ex-FX	\$ 10,180	\$ 9,746	4%	\$ 29,965	\$ 28,507	5%
Total operating expenses as reported	\$ 5,389	\$ 5,382		\$ 15,912	\$ 15,830	1%
Impact of FX translation(2)		(145)			(478)	
Total operating expenses ex-FX	\$ 5,389	\$ 5,237	3%	\$ 15,912	\$ 15,298	4%
Total provisions for LLR & PBC as reported	\$ 1,574	\$ 1,637	(4)%	\$ 4,621	\$ 4,851	(5)%
Impact of FX translation(2)		(51)			(141)	
Total provisions for LLR & PBC ex-FX	\$ 1,574	\$ 1,586	(1)%	\$ 4,621	\$ 4,692	(2)%

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

(2) Reflects the impact of foreign exchange (FX) translation into U.S. dollars at the current exchange rate for all periods presented.

NM
Not meaningful

NORTH AMERICA REGIONAL CONSUMER BANKING

North America Regional Consumer Banking (NA RCB) provides traditional banking and Citi-branded card and Citi retail service to retail customers and small to mid-size businesses in the U.S. NA RCB's 1,017 retail bank branches and 12.5 million customer accounts, as of September 30, 2012, are largely concentrated in the greater metropolitan areas of New York, Los Angeles, San Francisco, Chicago, Miami, Washington, D.C., Boston, Philadelphia, Dallas, Houston, San Antonio and Austin. At September 30, 2012, NA RCB had \$41.5 billion of retail banking loans and \$156.8 billion of deposits. In addition, NA RCB had 102.4 million Citi-branded and Citi retail services credit card accounts, with \$108.8 billion in outstanding card loan balances.

<i>In millions of dollars, except as otherwise noted</i>	Third Quarter		% Change	Nine Months		% Change
	2012	2011		2012	2011	
Net interest revenue	\$ 4,183	\$ 4,268	(2)%	\$ 12,343	\$ 12,666	(3)%
Non-interest revenue	1,219	832	47	3,392	2,326	46
Total revenues, net of interest expense	\$ 5,402	\$ 5,100	6%	\$ 15,735	\$ 14,992	5%
Total operating expenses	\$ 2,465	\$ 2,409	2	\$ 7,257	\$ 7,018	3%
Net credit losses	\$ 1,351	\$ 1,854	(27)%	\$ 4,491	\$ 6,362	(29)%
Credit reserve build (release)	(519)	(955)	46	(2,174)	(3,396)	36
Provisions for benefits and claims	1	(1)	NM	1	(2)	NM
Provision for unfunded lending commitments	19	18	6	52	49	6
Provisions for credit losses and for benefits and claims	\$ 852	\$ 916	(7)%	\$ 2,370	\$ 3,013	(21)%
Income from continuing operations before taxes	\$ 2,085	\$ 1,775	17%	\$ 6,108	\$ 4,961	23%
Income taxes	785	672	17	2,295	1,810	27
Income from continuing operations	\$ 1,300	\$ 1,103	18%	\$ 3,813	\$ 3,151	21%
Net income attributable to noncontrolling interests	1			1		
Net income	\$ 1,299	\$ 1,103	18%	\$ 3,812	\$ 3,151	21%
Average assets (<i>in billions of dollars</i>)	\$ 173	\$ 167	4%	\$ 171	\$ 163	5%
Average deposits (<i>in billions of dollars</i>)	154	145	6	152	144	5
Net credit losses as a percentage of average loans	3.60%	4.99%				
Revenue by business						
Retail banking	\$ 1,736	\$ 1,282	35%	\$ 5,011	\$ 3,721	35%
Citi-branded cards	2,111	2,192	(4)	6,189	6,569	(6)
Citi retail services	1,555	1,626	(4)	4,535	4,702	(4)
Total	\$ 5,402	\$ 5,100	6%	\$ 15,735	\$ 14,992	5%
Income from continuing operations by business						
Retail banking	\$ 340	\$ 118	NM	\$ 1,006	\$ 299	NM
Citi-branded cards	571	577	(1)%	1,606	1,650	(3)%
Citi retail services	389	408	(5)	1,201	1,202	
Total	\$ 1,300	\$ 1,103	18%	\$ 3,813	\$ 3,151	21%

NM Not meaningful

3Q12 vs. 3Q11

Net income increased 18%, mainly driven by higher gains on sale of mortgages.

Revenues increased 6% driven by a 47% increase in non-interest revenues from higher gains on sale of mortgages, partly offset by a 2% decline in net interest revenues, mostly due to cards. Revenue from the retail banking business excluding mortgages was essentially flat, as volume growth and improved mix in the deposit and lending portfolios was offset by significant spread compression. The higher gains on sale of mortgages were driven by continued high levels of mortgage refinancing activity, which Citi currently expects will continue into 2013.

With respect to cards, revenues declined 4%. In Citi-branded cards, both average loans and net interest margin declined year-over-year, reflecting continued increased payment rates resulting from consumer deleveraging and the impact of the look-back provisions of The Credit Card Accountability Responsibility and Disclosure Act (CARD Act).⁽⁵⁾ In Citi retail services, net interest revenues improved but were offset by declining non-interest revenues, driven by improving credit and the resulting impact on contractual partner payments. On a sequential basis (third quarter of 2012 compared to second quarter of 2012), cards revenues grew 5%, with flat average loans and improved net interest margin. Despite the improvement quarter-over-quarter, Citi expects cards revenues could continue to be negatively impacted by higher payment rates for consumers, reflecting ongoing economic uncertainty and deleveraging as well as Citi's shift to higher credit quality borrowers.

As previously disclosed, as part of its U.S. Citi-branded cards business, Citi (through Citibank, N.A.) issues a co-branded credit card product with American Airlines, the Citi/AAAdvantage card. As has been widely-reported, AMR Corporation and certain of its subsidiaries, including American Airlines, Inc. (collectively, AMR), filed voluntary petitions for reorganization under Chapter 11 of the U.S. Bankruptcy Code in November 2011. To date, the ongoing AMR bankruptcy has not had a material impact on the results of operations for U.S. Citi-branded cards, NA RCB, Citicorp or Citi as a whole. However, it is not certain what the outcome of the bankruptcy process will be or whether the impact could be material to the results of operations or financial condition of U.S. Citi-branded cards over time.

Expenses increased 2%, largely due to the higher retail channel mortgage volumes and higher cards network-related expense, partially offset by lower advertising and marketing, reengineering saves and lower repositioning costs.

Provisions decreased 7%, primarily due to lower net credit losses in the cards portfolio partly offset by continued lower loan loss reserve releases (\$519 million in the third quarter of 2012 compared to \$955 million in the prior-year period). Citi currently expects NA RCB net credit losses could continue to improve slightly from third quarter of 2012 levels, while loan loss reserve releases will likely continue to decline, as delinquency trends have largely stabilized in the cards businesses.

3Q12 YTD vs. 3Q11 YTD

Year-to-date, NA RCB has experienced similar trends to those described above. *Net income* increased 21% driven by higher non-interest revenue and improvements in credit costs, partially offset by lower net interest revenue and higher expenses.

Revenues increased 5% mainly due to the higher non-interest revenue from the gains on sale of mortgages, partially offset by lower net interest revenue in the cards and retail banking businesses. Net interest revenue was down 3% driven primarily by margin pressure and lower volumes in cards, with average loans lower by 3%. Cards net interest margin was negatively impacted by the look-back provision of the CARD Act, as described above. Revenue from the retail banking business excluding mortgages was down 2% due to spread compression, partially offset by the impact of volume growth and improved product mix.

Expenses increased 3%, primarily driven by higher legal reserves related to the interchange litigation as previously disclosed, and the higher retail channel mortgage volumes and cards network-related expense described above, partially offset by ongoing savings initiatives.

Provisions decreased 21%, largely due to a net credit loss decline of 29%, substantially all of which related to cards (cards net credit losses were down \$1.8 billion, or 30%, from the prior year-to-date period). The decline in net credit losses was partially offset by a decrease in loan loss reserve releases of \$1.2 billion.

(5)

Edgar Filing: CITIGROUP INC - Form 10-Q

The CARD Act requires a review 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 APR.

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. The countries in which *EMEA RCB* has the largest presence are Poland, Turkey, Russia and the United Arab Emirates. At September 30, 2012, *EMEA RCB* had 234 retail bank branches with 3.9 million customer accounts, \$4.9 billion in retail banking loans and \$12.9 billion in deposits. In addition, the business had 2.5 million Citi-branded card accounts with \$2.9 billion in outstanding card loan balances.

<i>In millions of dollars, except as otherwise noted</i>	Third Quarter		% Change	Nine Months		% Change
	2012	2011		2012	2011	
Net interest revenue	\$ 257	\$ 233	10%	\$ 775	\$ 723	7%
Non-interest revenue	124	146	(15)	350	487	(28)
Total revenues, net of interest expense	\$ 381	\$ 379	1%	\$ 1,125	\$ 1,210	(7)%
Total operating expenses	\$ 335	\$ 344	(3)%	\$ 1,032	\$ 1,017	1%
Net credit losses	\$ 29	\$ 49	(41)%	\$ 72	\$ 144	(50)%
Credit reserve build (release)	2	(32)	NM	(16)	(121)	87
Provision for unfunded lending commitments		1	(100)	(1)	5	NM
Provisions for credit losses	\$ 31	\$ 18	72	\$ 55	\$ 28	96
Income from continuing operations before taxes	\$ 15	\$ 17	(12)%	\$ 38	\$ 165	(77)%
Income taxes	5	8	(38)	18	66	(73)
Income from continuing operations	\$ 10	\$ 9	11%	\$ 20	\$ 99	(80)%
Net income attributable to noncontrolling interests	2	1	100	4	3	33
Net income	\$ 8	\$ 8		\$ 16	\$ 96	(83)%
Average assets (<i>in billions of dollars</i>)	\$ 9	\$ 10	(10)%	\$ 9	\$ 10	(10)%
Return on assets	0.35%	0.32%		0.24%	1.28%	
Average deposits (<i>in billions of dollars</i>)	12.7	12.4	2	12.5	12.6	(1)
Net credit losses as a percentage of average loans	1.54%	2.70%				
Revenue by business						
Retail banking	\$ 223	\$ 215	4%	\$ 659	\$ 691	(5)%
Citi-branded cards	158	164	(4)	466	519	(10)
Total	\$ 381	\$ 379	1%	\$ 1,125	\$ 1,210	(7)%
Income (loss) from continuing operations by business						
Retail banking	\$ (12)	\$ (21)	43%	\$ (40)	\$ (19)	NM
Citi-branded cards	22	30	(27)	60	118	(49)%
Total	\$ 10	\$ 9	11%	\$ 20	\$ 99	(80)%
Foreign Currency (FX) Translation Impact						
Total revenue as reported	\$ 381	\$ 379	1%	\$ 1,125	\$ 1,210	(7)%
Impact of FX translation(1)		(23)			(80)	
Total revenues ex-FX	\$ 381	\$ 356	7%	\$ 1,125	\$ 1,130	%

Edgar Filing: CITIGROUP INC - Form 10-Q

Total operating expenses as reported	\$	335	\$	344	(3)%	\$	1,032	\$	1,017	1%
Impact of FX translation(1)				(20)					(67)	
Total operating expenses ex-FX	\$	335	\$	324	3%	\$	1,032	\$	950	9%
Provisions for credit loans as reported	\$	31	\$	18	72%	\$	55	\$	28	96%
Impact of FX translation(1)				(1)					(1)	
Provisions for credit loans ex-FX	\$	31	\$	17	82%	\$	55	\$	27	104%
Net income as reported	\$	8	\$	8	%	\$	16	\$	96	(83)%
Impact of FX translation(1)				(3)					(14)	
Net income ex-FX	\$	8	\$	5	60%	\$	16	\$	82	(80)%

(1) Reflects the impact of foreign exchange (FX) translation into U.S. dollars at the current exchange rate for all periods presented.

NM Not meaningful

Edgar Filing: CITIGROUP INC - Form 10-Q

The discussion of the results of operations for EMEA RCB below excludes the impact of FX translation for all periods presented. Presentation of the results of operations, excluding the impact of FX translation, are non-GAAP financial measures. Citi believes the presentation of EMEA RCB's results excluding the impact of FX translation is a more meaningful depiction of the underlying fundamentals of the business. For a reconciliation of certain of these metrics to the reported results, see the table above.

3Q12 vs. 3Q11

Net income increased 60%, mainly due to higher revenues, partially offset by higher expenses and provisions.

Revenues were up 7%, primarily driven by underlying growth across the products, partly offset by the absence of Akbank, Citi's equity investment in Turkey, which was moved to *Corporate/Other* in the first quarter of 2012. Net interest revenue was up 18% driven by the absence of Akbank investment funding costs in the current quarter and growth in average deposits of 9%, average retail loans of 18% and average cards loans of 7%, partially offset by spread compression. Interest rate caps on credit cards, particularly in Turkey, and the continued liquidation of a higher yielding non-strategic retail banking portfolio were the main contributors to the lower spreads. Non-interest revenue decreased 12%, mainly reflecting the absence of Akbank, partly offset by higher investment income and cards fees. Year-over-year, cards purchase sales grew 11%, investment sales grew 17% and retail new loan volume grew 23%.

Expenses grew by 3% due to the impact of continued investment spending focused on account acquisition and repositioning charges in Poland and Pakistan.

Provisions increased 82%, due to lower loan loss reserve releases, partially offset by lower net credit losses. Net credit losses continued to improve, declining 35% due to the ongoing improvement in credit quality and the move towards lower risk customers. Citi believes that net credit losses in *EMEA RCB* have largely stabilized and the loan loss reserve releases could continue to decline or stabilize and thus, overall, provisions could negatively impact the operating results of *EMEA RCB* in the near term.

3Q12 YTD vs. 3Q11 YTD

Year-to-date, *EMEA RCB* has experienced similar trends to those described above. *Net income* declined by 80%, primarily due to lower revenues and higher operating expenses and credit costs.

Revenues were flat, as continued growth in the underlying business was offset by the absence of Akbank since the first quarter of 2012 as described above. Net interest revenue was up 16% driven by the absence of the Akbank investment funding costs as well as growth in deposits and retail loans of 5% and 14% respectively, partially offset by spread compression. Similar to the year-over-year discussion above, interest rate caps on credit cards, particularly in Turkey, and the continued liquidation of a higher yielding non-strategic retail banking portfolio were the main contributors to the lower spreads. Non-interest revenue decreased 24%, mainly reflecting the absence of Akbank. Period-over-period, cards purchase sales grew 17% and retail new loan volume grew 29%.

Expenses increased 9% due to the impact of investment spending and repositioning charges in Poland, Central Europe and Pakistan as well as increased volumes.

Provisions increased \$28 million due to lower loan loss reserve releases, partially offset by lower net credit losses of \$61 million. Net credit losses continued to improve, declining 43% due to the ongoing improvement in credit quality and a benefit from sale of written-off portfolios in Turkey, Poland and Hungary.

LATIN AMERICA REGIONAL CONSUMER BANKING

Latin America Regional Consumer Banking (Latin America RCB) provides traditional banking and Citi-branded card services to retail customers and small to mid-size businesses, with the largest presence in Mexico and Brazil. *Latin America 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 September 30, 2012, *Latin America RCB* had 2,200 retail branches, with 32.1 million customer accounts, \$27.5 billion in retail banking loans and \$47.3 billion in deposits. In addition, the business had 13.0 million Citi-branded card accounts with \$14.2 billion in outstanding loan balances.

<i>In millions of dollars, except as otherwise noted</i>	Third Quarter		%	Nine Months		%
	2012	2011	Change	2012	2011	Change
Net interest revenue	\$ 1,687	\$ 1,654	2%	\$ 4,970	\$ 4,836	3%
Non-interest revenue	732	763	(4)	2,212	2,283	(3)
Total revenues, net of interest expense	\$ 2,419	\$ 2,417		\$ 7,182	\$ 7,119	1%
Total operating expenses	\$ 1,387	\$ 1,487	(7)%	\$ 4,114	\$ 4,348	(5)%
Net credit losses	\$ 433	\$ 406	7%	\$ 1,263	\$ 1,238	2%
Credit reserve build (release)	29	63	(54)	262	(105)	NM
Provision for benefits and claims	46	38	21	121	98	23
Provisions for loan losses and for benefits and claims (LLR & PBC)	\$ 508	\$ 507		\$ 1,646	\$ 1,231	34%
Income from continuing operations before taxes	\$ 524	\$ 423	24%	\$ 1,422	\$ 1,540	(8)%
Income taxes	119	84	42	313	332	(6)
Income from continuing operations	\$ 405	\$ 339	19%	\$ 1,109	\$ 1,208	(8)%
Net income (loss) attributable to noncontrolling interests				(2)	(1)	(100)%
Net income	\$ 405	\$ 339	19%	\$ 1,111	\$ 1,209	(8)%
Average assets (<i>in billions of dollars</i>)	\$ 79	\$ 80	(1)%	\$ 79	\$ 80	
Return on assets	2.04%	1.68%		1.88%	2.02%	
Average deposits (<i>in billions of dollars</i>)	44.6	45.5		44.9	46.2	(3)
Net credit losses as a percentage of average loans	4.25%	4.43%				
Revenue by business						
Retail banking	\$ 1,452	\$ 1,394	4%	\$ 4,278	\$ 4,125	4%
Citi-branded cards	967	1,023	(5)	2,904	2,994	(3)
Total	\$ 2,419	\$ 2,417		\$ 7,182	\$ 7,119	1%
Income from continuing operations by business						
Retail banking	\$ 214	\$ 169	27%	\$ 639	\$ 700	(9)%
Citi-branded cards	191	170	12	470	508	(7)
Total	\$ 405	\$ 339	19%	\$ 1,109	\$ 1,208	(8)%
Foreign Currency (FX) Translation Impact						
Total revenue as reported	\$ 2,419	\$ 2,417		\$ 7,182	\$ 7,119	1%
Impact of FX translation(1)		(151)			(536)	

Edgar Filing: CITIGROUP INC - Form 10-Q

Total revenues ex-FX	\$ 2,419	\$ 2,266	7%	\$ 7,182	\$ 6,583	9%
Total operating expenses as reported	\$ 1,387	\$ 1,487	(7)%	\$ 4,114	\$ 4,348	(5)%
Impact of FX translation(1)		(101)			(346)	
Total operating expenses ex-FX	\$ 1,387	\$ 1,386	%	\$ 4,114	\$ 4,002	3%
Provisions for LLR & PBC as reported	\$ 508	\$ 507	%	\$ 1,646	\$ 1,231	34%
Impact of FX translation(1)		(47)			(130)	
Provisions for LLR & PBC ex-FX	\$ 508	\$ 460	10%	\$ 1,646	\$ 1,101	50%
Net income as reported	\$ 405	\$ 339	19%	\$ 1,111	\$ 1,209	(8)%
Impact of FX translation(1)		(9)			(69)	
Net income ex-FX	\$ 405	\$ 330	23%	\$ 1,111	\$ 1,140	(3)%

(1) Reflects the impact of foreign exchange (FX) translation into U.S. dollars at the current exchange rate for all periods presented.

NM Not meaningful

Edgar Filing: CITIGROUP INC - Form 10-Q

The discussion of the results of operations for Latin America RCB below excludes the impact of FX translation for all periods presented. Presentation of the results of operations, excluding the impact of FX translation, are non-GAAP financial measures. Citi believes the presentation of Latin America RCB's results excluding the impact of FX translation is a more meaningful depiction of the underlying fundamentals of the business. For a reconciliation of certain of these metrics to the reported results, see the table above.

3Q12 vs. 3Q11

Net income increased 23%, mainly driven by higher revenues, partially offset by higher credit costs.

Revenues were up 7%, primarily due to loan growth across the region, particularly in Mexico. The business experienced increased demand for a number of different loans, predominantly personal installment loans and credit cards. Net interest revenue increased 8% due to growth in loans and deposits, partially offset by continued spread compression from higher credit quality customers. Average loans increased in both retail banking and cards, by 27% and 13%, respectively, and deposits grew by 4%. Non-interest revenue increased 3%, primarily due to increased business volumes in Citi's private pension fund and insurance businesses.

Expenses were flat, as higher volume-related expenses were offset by lower advertising and increased efficiency saves.

Provisions increased 10% due to higher net credit losses resulting from the growing loan portfolio, in particular personal loans.

3Q12 YTD vs. 3Q11 YTD

Year-to-date, *Latin America RCB* has experienced similar trends to those described above. *Net income* declined 3% as increased credit provisions were mostly offset by higher revenues.

Revenues increased 9% primarily due to higher volumes, mostly in Mexico personal loans and cards. This increase in volumes, which was partly offset by spread compression, resulted in net interest revenue increasing 10%. Non-interest revenue was up 5%, primarily due to the increased business volumes in Citi's pension fund and insurance businesses.

Expenses increased 3% primarily due to higher volumes, account acquisition and sales incentives, partially offset by reengineering actions.

Provisions increased 50% mainly as a result of loan loss reserve builds driven by the loan growth.

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, Australia, Singapore, Japan, Taiwan, Hong Kong, India and Indonesia. Citi's Japan Consumer Finance business, which Citi has been exiting since 2008, is included in Citi Holdings. At September 30, 2012, Asia RCB had 618 retail branches, 16.8 million customer accounts, \$69.3 billion in retail banking loans and \$113.1 billion in deposits. In addition, the business had 15.9 million Citi-branded card accounts with \$20 billion in outstanding loan balances.

<i>In millions of dollars, except as otherwise noted</i>	Third Quarter		% Change	Nine Months		% Change
	2012	2011		2012	2011	
Net interest revenue	\$ 1,268	\$ 1,360	(7)%	\$ 3,877	\$ 4,033	(4)%
Non-interest revenue	710	707		2,046	1,956	5
Total revenues, net of interest expense	\$ 1,978	\$ 2,067	(4)%	\$ 5,923	\$ 5,989	(1)%
Total operating expenses	\$ 1,202	\$ 1,142	5%	\$ 3,509	\$ 3,447	2%
Net credit losses	\$ 217	\$ 236	(8)%	\$ 606	\$ 673	(10)%
Credit reserve build (release)	(34)	(40)	15	(56)	(94)	40
Provisions for loan losses	\$ 183	\$ 196	(7)%	\$ 550	\$ 579	(5)%
Income from continuing operations before taxes	\$ 593	\$ 729	(19)%	\$ 1,864	\$ 1,963	(5)%
Income taxes	144	167	(14)	464	469	(1)
Income from continuing operations	\$ 449	\$ 562	(20)%	\$ 1,400	\$ 1,494	(6)%
Net income attributable to noncontrolling interests						
Net income	\$ 449	\$ 562	(20)%	\$ 1,400	\$ 1,494	(6)%
Average assets (<i>in billions of dollars</i>)	\$ 127	\$ 123	3%	\$ 125	\$ 121	3%
Return on assets	1.41%	1.81%		1.50%	1.65%	
Average deposits (<i>in billions of dollars</i>)	112	112		111	111	
Net credit losses as a percentage of average loans	0.98%	1.08%				
Revenue by business						
Retail banking	\$ 1,186	\$ 1,282	(7)%	\$ 3,561	\$ 3,713	(4)%
Citi-branded cards	792	785	1	2,362	2,276	4
Total	\$ 1,978	\$ 2,067	(4)%	\$ 5,923	\$ 5,989	(1)%
Income from continuing operations by business						
Retail banking	\$ 247	\$ 362	(32)%	\$ 784	\$ 958	(18)%
Citi-branded cards	202	200	1	616	536	15
Total	\$ 449	\$ 562	(20)%	\$ 1,400	\$ 1,494	(6)%
Foreign Currency (FX) Translation Impact						
Total revenue as reported	\$ 1,978	\$ 2,067	(4)%	\$ 5,923	\$ 5,989	(1)%
Impact of FX translation(1)		(43)			(119)	
Total revenues ex-FX	\$ 1,978	\$ 2,024	(2)%	\$ 5,923	\$ 5,870	1%
Total operating expenses as reported	\$ 1,202	\$ 1,142	5%	\$ 3,509	\$ 3,447	2%

Edgar Filing: CITIGROUP INC - Form 10-Q

Impact of FX translation(1)			(24)			(65)
Total operating expenses ex-FX	\$ 1,202	\$ 1,118	8%	\$ 3,509	\$ 3,382	4%
Provisions for loan losses as reported	\$ 183	\$ 196	(7)%	\$ 550	\$ 579	(5)%
Impact of FX translation(1)		(3)			(10)	
Provisions for loan losses ex-FX	\$ 183	\$ 193	(5)%	\$ 550	\$ 569	(3)%
Net income as reported	\$ 449	\$ 562	(20)%	\$ 1,400	\$ 1,494	(6)%
Impact of FX translation(1)		(13)			(36)	
Net income ex-FX	\$ 449	\$ 549	(18)%	\$ 1,400	\$ 1,458	(4)%

(1) Reflects the impact of foreign exchange (FX) translation into U.S. dollars at the current exchange rate for all periods presented.

NM Not meaningful

Edgar Filing: CITIGROUP INC - Form 10-Q

The discussion of the results of operations for Asia RCB below excludes the impact of FX translation for all periods presented. Presentation of the results of operations, excluding the impact of FX translation, are non-GAAP financial measures. Citi believes the presentation of Asia RCB's results excluding the impact of FX translation is a more meaningful depiction of the underlying fundamentals of the business. For a reconciliation of certain of these metrics to the reported results, see the table above.

3Q12 vs. 3Q11

Net income decreased 18%, primarily due to lower revenues and higher expenses, partially offset by an improvement in net credit losses.

Revenues decreased 2% due to a decline in net interest revenue and overall decreased revenues in Korea and Japan. Net interest revenue decreased 5%, as the benefit of higher average loan and deposit balances were offset by spread compression, mainly in retail lending. Spread compression continued to reflect improvements in the customer risk profile, stricter underwriting criteria and certain regulatory changes in Korea where, as previously disclosed, policy actions, including rate caps and other initiatives, have been implemented to slow the growth of consumer credit in that market, thus impacting volume growth, lending rates and fees. Spread compression is expected to continue to have a negative impact on net interest revenue as regulatory pressure and low interest rates persist. Non-interest revenue increased 2%, reflecting growth in Citi-branded cards purchase sales, partially offset by a decrease in revenue from investment sales/foreign exchange products. Despite the continued spread compression and regulatory changes in the region, the underlying business metrics continued to grow, with average retail loans up 6% and average card loans up 3%.

Expenses were up 8%, in part due to approximately \$20 million of repositioning charges in Korea as the business began to rationalize the distribution network and re-focus client segmentation due to the changing regulatory environment. These changes also more closely align the Korea retail franchise with Citi's urban-based global strategy. Citi expects to incur additional repositioning charges in the fourth quarter of 2012 related to these efforts. The increase in expenses was also due to increased investment spending, including China cards and branches, higher volume-driven expenses, and increased regulatory costs.

Provisions decreased 5%, reflecting continued credit quality improvement. Citi continues to believe credit costs will increase marginally in line with portfolio growth.

3Q12 YTD vs. 3Q11 YTD

Net income decreased 4% mainly due to higher expenses while revenues were flat.

Revenues increased 1% partly due to the absence of the previously disclosed charges relating to the repurchase of certain Lehman structured notes (approximately \$70 million) in the prior-year-to-date period. Net interest revenue declined 2% as an increase in lending and deposit volumes was more than offset by the continued spread compression. Non-interest revenue increased 6%, reflecting growth in Citi-branded cards purchase sales and the absence of the Lehman-related charges mentioned above, partially offset by lower revenue from investment sales/foreign exchange products.

Expenses were up 4%, due primarily to growth in business volumes, the Korea repositioning charges described above, investment spending and regulatory expenses.

Provisions decreased 3% reflecting the continued credit quality improvement. Credit quality improvement was partially offset by the increasing volumes in the region and higher provisions in Korea, partly due to the impact of the regulatory changes.

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 September 30, 2012, ICG had approximately \$1.1 trillion of assets and \$545 billion of deposits.

<i>In millions of dollars, except as otherwise noted</i>	Third Quarter		% Change	Nine Months		% Change
	2012	2011		2012	2011	
Commissions and fees	\$ 1,011	\$ 1,159	(13)%	\$ 3,233	\$ 3,425	(6)%
Administration and other fiduciary fees	663	649	2	2,101	2,127	(1)
Investment banking	1,000	590	69	2,604	2,384	9
Principal transactions	731	1,665	(56)	4,081	5,213	(22)
Other	37	1,530	(98)	(43)	1,708	NM
Total non-interest revenue	\$ 3,442	\$ 5,593	(38)%	\$ 11,976	\$ 14,857	(19)%
Net interest revenue (including dividends)	3,986	3,848	4	11,682	11,327	3
Total revenues, net of interest expense	\$ 7,428	\$ 9,441	(21)%	\$ 23,658	\$ 26,184	(10)%
Total operating expenses	\$ 4,877	\$ 5,045	(3)%	\$ 14,959	\$ 15,502	(4)%
Net credit losses	\$ 143	87	64	\$ 207	\$ 447	(54)
Provision (release) for unfunded lending commitments	(26)	45	NM	(11)	41	NM
Credit reserve build (release)	(149)	32	NM	(4)	(418)	99
Provisions for loan losses and benefits and claims	\$ (32)	\$ 164	NM	\$ 192	\$ 70	NM
Income from continuing operations before taxes	\$ 2,583	\$ 4,232	(39)%	\$ 8,507	\$ 10,612	(20)%
Income taxes	606	1,208	(50)	1,977	2,983	(34)
Income from continuing operations	\$ 1,977	\$ 3,024	(35)%	\$ 6,530	\$ 7,629	(14)%
Net income attributable to noncontrolling interests	14	5	NM	105	27	NM
Net income	\$ 1,963	\$ 3,019	(35)%	\$ 6,425	\$ 7,602	(15)%
Average assets (<i>in billions of dollars</i>)	\$ 1,044	\$ 1,043		\$ 1,036	\$ 1,029	1%
Return on assets	0.75%	1.15%		0.83%	0.99%	
Revenues by region						
North America	\$ 2,062	\$ 3,065	(33)%	\$ 6,642	\$ 8,737	(24)%
EMEA	2,378	3,192	(26)	7,765	8,630	(10)
Latin America	1,249	965	29	3,667	3,091	19
Asia	1,739	2,219	(22)	5,584	5,726	(2)
Total revenues	\$ 7,428	\$ 9,441	(21)%	\$ 23,658	\$ 26,184	(10)%
Income from continuing operations by region						
North America	\$ 352	\$ 786	(55)%	\$ 1,218	\$ 1,832	(34)%
EMEA	629	1,021	(38)	2,153	2,687	(20)
Latin America	520	375	39	1,550	1,276	21
Asia	476	842	(43)	1,609	1,834	(12)

Edgar Filing: CITIGROUP INC - Form 10-Q

Total income from continuing operations	\$ 1,977	\$ 3,024	(35)%	\$ 6,530	\$ 7,629	(14)%
<i>Average loans by region (in billions of dollars)</i>						
<i>North America</i>	\$ 90	\$ 70	29%	\$ 83	\$ 68	22%
<i>EMEA</i>	54	48	13	52	46	13
<i>Latin America</i>	34	30	13	34	28	21
<i>Asia</i>	65	54	20	63	49	29
Total average loans	\$ 243	\$ 202	20%	\$ 232	\$ 191	21%

NM Not meaningful

[THIS PAGE INTENTIONALLY LEFT BLANK]

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*.

<i>In millions of dollars, except as otherwise noted</i>	Third Quarter			Nine Months		
	2012	2011	% Change	2012	2011	% Change
Net interest revenue	\$ 2,463	\$ 2,348	5%	\$ 7,039	\$ 6,909	2%
Non-interest revenue	2,307	4,377	(47)%	8,411	11,320	(26)
Revenues, net of interest expense	\$ 4,770	\$ 6,725	(29)%	\$ 15,450	\$ 18,229	(15)%
Total operating expenses	3,486	3,578	(3)	10,768	11,277	(5)
Net credit losses	56	70	(20)	93	424	(78)
Provision (release) for unfunded lending commitments	(26)	54	NM	(17)	50	NM
Credit reserve build (release)	(103)	50	NM	(32)	(427)	93
Provisions for credit losses	\$ (73)	\$ 174	NM	\$ 44	\$ 47	(6)%
Income before taxes and noncontrolling interests	\$ 1,357	\$ 2,973	(54)%	\$ 4,638	\$ 6,905	(33)%
Income taxes	226	831	(73)	790	1,858	(57)
Income from continuing operations	\$ 1,131	\$ 2,142	(47)%	\$ 3,848	\$ 5,047	(24)%
Net income attributable to noncontrolling interests	11			93	13	NM
Net income	\$ 1,120	\$ 2,142	(48)%	\$ 3,755	\$ 5,034	(25)%
Average assets (<i>in billions of dollars</i>)	\$ 903	\$ 910	(1)%	\$ 900	\$ 900	%
Return on assets	0.49%	0.93%		0.56%	0.75%	
Revenues by region						
<i>North America</i>	\$ 1,439	\$ 2,445	(41)%	\$ 4,713	\$ 6,898	(32)%
<i>EMEA</i>	1,511	2,299	(34)	5,074	6,002	(15)
<i>Latin America</i>	802	521	54	2,314	1,791	29
<i>Asia</i>	1,018	1,460	(30)	3,349	3,538	(5)
Total revenues	\$ 4,770	\$ 6,725	(29)%	\$ 15,450	\$ 18,229	(15)%
Income from continuing operations by region						
<i>North America</i>	\$ 232	\$ 674	(66)%	\$ 848	\$ 1,485	(43)%
<i>EMEA</i>	346	735	(53)	1,223	1,840	(34)
<i>Latin America</i>	363	207	75	1,030	776	33
<i>Asia</i>	190	526	(64)	747	946	(21)
Total income from continuing operations	\$ 1,131	\$ 2,142	(47)%	\$ 3,848	\$ 5,047	(24)%

Securities and Banking revenue details (excluding CVA/DVA)

Edgar Filing: CITIGROUP INC - Form 10-Q

Total investment banking	\$ 926	\$ 736	26%	\$ 2,645	\$ 2,672	(1)%
Fixed income markets	3,697	2,270	63	11,251	9,175	23
Equity markets	510	290	76	1,963	2,169	(9)
Lending	194	1,032	(81)	858	1,644	(48)
Private bank	590	546	8	1,736	1,621	7
Other <i>Securities and Banking</i>	(348)	(37)	NM	(1,026)	(858)	(20)
Total <i>Securities and Banking</i> revenues (ex-CVA/DVA)	\$ 5,569	\$ 4,837	15%	\$ 17,427	\$ 16,423	6%
CVA/DVA	\$ (799)	\$ 1,888	NM	\$ (1,977)	\$ 1,806	NM
Total revenues, net of interest expense	\$ 4,770	\$ 6,725	(29)%	\$ 15,450	\$ 18,229	(15)%

NM Not meaningful

3Q12 vs. 3Q11

Net income decreased 48% due to the approximately \$1.1 billion of negative CVA/DVA and lending hedges related to accrual loans (see table below) during the third quarter of 2012. Excluding CVA/DVA and the lending hedges, net income increased \$1.2 billion, primarily driven by a 41% increase in revenues.

Revenues decreased 29% driven by the negative CVA/DVA and mark-to-market losses on hedges related to accrual loans. Excluding CVA/DVA and the gains/losses on hedges related to accrual loans:

Revenues increased 41%, reflecting higher revenues across all major *S&B* businesses.

Fixed income markets revenues increased 63%, reflecting significantly higher trading revenues in credit-related and securitized products, as well as strong performance in rates and currencies.

Equity markets revenues increased 76%, driven by improved derivatives performance as well as the absence of proprietary trading losses in the prior-year period, partially offset by lower cash equity volumes. Despite this positive performance, Citi believes that, given the macroeconomic environment, equity markets could continue to be negatively affected by low levels of client activity going forward.

Investment banking revenues increased 26%, reflecting higher revenues in debt underwriting, equity underwriting and advisory. Overall, Citi's market share in investment banking continued to increase year-to-date in all major products.

Lending revenues rose 35%, reflecting higher lending volumes and improved spreads.

Private Bank revenues increased 8%, driven primarily by growth in *North America* lending and deposits.

Expenses decreased 3%, driven by efficiency savings from ongoing reengineering programs.

Provisions decreased by \$247 million to a negative \$73 million, primarily reflecting loan loss reserve releases due to portfolio improvement.

3Q12 YTD vs. 3Q11 YTD

Net income decreased 25%, primarily due to the approximately \$2.4 billion of negative CVA/DVA and lending hedges related to accrual loans during the first nine months of 2012 (see table below). Excluding CVA/DVA and the lending hedges, net income increased 51% due to increased revenues and decreased expenses.

Revenues decreased 15% primarily due to the negative CVA/DVA and mark-to-market losses on hedges related to accrual loans. Excluding CVA/DVA and the gains/losses on hedges related to accrual loans:

Revenues increased 14%, reflecting stronger performance in fixed income markets, lending and the Private Bank, partially offset by decreases in equity markets and investment banking.

Fixed income markets revenues increased 23%, reflecting strong performance in rates and currencies and credit-related products.

Edgar Filing: CITIGROUP INC - Form 10-Q

Equity markets revenues decreased 9%, driven by lower cash volumes resulting from lower industry volumes, particularly in cash equities. This decline was partially offset by improved derivatives performance as well as the absence of proprietary trading losses in the prior year-to-date period.

Investment banking revenues decreased 1%, reflecting reduced industry-wide deal volume in most products.

Lending revenues increased 36%, primarily driven by increased volumes in the Corporate loan portfolio.

Private Bank revenues increased 7%, driven primarily by the growth in *North America* lending and deposits.

Expenses decreased 5%, driven by efficiency savings from ongoing reengineering programs and lower compensation costs.

Provisions decreased by 6%, primarily due to a specific recovery in the first quarter of 2012, which resulted in lower net credit losses for the first nine months of 2012. This was partially offset by lower loan loss reserve releases for the first nine months of 2012.

<i>In millions of dollars</i>	Three Months Ended Sept. 30, 2012	Three Months Ended Sept. 30, 2011	Nine Months Ended Sept. 30, 2012	Nine Months Ended Sept. 30, 2011
S&B CVA/DVA				
Fixed Income Markets	\$ (672)	\$ 1,531	\$ (1,614)	\$ 1,452
Equity Markets	(117)	345	(350)	347
Private Bank	(10)	12	(13)	7
Total S&B CVA/DVA	\$ (799)	\$ 1,888	\$ (1,977)	\$ 1,806
S&B Hedges on Accrual Loans gain (loss)(1)	\$ (252)	\$ 702	\$ (440)	\$ 692

(1)

Hedges on *S&B* accrual loans reflect the mark-to-market on credit derivatives used to hedge the corporate loan accrual portfolio. The fixed premium cost of these hedges is included (netted against) the core lending revenues to reflect the cost of the credit protection.

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 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 and trade loans as well as fees for transaction processing and fees on assets under custody and administration.

<i>In millions of dollars, except as otherwise noted</i>	Third Quarter		% Change	Nine Months		% Change
	2012	2011		2012	2011	
Net interest revenue	\$ 1,523	\$ 1,500	2%	\$ 4,643	\$ 4,418	5%
Non-interest revenue	1,135	1,216	(7)	3,565	3,537	1
Total revenues, net of interest expense	\$ 2,658	\$ 2,716	(2)%	\$ 8,208	\$ 7,955	3%
Total operating expenses	1,391	1,467	(5)	4,191	4,225	(1)
Provisions (releases) for credit losses and for benefits and claims	41	(10)	NM	148	23	NM
Income before taxes and noncontrolling interests	\$ 1,226	\$ 1,259	(3)%	\$ 3,869	\$ 3,707	4%
Income taxes	380	377	1	1,187	1,125	6
Income from continuing operations	846	882	(4)	2,682	2,582	4
Net income attributable to noncontrolling interests	3	5	(40)	12	14	(14)
Net income	\$ 843	\$ 877	(4)%	\$ 2,670	\$ 2,568	4%
Average assets (<i>in billions of dollars</i>)	\$ 141	\$ 133	6%	\$ 136	\$ 129	5%
Return on assets	2.38%	2.62%		2.62%	2.66%	
Revenues by region						
<i>North America</i>	\$ 623	\$ 620	%	\$ 1,929	\$ 1,839	5%
<i>EMEA</i>	867	893	(3)	2,691	2,628	2
<i>Latin America</i>	447	444	1	1,353	1,300	4
<i>Asia</i>	721	759	(5)	2,235	2,188	2
Total revenues	\$ 2,658	\$ 2,716	(2)%	\$ 8,208	\$ 7,955	3%
Income from continuing operations by region						
<i>North America</i>	\$ 120	\$ 112	7%	\$ 370	\$ 347	7%
<i>EMEA</i>	283	286	(1)	930	847	10
<i>Latin America</i>	157	168	(7)	520	500	4
<i>Asia</i>	286	316	(9)	862	888	(3)
Total income from continuing operations	\$ 846	\$ 882	(4)%	\$ 2,682	\$ 2,582	4%
Foreign Currency (FX) Translation Impact						
Total revenue as reported	\$ 2,658	\$ 2,716	(2)%	\$ 8,208	\$ 7,955	3%
Impact of FX translation(1)		(82)			(236)	
Total revenues ex-FX	\$ 2,658	\$ 2,634	1%	\$ 8,208	\$ 7,719	6%
Total operating expenses as reported	\$ 1,391	\$ 1,467	(5)%	\$ 4,191	\$ 4,225	(1)%
Impact of FX translation(1)		(20)			(60)	
Total operating expenses ex-FX	\$ 1,391	\$ 1,447	(4)%	\$ 4,191	\$ 4,165	1%

Edgar Filing: CITIGROUP INC - Form 10-Q

Net income as reported	\$	843	\$	877	(4)%	\$	2,670	\$	2,568	4%
Impact of FX translation(1)				(65)					(164)	
Net income ex-FX	\$	843	\$	812	4%	\$	2,670	\$	2,404	11%
Key indicators (in billions of dollars)										
Average deposits and other customer liability balances as reported	\$	415	\$	365	14%	\$	396	\$	362	9%
Impact of FX translation(1)				(10)					(8)	
Average deposits and other customer liability balances ex-FX	\$	415	\$	355	17%	\$	396	\$	354	12%
EOP assets under custody(2) (in trillions of dollars)	\$	12.8	\$	12.1	6%					

(1) Reflects the impact of foreign exchange (FX) translation into U.S. dollars at the current exchange rate for all periods presented.

(2) Includes assets under custody, assets under trust and assets under administration.

NM Not meaningful

Edgar Filing: CITIGROUP INC - Form 10-Q

The discussion of the results of operations for Transaction Services below excludes the impact of FX translation for all periods presented. Presentation of the results of operations, excluding the impact of FX translation, are non-GAAP financial measures. Citi believes the presentation of Transaction Services' results excluding the impact of FX translation is a more meaningful depiction of the underlying fundamentals of the business. For a reconciliation of certain of these metrics to the reported results, see the table above.

3Q12 vs. 3Q11

Net income increased 4%, reflecting growth in revenues and a reduction in expenses.

Revenues increased 1% as higher balances were mostly offset by lower market volumes reflecting a general market slowdown and continued spread compression. *Treasury and Trade Solutions* revenues were up 4%, driven by growth in trade as end of period trade loans grew 33%. Cash management revenues also grew, reflecting growth in deposit balances and fees, partially offset by continued spread compression due to the continued low interest rate environment. *Securities and Fund Services* revenues decreased 8%, primarily driven by lower settlement volumes.

Expenses were down 4% driven by efficiency savings.

Average deposits and other customer liabilities grew 17%, despite market pressures, driven by focused deposit building activities as well as continued market demand for U.S. dollar deposits (for additional information on Citi's deposits, see "Capital Resources and Liquidity Funding and Liquidity" below).

3Q12 YTD vs. 3Q11 YTD

Year-to-date, *Transaction Services* has experienced similar trends to those described above. *Net income* increased 11%, primarily due to the growth in revenues.

Revenues increased 6%, as increased loan and deposit balances as well as growth in fees more than offset continued spread compression. *Treasury and Trade Solutions* revenues increased 10%, driven primarily by the growth in trade and deposit balances. *Securities and Fund Services* revenues decreased 3%, driven by lower market activity.

Expenses increased 1% due primarily to investment spending, which was largely complete as of the end of 2011.

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. Citi expects the wind down of the assets in Citi Holdings will continue, although not likely at the pace experienced in the third quarter of 2012, which included a \$12 billion decline in assets relating to the Morgan Stanley Smith Barney (MSSB) transaction (see below).

As of September 30, 2012, Citi Holdings' assets were approximately \$171 billion, a decrease of approximately 31% year-over-year and a decrease of 10% from June 30, 2012. The decline in assets from the second quarter of 2012 was composed of a decline of approximately \$12 billion of assets related to MSSB (consisting of \$6.6 billion related to the sale of Citi's 14% interest and approximately \$6 billion of margin loans), \$4 billion of other asset sales and business dispositions, \$3 billion of run-off and pay-downs, and \$1 billion of charge-offs and revenue marks. Citi Holdings represented approximately 9% of Citi's assets as of September 30, 2012, while Citi Holdings' risk-weighted assets (as defined under current regulatory guidelines) of approximately \$156 billion at September 30, 2012 represented approximately 16% of Citi's risk-weighted assets as of such date.

<i>In millions of dollars, except as otherwise noted</i>	Third Quarter		% Change	Nine Months		% Change
	2012	2011		2012	2011	
Net interest revenue	\$ 668	\$ 773	(14)%	\$ 1,950	\$ 2,840	(31)%
Non-interest revenue	(4,358)	354	NM	(3,842)	2,343	NM
Total revenues, net of interest expense	\$ (3,690)	\$ 1,127	NM	\$ (1,892)	\$ 5,183	NM
Provisions for credit losses and for benefits and claims						
Net credit losses	\$ 1,807	\$ 1,881	(4)%	\$ 4,870	\$ 7,064	(31)%
Credit reserve build (release)	(797)	(532)	(50)	(1,597)	(2,665)	40
Provision for loan losses	\$ 1,010	\$ 1,349	(25)%	\$ 3,273	\$ 4,399	(26)%
Provision for benefits and claims	160	204	(22)	496	591	(16)
Provision (release) for unfunded lending commitments	(16)	(3)	NM	(61)	10	NM
Total provisions for credit losses and for benefits and claims	\$ 1,154	\$ 1,550	(26)%	\$ 3,708	\$ 5,000	(26)%
Total operating expenses	\$ 1,190	\$ 1,512	(21)%	\$ 3,646	\$ 4,609	(21)%
Loss from continuing operations before taxes	\$ (6,034)	\$ (1,935)	NM	\$ (9,246)	\$ (4,426)	NM
Benefits for income taxes	(2,472)	(714)	NM	(3,741)	(1,637)	NM
(Loss) from continuing operations	\$ (3,562)	\$ (1,221)	NM	\$ (5,505)	\$ (2,789)	(97)%
Net income attributable to noncontrolling interests		7	(100)%	3	118	(97)
Citi Holdings net loss	\$ (3,562)	\$ (1,228)	NM	\$ (5,508)	\$ (2,907)	(89)%
Balance sheet data (in billions of dollars)						
Total EOP assets	\$ 171	\$ 247	(31)%			
Total EOP deposits	\$ 67	\$ 68	(2)%			

NM Not meaningful

BROKERAGE AND ASSET MANAGEMENT

Brokerage and Asset Management (BAM) primarily consists of Citi's remaining investment in, and assets related to, the Morgan Stanley Smith Barney joint venture (MSSB). At September 30, 2012, *BAM* had approximately \$9 billion of assets, or approximately 5% of Citi Holdings' assets, of which approximately \$8 billion related to MSSB. At September 30, 2012, MSSB assets were composed of an approximately \$4.7 billion equity investment and \$3 billion of other MSSB financing (consisting of approximately \$2 billion of preferred stock and \$1 billion of loans). The remaining assets in *BAM* consist of other retail alternative investments.

<i>In millions of dollars, except as otherwise noted</i>	Third Quarter		%	Nine Months		%
	2012	2011	Change	2012	2011	Change
Net interest revenue	\$ (117)	\$ (42)	NM	\$ (368)	\$ (132)	NM
Non-interest revenue	(4,687)	97	NM	(4,395)	371	NM
Total revenues, net of interest expense	\$ (4,804)	\$ 55	NM	\$ (4,763)	\$ 239	NM
Total operating expenses	\$ 84	\$ 145	(42)%	\$ 367	\$ 549	(33)%
Net credit losses	\$	\$ 3	(100)%	\$	\$ 4	(100)%
Credit reserve build (release)				(1)	(3)	67
Provision for unfunded lending commitments		(1)	100			
Provision (release) for benefits and claims		11	(100)		28	(100)
Provisions for credit losses and for benefits and claims	\$	\$ 13	(100)%	\$ (1)	\$ 29	NM
Income (loss) from continuing operations before taxes	\$ (4,888)	\$ (103)	NM	\$ (5,129)	\$ (339)	NM
Income taxes (benefits)	(1,870)	(20)	NM	(1,951)	(146)	NM
Loss from continuing operations	\$ (3,018)	\$ (83)	NM	\$ (3,178)	\$ (193)	NM
Net income attributable to noncontrolling interests	1	7	(86)	3	10	(70)%
Net (loss)	\$ (3,019)	\$ (90)	NM	\$ (3,181)	\$ (203)	NM
EOP assets (<i>in billions of dollars</i>)	\$ 9	\$ 26	(65)%			
EOP deposits (<i>in billions of dollars</i>)	58	54	7			

NM Not meaningful

3Q12 vs. 3Q11

The *net loss* in *BAM* increased by \$2.9 billion due to the charge related to MSSB, consisting of (i) an \$800 million after-tax loss on Citi's sale of the 14% interest in MSSB to Morgan Stanley and (ii) a \$2.1 billion after-tax other-than-temporary impairment of the carrying value of Citigroup's remaining 35% interest in MSSB. For additional information on the agreement entered into with Morgan Stanley regarding MSSB on September 11, 2012, see Citi's Form 8-K filed with the SEC on September 11, 2012 and Note 11 to the Consolidated Financial Statements. Excluding the impact of MSSB, the *net loss* in *BAM* increased from the prior-year period, driven by lower revenues, partially offset by improved expenses and provisions.

Revenues decreased by \$4.9 billion due to the MSSB impact described above. Excluding this impact, revenues in *BAM* were negative \$120 million in the third quarter of 2012, compared to \$55 million in the prior-year period, due to higher funding costs related to MSSB assets, lower equity contribution from MSSB and lower private equity marks in the current quarter.

Expenses decreased 42%, primarily driven by lower legal and related costs.

Edgar Filing: CITIGROUP INC - Form 10-Q

Provisions decreased by \$13 million due to the absence of certain credit costs recorded in the prior-year period.

3Q12 YTD vs. 3Q11 YTD

Due to the charge related to MSSB in the third quarter of 2012 described above, the *net loss* in *BAM* increased by \$3.0 billion and *revenues* decreased by \$5.0 billion, each compared to the prior year-to-date period. Excluding the impact of MSSB, the net loss in *BAM* increased from the prior year-to-date period mainly due to higher funding costs partially offset by lower expenses.

Revenues were negative \$79 million, excluding the impact of MSSB, compared to \$239 million in the prior year-to-date period, driven by higher funding costs related to MSSB assets.

Expenses decreased 33%, driven by lower legal and related cost and divestures.

Provisions decreased by \$30 million due to the absence of certain credit costs recorded in the prior year-to-date period.

LOCAL CONSUMER LENDING

Local Consumer Lending (LCL) includes a substantial portion of Citigroup's North America mortgage business (see "North America Consumer Mortgage Lending" below), CitiFinancial North America (consisting of the OneMain and CitiFinancial Servicing businesses), remaining student loans and credit card portfolios, and other local consumer finance businesses globally (including Western European cards and retail banking and Japan Consumer Finance). At September 30, 2012, *LCL* consisted of approximately \$134 billion of assets (with approximately \$123 billion in North America), or approximately 78% of Citi Holdings assets, and thus represents the largest segment within Citi Holdings. The North America assets primarily consist of residential mortgages (residential first mortgages and home equity loans), which stood at \$95 billion as of September 30, 2012.

<i>In millions of dollars, except as otherwise noted</i>	Third Quarter		%	Nine Months		%
	2012	2011	Change	2012	2011	Change
Net interest revenue	\$ 839	\$ 1,050	(20)%	\$ 2,551	\$ 3,283	(22)%
Non-interest revenue	265	249	6	810	880	(8)
Total revenues, net of interest expense	\$ 1,104	\$ 1,299	(15)%	\$ 3,361	\$ 4,163	(19)%
Total operating expenses	\$ 987	\$ 1,306	(24)%	\$ 3,031	\$ 3,822	(21)%
Net credit losses	\$ 1,824	\$ 1,676	9%	\$ 4,866	\$ 5,969	(18)%
Credit reserve build (release)	(760)	(255)	NM	(1,466)	(993)	(48)
Provision for benefits and claims	160	193	(17)	496	563	(12)
Provisions for credit losses and for benefits and claims	\$ 1,224	\$ 1,614	(24)%	\$ 3,895	\$ 5,539	(30)%
(Loss) from continuing operations before taxes	\$ (1,107)	\$ (1,621)	32%	\$ (3,565)	\$ (5,198)	31%
Benefits for income taxes	(413)	(610)	32	(1,417)	(1,989)	29
(Loss) from continuing operations	\$ (694)	\$ (1,011)	31%	\$ (2,148)	\$ (3,209)	33%
Net income attributable to noncontrolling interests	(1)					
Net (loss)	\$ (693)	\$ (1,011)	31%	\$ (2,148)	\$ (3,209)	33%
Average assets (<i>in billions of dollars</i>)	\$ 136	\$ 184	(26)%	\$ 145	\$ 193	(25)%
Net credit losses as a percentage of average loans	5.97%	4.29%				

3Q12 vs. 3Q11

The *net loss* in *LCL* improved by 31%, driven primarily by the improved credit environment in *North America* mortgages, lower volumes and divestitures.

Revenues decreased 15%, primarily due to a 20% net interest revenue decline resulting from a 26% decline in loan balances. This decline was driven by continued asset sales, divestitures and run-off consistent with the overall Citi Holdings strategy. Non-interest revenue increased 6%, primarily due to a lower repurchase reserve build (\$200 million in the current quarter compared to \$296 million in the third quarter of 2011) (see "Managing Global Risk Credit Risk Citigroup Residential Mortgages Representations and Warranties" below).

Expenses decreased 24%, driven by lower volumes and divestitures and reduced legal and related expenses. While legal and related expenses in *LCL* declined year-over-year, they remained elevated due to the independent review and borrower outreach process required by the Consent Orders entered into by Citi (and other large financial institutions) with the Federal Reserve and OCC in April 2011 (for additional information, see "Citi Holdings Local Consumer Lending" in Citi's First Quarter 2012 Form 10-Q), additional reserving actions related to payment protection insurance (see "Payment Protection Insurance" below) and other legal and related matters impacting the business. The borrower outreach process has been further extended by the OCC from September 2012 to December 2012, and could be further extended. As a result of these continued extensions, Citi believes its expenses relating to the independent review and borrower outreach process required under

Edgar Filing: CITIGROUP INC - Form 10-Q

the Consent Orders will continue to be elevated and will also continue to be dependent on future changes, if any, in the size and scope of the process (e.g., borrower response rates).

Provisions decreased 24%, driven primarily by the improved credit environment in *North America* mortgages, lower volumes and divestitures. Net credit losses increased by 9%, but were impacted by incremental charge-offs of approximately \$635 million relating to new OCC guidance regarding the treatment of mortgage loans where the borrower has gone through Chapter 7 bankruptcy (see Note 1 to the Consolidated Financial Statements). Substantially all of these charge-offs were offset by a reserve release of approximately \$600 million.

Excluding the incremental charge-offs arising from the new OCC guidance, net credit losses in *LCL* would have declined 29%, with net credit losses in *North America* mortgages decreasing by 13%, other portfolios in *North America* by 52% and international by 49%. These declines were driven by lower overall asset levels as well as credit improvements. While Citi expects some continued improvement in credit going forward, declines in net credit losses in *LCL* will largely be driven by declines in asset levels, including continued sales of delinquent residential first mortgages (see "Managing Global Risk Credit Risk *North America* Consumer Mortgage Lending *North America* Consumer Mortgage Quarterly Credit Trends" below). Net credit losses will also continue to be impacted by Citi's fulfillment of the terms of the national mortgage settlement (see "Managing Global Risk Credit Risk National Mortgage Settlement" below); however, Citi continues to believe that its loan loss reserves as of September 30, 2012 are sufficient to cover these losses. Net credit losses relating to the national

Edgar Filing: CITIGROUP INC - Form 10-Q

mortgage settlement during the third quarter of 2012 were \$41 million, compared to \$43 million in the second quarter of 2012.

Average assets declined 26%, driven by the impact of asset sales and portfolio run-off, including declines in *North America* mortgage loans (\$15 billion) and international average assets (\$12 billion).

3Q12 YTD vs. 3Q11 YTD

Year-to-date, *LCL* has experienced similar trends to those described above. The *net loss* improved by 33%, driven by decreased credit costs due to lower asset levels and the improved credit environment.

Revenues decreased 19% driven by a net interest revenue decrease of 22% due to portfolio run-off and asset sales. Non-interest revenue decreased 8% driven by the impact of divestitures and lower net servicing revenues in real estate lending, including the net write-down of the mortgage servicing rights asset (MSRs) in the second quarter of 2012, as previously disclosed. These decreases were partially offset by lower whole loan repurchase reserve builds (\$533 million in the current year period compared to \$642 million in the prior year-to-date period) (see "Managing Global Risk Credit Risk Citigroup Residential Mortgages Representations and Warranties" below).

Expenses decreased 21%, driven by lower volumes and divestitures as well as lower legal and related expenses.

Provisions decreased 30%, driven by lower net credit losses, primarily due to lower overall asset levels, driven in part by the sale of delinquent loans, as well as credit improvements. Net credit losses decreased by 18%, with net credit losses in *North America* mortgages increasing by 10%, offset by decreases in other portfolios in *North America* by 57% and international by 48%. *North America* mortgage net credit losses were impacted by the incremental charge-offs relating to the new OCC guidance referenced above, as well as the approximately \$370 million of incremental charge-offs related to anticipated forgiveness of principal in connection with the national mortgage settlement in the first quarter of 2012, as previously disclosed. Excluding the incremental charge-offs from the first quarter of 2012 and in the third quarter of 2012, net credit losses in *North America* mortgage would have declined by 20%.

Payment Protection Insurance

As previously disclosed, over the past several years Citi, along with other financial institutions in the UK, has been subject to an increased number of claims relating to the sale of payment protection insurance products (PPI) (for additional information, see "Citi Holdings Local Consumer Lending Payment Protection Insurance" in Citi's 2011 Annual Report on Form 10-K and Second Quarter 2012 Form 10-Q). PPI is designed to cover a customer's loan repayments in the event of certain events, such as long-term illness or unemployment.

The UK regulators, particularly the Financial Services Authority (FSA), have 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. Among other things, the FSA is requiring all firms engaged in the sale of PPI in the UK, including Citi, to proactively contact any customers who may have been mis-sold PPI after January 2005 and invite them to have their individual sale reviewed (Customer Contact Exercise). While Citi remains subject to customer complaints for the sale of PPI prior to January 2005, it is not required to proactively contact such customers. Citi initiated a pilot Customer Contact Exercise during the third quarter of 2012. The timing of the full Customer Contact Exercise is subject to discussion and agreement with the FSA.

In addition, during the third quarter of 2012, the FSA requested that a number of firms re-evaluate PPI customer complaints that were reviewed and rejected prior to December 2010 to determine if, based on the current regulations for the assessment of PPI complaints, customers would have been entitled to redress (Customer Re-Evaluation Exercise).

Redress, whether as a result of customer complaints pursuant to or outside of the required FSA Customer Contact Exercise, or pursuant to the Customer Re-Evaluation Exercise, generally involves the repayment of premiums and the refund of all applicable contractual interest together with compensatory interest of 8%. Citi estimates that the number of PPI policies sold after January 2005 (across all applicable Citi businesses in the UK) was approximately 417,000, for which premiums totaling approximately \$490 million were collected.

During the third quarter of 2012, Citi increased its reserves relating to potential PPI refunds by approximately \$40 million (all of which was recorded in *LCL*), compared to a \$76 million reserve increase in the second quarter of 2012. The increase in the reserves during the current quarter was primarily due to a continued elevated level of customer complaints outside of the Customer Contact Exercise, as well as the new Customer Re-Evaluation Exercise. Citi believes the trend in the number of PPI claims, the potential amount of refunds and the impact on Citi remains volatile and is subject to significant uncertainty and lack of predictability.

SPECIAL ASSET POOL

The *Special Asset Pool (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* had approximately \$28 billion of assets as of September 30, 2012, which constituted approximately 16% of Citi Holdings' assets.

<i>In millions of dollars, except as otherwise noted</i>	Third Quarter		% Change	Nine Months		% Change
	2012	2011		2012	2011	
Net interest revenue	\$ (54)	\$ (235)	77%	\$ (233)	\$ (311)	25%
Non-interest revenue	64	8	NM	(257)	1,092	NM
Revenues, net of interest expense	\$ 10	\$ (227)	NM	\$ (490)	\$ 781	NM
Total operating expenses	\$ 119	\$ 61	95%	\$ 248	\$ 238	4%
Net credit losses	\$ (17)	\$ 202	NM	\$ 4	\$ 1,091	(100)%
Credit reserve builds (releases)	(37)	(277)	87%	(130)	(1,669)	92
Provision (releases) for unfunded lending commitments	(16)	(2)	NM	(60)	10	NM
Provisions for credit losses and for benefits and claims	\$ (70)	\$ (77)	9%	\$ (186)	\$ (568)	67%
Income (loss) from continuing operations before taxes	\$ (39)	\$ (211)	82%	\$ (552)	\$ 1,111	NM
Income taxes (benefits)	(189)	(84)	NM	(373)	498	NM
Net income (loss) from continuing operations	\$ 150	\$ (127)	NM	\$ (179)	\$ 613	NM
Net income (loss) attributable to noncontrolling interests					108	(100)%
Net income (loss)	\$ 150	\$ (127)	NM	\$ (179)	\$ 505	NM
EOP assets (<i>in billions of dollars</i>)	\$ 28	\$ 45	(38)%			

NM Not meaningful

3Q12 vs. 3Q11

Net income increased \$277 million to \$150 million, mainly driven by an increase in revenues and a tax benefit of approximately \$200 million related to the sale of certain assets, partially offset by higher legal and related expenses and credit costs.

Revenues increased by \$237 million to \$10 million. CVA/DVA was \$23 million in the current quarter, compared to \$50 million in the prior-year period. Excluding the impact of CVA/DVA, revenues in *SAP* were a negative \$13 million, compared to a negative \$277 million in the prior-year period. The improvement in revenues was driven in part by lower funding costs as well as higher non-interest revenue due to an improvement in asset values. The loss in net interest revenue improved due to the lower funding costs, but remained negative. Citi expects this situation to continue, as interest earning assets continue to be a smaller portion of the overall asset pool.

Expenses increased 95%, driven by higher legal and related costs, partially offset by lower expenses from lower volume and asset levels.

Provisions increased 9% year-over-year due to a decrease in loan loss reserve releases (a release of \$37 million in the current quarter compared to a release of \$277 million in the prior-year period), partially offset by a \$219 million decrease in net credit losses.

Assets declined 38% year-over-year, primarily driven by sales, amortization and prepayments.

3Q12 YTD vs. 3Q11 YTD

Net income decreased \$684 million, driven by a decline in revenues, higher expenses, and higher credit costs.

Revenues decreased \$1.3 billion driven by a non-interest revenue decline of \$1.3 billion, partially offset by lower negative net interest revenue. The decrease in non-interest revenue was driven by lower gains on asset sales and lower positive private equity marks, as well as an aggregate repurchase reserve build in the first nine months of 2012 of \$235 million related to private-label mortgage securitizations, as previously disclosed. The lower negative net interest revenue was driven by the continued decline in interest-earning assets as compared to non-interest earning assets, as described above.

Expenses increased 4%, driven by higher legal and related costs, partially offset by lower expenses from lower volume and asset levels.

Provisions increased 67% as a decrease in loan loss reserve releases (a release of \$130 million in the current year-to-date period compared to a release of \$1.7 billion in the prior year-to-date period) was partially offset by a \$1.1 billion decrease in net credit losses.

CORPORATE/OTHER

Corporate/Other includes unallocated global staff functions (including finance, risk, human resources, legal and compliance), other corporate expense and unallocated global operations and technology expenses, Corporate Treasury and Corporate items and discontinued operations. At September 30, 2012, this segment had approximately \$302 billion of assets, or 16% of Citigroup's total assets, consisting primarily of Citi's liquidity portfolio (approximately \$116 billion of cash and cash equivalents and \$130 billion of liquid available-for-sale securities, each as of September 30, 2012).

<i>In millions of dollars</i>	Third Quarter		Nine Months	
	2012	2011	2012	2011
Net interest revenue	\$ (136)	\$ (22)	\$ (144)	\$ (61)
Non-interest revenue	169	322	412	563
Revenues, net of interest expense	\$ 33	\$ 300	\$ 268	\$ 502
Total operating expenses	\$ 764	\$ 521	\$ 2,156	\$ 1,781
Provisions for loan losses and for benefits and claims	(1)		(1)	1
Loss from continuing operations before taxes	\$ (730)	\$ (221)	\$ (1,887)	\$ (1,280)
Benefits for income taxes	(675)	(147)	(1,093)	(593)
Loss from continuing operations	\$ (55)	\$ (74)	\$ (794)	\$ (687)
Income (loss) from discontinued operations, net of taxes	(31)	1	(37)	112
Net loss before attribution of noncontrolling interests	\$ (86)	\$ (73)	\$ (831)	\$ (575)
Net (loss) attributable to noncontrolling interests	8	(41)	80	(41)
Net loss	\$ (94)	\$ (32)	\$ (911)	\$ (534)

3Q12 vs. 3Q11

The *net loss* of \$94 million increased by \$62 million due to a decrease in revenues and an increase in expenses. The net loss increased despite a \$582 million tax benefit related to the resolution of certain tax audit items in the current quarter.

Revenues decreased \$267 million, primarily driven by the impact of hedging activities and lower investment yields, partially offset by lower debt costs and gains resulting from redemptions of trust preferred securities during the quarter (see "Capital Resources and Liquidity Funding and Liquidity" below).

Expenses increased by \$243 million, largely driven by higher legal and related costs, as well as incremental firm-wide marketing expenses in the current quarter.

3Q12 YTD vs. 3Q11 YTD

The *net loss* of \$911 million increased by \$377 million, notwithstanding the tax benefit referenced above, primarily due to the absence of a net gain of \$117 million on the sale of the Egg Banking PLC credit card business in the prior year-to-date period.

Revenues decreased \$234 million, primarily driven by the impact of hedging activities and lower gains from the sale of minority interests,(6) partially offset by the lower debt costs and gains resulting from redemptions of trust preferred securities (see "Capital Resources and Liquidity Funding and Liquidity" below).

Expenses increased by \$375 million, largely driven by higher legal and related costs as well as the incremental firm-wide marketing expenses.

(6)

The current year-to-date period includes an other-than-temporary impairment (\$1.2 billion) and a loss on a partial sale (\$424 million) of Akbank T.A.S., Citi's equity investment in Turkey, in the first and second quarters of 2012, respectively. See Note 11 to the Consolidated Financial Statements. Also includes pretax gains on the sale of Citi's remaining interest in Housing Development Finance Corporation Ltd. (HDFC) of \$1.1 billion and Shanghai Pudong Development Bank of \$542 million, each in the first quarter of 2012. Second quarter of 2011 includes a \$199 million gain on the partial sale of HDFC.

BALANCE SHEET REVIEW

The following sets forth a general discussion of the sequential changes (unless otherwise noted) in certain of the more significant line items of Citi's Consolidated Balance Sheet. For additional information on Citigroup's aggregate liquidity resources, including its deposits, short-term and long-term debt and secured financing transactions, see "Capital Resources and Liquidity Funding and Liquidity" below.

<i>In billions of dollars</i>	September 30, 2012	June 30, 2012	December 31, 2011	3Q12 vs. 2Q12 Increase (decrease)	% Change	3Q12 vs. 4Q11 Increase (decrease)	% Change
Assets							
Cash and deposits with banks	\$ 204	\$ 189	\$ 184	\$ 15	8%	\$ 20	11%
Federal funds sold and securities borrowed or purchased under agreements to resell	278	273	276	5	2	2	1
Trading account assets	315	310	292	5	2	23	8
Investments	295	306	293	(11)	(4)	2	1
Loans, net of unearned income and allowance for loan losses	633	627	617	6	1	16	3
Other assets	206	211	212	(5)	(2)	(6)	(3)
Total assets	\$ 1,931	\$ 1,916	\$ 1,874	\$ 15	1%	\$ 57	3%
Liabilities							
Deposits	\$ 945	\$ 914	\$ 866	\$ 31	3%	\$ 79	9%
Federal funds purchased and securities loaned or sold under agreements to repurchase	224	215	198	9	4	26	13
Trading account liabilities	130	129	126	1	1	4	3
Short-term borrowings and long-term debt	321	347	378	(26)	(7)	(57)	(15)
Other liabilities	122	125	126	(3)	(2)	(4)	(3)
Total liabilities	\$ 1,742	\$ 1,730	\$ 1,694	\$ 12	1%	\$ 48	3%
Total equity	\$ 189	\$ 186	\$ 180	\$ 3	2%	\$ 9	5%
Total liabilities and equity	\$ 1,931	\$ 1,916	\$ 1,874	\$ 15	1%	\$ 57	3%

ASSETS**Cash and Deposits with Banks**

Cash and deposits with banks is composed 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 the third quarter of 2012, Citi's cash and deposits with banks increased 8% as compared to the prior quarter, primarily driven by a \$31 billion increase in customer deposits (see "Capital Resources and Liquidity Funding and Liquidity" below), cash generated from asset sales (including the \$1.89 billion paid to Citi by Morgan Stanley for the 14% interest in MSSB, as described in Note 11 to the Consolidated Financial Statements) and inflows resulting from Citi's normal operations, partially offset by a \$26 billion reduction of outstanding short-term borrowings and long-term debt.

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 the third quarter of 2012, changes to Citi's federal funds sold were not significant.

Edgar Filing: CITIGROUP INC - Form 10-Q

Reverse repurchase agreements and securities borrowing balances increased by 2% as compared to the second quarter of 2012. The majority of this increase was driven by the impact of FX translation, as well as a small increase in positions across the *S&B* fixed income businesses in response to customer flows.

Trading Account Assets

Trading account assets include 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.

Trading account assets increased 2% quarter-over-quarter, primarily due to increases in equity securities (up \$8 billion) and foreign government securities (up \$5 billion), partially offset by decreases in derivative assets (down \$4 billion) and U.S. government and agency securities (down \$2 billion). The increase in trading account assets quarter-over-quarter reflected growth in third quarter trading activity in a more positive market environment than the second quarter of 2012, as well as the impact of FX translation (which primarily impacted the growth in foreign government securities).

Edgar Filing: CITIGROUP INC - Form 10-Q

Average trading account assets were \$248 billion in the third quarter of 2012, compared to \$251 billion in the second quarter of 2012.

For further information on Citi's trading account assets, see Note 10 to the Consolidated Financial Statements.

Investments

Investments consist 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 the third quarter of 2012, Citi's investments decreased by 4%, primarily due to a \$10 billion decrease in available-for-sale and non-marketable equity securities driven by modest rebalancing of the portfolio.

For further information regarding investments, see Note 11 to the Consolidated Financial Statements.

Loans

Loans represent the largest asset category of Citi's balance sheet. Citi's total loans, excluding allowance for loan losses, (as discussed throughout this section, net of unearned income) were \$658 billion at September 30, 2012, compared to \$654 billion at June 30, 2012 and \$637 billion at September 30, 2011. Excluding the impact of FX translation in all periods, loans increased 1% versus the prior quarter, as growth in Citicorp continued to outpace loan declines in Citi Holdings. At September 30, 2012, Consumer and Corporate loans represented 62% and 38%, respectively, of Citi's total loans.

In Citicorp, on a sequential basis, both Citicorp Corporate loans and Citicorp Consumer loans increased by 2%. The Corporate loan growth quarter-over-quarter was driven by *Securities and Banking* (3% growth). Consumer loans increased quarter-over-quarter due to the impact of FX translation. Excluding the impact of FX translation, Citicorp Consumer loans grew by \$1 billion sequentially, due to retail and cards loan growth in *Latin America*.

Year-over-year, Citicorp loans were up 11% to \$537 billion as of September 30, 2012, including 5% growth in Consumer loans (4%, excluding the impact of FX translation) and 19% growth in Corporate loans (also 19%, excluding the impact of FX translation). The year-over-year growth in Consumer loans was primarily driven by international *Global Consumer Banking*, which increased 10% (7%, excluding the impact of FX translation), led by *Latin America* and *Asia*. Citi believes this growth reflected the continued economic growth in these regions, as well as its investment spending in these areas, which drove growth in both cards and retail banking loans, excluding the impact of FX translation. *North America* Consumer loans increased 1% year-over-year, driven by retail banking loans as the cards market continued to reflect both consumer deleveraging as well as CARD Act and other regulatory changes. As of September 30, 2012, approximately 52% of Citicorp Consumer loans were in *North America*, with the remainder in international *Global Consumer Banking*, the majority of which were in *Asia*.

The increase in Corporate loans year-over-year was due to growth in both *Transaction Services* (up 31% year-over-year), primarily from increased trade finance lending in most regions, although growth slowed quarter-over-quarter reflecting the market environment. Growth in the Corporate loan portfolio was also driven by *Securities and Banking* (up 15% year-over-year), with increased borrowing across all client segments in most regions.

In contrast, Citi Holdings loans declined 5% quarter-over-quarter and 21% as compared to the prior-year period, due to the continued run-off and asset sales in the portfolios.

During the third quarter of 2012, average loans of \$654 billion yielded an average rate of 7.4%, compared to \$646 billion and 7.5% in the second quarter of 2012 and \$644 billion and 7.8% in the third quarter of 2011 as rates fell during the time period.

For further information on Citi's loan portfolios, see "Managing Global Risk Credit Risk" below and Note 12 to the Consolidated Financial Statements.

Other Assets

Other assets consist 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 the third quarter of 2012, other assets decreased 2% compared to the second quarter of 2012, primarily due to the impact of the MSSB transaction during the third quarter, including the sale of Citi's 14% ownership interest in MSSB and lower brokerage receivables due to the transfer of approximately \$6 billion of margin loans to MSSB. These reductions were partially offset by the impact of FX translation.

For further information regarding goodwill and intangible assets, see Note 14 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 the third quarter of 2012, changes to 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.

Trading Account Liabilities

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

During the third quarter of 2012, trading account liabilities were essentially flat to the second quarter of 2012, primarily due to the impact of FX translation. In the third quarter of 2012, average trading account liabilities were \$70 billion, down \$12 billion from the prior quarter primarily due to lower average volumes of short equity positions.

For further information on Citi's trading account liabilities, see Note 10 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, see "Capital Resources and Liquidity Funding and Liquidity" below and Note 15 to the Consolidated Financial Statements.

Other Liabilities

Other liabilities consist 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, repositioning, unfunded lending commitments, and other matters).

During the third quarter of 2012, other liabilities declined 2% in comparison to the prior quarter, primarily due to a reduction in brokerage payables due to the transfer of customer balances in connection with the MSSB transaction.

SEGMENT BALANCE SHEET AT SEPTEMBER 30, 2012(1)

<i>In millions of dollars</i>	Global Consumer Banking	Institutional Clients Group	Subtotal Citicorp	Citi Holdings	Corporate/Other, Discontinued Operations and Consolidating Eliminations	Total Citigroup Consolidated
Assets						
Cash and due from banks	\$ 8,874	\$ 15,148	\$ 24,022	\$ 1,165	\$ 8,615	\$ 33,802
Deposits with banks	11,154	49,936	61,090	1,122	107,816	170,028
Federal funds sold and securities borrowed or purchased under agreements to resell	2,613	272,718	275,331	2,211		277,542
Brokerage receivables		29,710	29,710	4	1,363	31,077
Trading account assets	12,794	292,462	305,256	9,620	325	315,201
Investments	31,470	106,011	137,481	20,898	137,095	295,474
Loans, net of unearned income						
Consumer	289,116		289,116	118,636		407,752
Corporate		247,628	247,628	3,043		250,671
Loans, net of unearned income	289,116	247,628	536,744	121,679		658,423
Allowance for loan losses	(12,188)	(2,640)	(14,828)	(11,088)		(25,916)
Total loans, net	\$ 276,928	\$ 244,988	\$ 521,916	\$ 110,591	\$	\$ 632,507
Goodwill	14,757	11,007	25,764	151		25,915
Intangible assets (other than MSR's)	4,836	806	5,642	321		5,963
Mortgage servicing rights (MSR's)	1,231	84	1,315	605		1,920
Other assets	29,795	40,865	70,660	24,207	47,006	141,873
Assets of discontinued operations held for sale					44	44
Total assets	\$ 394,452	\$ 1,063,735	\$ 1,458,187	\$ 170,895	\$ 302,264	\$ 1,931,346
Liabilities and equity						
Total deposits	\$ 330,190	\$ 544,865	\$ 875,055	\$ 66,774	\$ 2,815	\$ 944,644
Federal funds purchased and securities loaned or sold under agreements to repurchase	6,217	218,152	224,369	1		224,370
Brokerage payables		52,829	52,829		2,547	55,376
Trading account liabilities	44	127,621	127,665	1,556	769	129,990
Short-term borrowings	122	42,674	42,796	293	6,075	49,164
Long-term debt	2,696	54,114	56,810	8,825	206,227	271,862
Other liabilities	18,721	24,634	43,355	9,324	14,523	67,202
Liabilities of discontinued operations held for sale						
Net inter-segment funding (lending)	36,462	(1,154)	35,308	84,122	(119,430)	
Total Citigroup stockholders' equity					186,777	186,777
Noncontrolling interest					1,961	1,961
Total equity	\$	\$	\$	\$	\$ 188,738	\$ 188,738
Total liabilities and equity	\$ 394,452	\$ 1,063,735	\$ 1,458,187	\$ 170,895	\$ 302,264	\$ 1,931,346

(1)

The supplemental information presented in the table above reflects Citigroup's consolidated GAAP balance sheet by reporting segment as of September 30, 2012. 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

Capital is used principally to support assets in Citi's businesses and to absorb credit, market or operational losses. Citi primarily 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 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 (Dodd-Frank Act) (see "Capital Resources and Liquidity Capital Resources Regulatory Capital Standards" in Citi's Second Quarter 2012 Form 10-Q). Accordingly, Citi has begun to redeem certain of its trust preferred securities (see "Funding and Liquidity" below) in contemplation of such phase out. In addition, on October 29, 2012, Citi issued approximately \$1.5 billion of noncumulative perpetual preferred stock.

Further, changes in regulatory and accounting standards as well as the impact of future events on Citi's business results, such as corporate and asset dispositions, may also affect Citi's capital levels (see "Basel II.5 and III" below for the impact of MSSB on Citi's estimated Basel III Tier 1 Common ratio).

For additional information on Citi's capital resources, including an overview of Citigroup's capital management framework and regulatory capital standards and developments, see "Capital Resources and Liquidity Capital Resources" and "Risk Factors Regulatory Risks" in Citigroup's 2011 Annual Report on Form 10-K and "Capital Resources and Liquidity Capital Resources Regulatory Capital Standards" in Citi's Second Quarter 2012 Form 10-Q.

Capital Ratios Under Current Regulatory Guidelines

Citigroup is subject to the risk-based capital guidelines (currently Basel I) 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 these capital metrics, see "Components of Capital Under Current Regulatory Guidelines" below.

Citigroup's risk-weighted assets, as currently computed under Basel I, 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 Current 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 September 30, 2012 and December 31, 2011:

Edgar Filing: CITIGROUP INC - Form 10-Q

	Sept. 30, 2012	Dec. 31, 2011
Tier 1 Common	12.73%	11.80%
Tier 1 Capital	13.92	13.55
Total Capital (Tier 1 Capital + Tier 2 Capital)	17.12	16.99
Leverage	7.39	7.19

As indicated in the table above, Citigroup was "well capitalized" under the current federal bank regulatory agency definitions as of September 30, 2012 and December 31, 2011.

Components of Capital Under Current Regulatory Guidelines

<i>In millions of dollars</i>	September 30, 2012	December 31, 2011
Tier 1 Common Capital		
Citigroup common stockholders' equity	\$ 186,465	\$ 177,494
Regulatory Capital Adjustments and Deductions:		
Less: Net unrealized gains (losses) on securities available-for-sale, net of tax(1)(2)	531	(35)
Less: Accumulated net losses on cash flow hedges, net of tax	(2,503)	(2,820)
Less: Pension liability adjustment, net of tax(3)	(4,289)	(4,282)
Less: Cumulative effect included in fair value of financial liabilities attributable to the change in own creditworthiness, net of tax(4)	295	1,265
Less: Disallowed deferred tax assets(5)	37,575	37,980
Less: Intangible assets:		
Goodwill	25,932	25,413
Other disallowed intangible assets	4,170	4,550
Net unrealized losses on available-for-sale equity securities, net of tax(1)	(84)	
Other	(480)	(569)
Total Tier 1 Common Capital	\$ 124,190	\$ 114,854
Tier 1 Capital		
Qualifying perpetual preferred stock	\$ 312	\$ 312
Qualifying trust preferred securities	10,434	15,929
Qualifying noncontrolling interests	856	779
Total Tier 1 Capital	\$ 135,792	\$ 131,874
Tier 2 Capital		
Allowance for credit losses(6)	\$ 12,394	\$ 12,423
Qualifying subordinated debt(7)	18,783	20,429
Net unrealized pretax gains on available-for-sale equity securities(1)		658
Total Tier 2 Capital	\$ 31,177	\$ 33,510
Total Capital (Tier 1 Capital + Tier 2 Capital)	\$ 166,969	\$ 165,384

Risk-Weighted Assets

<i>In millions of dollars</i>	September 30, 2012	December 31, 2011
Risk-Weighted Assets (using Basel I)(8)(9)	\$ 975,367	\$ 973,369
Estimated Risk-Weighted Assets (using Basel II.5)(10)	\$ 1,077,867	N/A

(1) Tier 1 Capital excludes net unrealized gains (losses) on available-for-sale (AFS) debt securities and net unrealized gains on AFS 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 AFS 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 AFS equity securities with readily determinable fair values.

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

Edgar Filing: CITIGROUP INC - Form 10-Q

HTM securities with other-than-temporary-impairment.

- (3) The Federal Reserve Board granted interim capital relief for the impact of ASC 715-20, *Compensation Retirement Benefits Defined Benefits Plans* (formerly SFAS 158).
- (4) The impact of changes in Citigroup's own creditworthiness in valuing liabilities for which the fair value option has been elected is excluded from Tier 1 Capital, in accordance with risk-based capital guidelines.
- (5) Of Citi's approximately \$53 billion of net deferred tax assets at September 30, 2012, approximately \$12 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 and cash flow hedges adjustments, which are permitted to be excluded prior to deriving the amount of net deferred tax assets subject to limitation under the guidelines.
- (6) Includable up to 1.25% of risk-weighted assets. Any excess allowance for credit losses is deducted in arriving at risk-weighted assets.
- (7) Includes qualifying subordinated debt in an amount not exceeding 50% of Tier 1 Capital.
- (8) Risk-weighted assets as computed under Basel I credit risk and market risk capital rules.
- (9) Includes risk-weighted credit equivalent amounts, net of applicable bilateral netting agreements, of \$66 billion for interest rate, commodity and equity derivative contracts, foreign exchange contracts, and credit derivatives as of September 30, 2012, compared with \$67 billion as of December 31, 2011. Market risk equivalent assets included in risk-weighted assets amounted to \$42.7 billion at September 30, 2012 and \$46.8 billion at December 31, 2011. 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.
- (10) Risk-weighted assets as computed under Basel I credit risk capital rules and final market risk capital rules (Basel II.5) which become effective January 1, 2013. Citi's estimate of risk-weighted assets under Basel II.5 is a non-GAAP financial measure. Citi believes this metric provides useful information to investors and others by measuring Citi's progress against expected future regulatory capital standards.

Basel II.5 and III

As previously disclosed, in June 2012 the U.S. banking agencies released proposed Basel III rules and final market risk capital rules (Basel II.5). The timing as to the finalization and effective date(s) of the U.S. Basel III rules are currently uncertain, however the final market risk capital rules are effective commencing January 1, 2013. For additional information regarding the proposed U.S. Basel III and final market risk capital rules (Basel II.5), see "Capital Resources and Liquidity Capital Resources Regulatory Capital Standards" in Citi's Second Quarter 2012 Form 10-Q.

While Citi continues to assess the impact of the final market risk capital rules (Basel II.5), Citi's risk-weighted assets under these rules are expected to significantly increase compared with those under the current Basel I rules. Citi's estimated Tier 1 Common ratio as of September 30, 2012, assuming application of the final market risk capital rules (Basel II.5), was approximately 11.52%, compared to 12.73% under Basel I. Citi's estimated Tier 1 Common ratio, assuming application of the final market risk capital rules (Basel II.5), is a non-GAAP financial measure. For more information regarding current Tier 1 Common Capital and the two risk-weighted asset computations, see "Components of Capital Under Current Regulatory Guidelines" above.

As of September 30, 2012, Citi's estimated Basel III Tier 1 Common ratio was 8.6%, compared to an estimated 7.9% as of June 30, 2012 (each based on total risk-weighted assets calculated under the proposed U.S. Basel III "advanced approaches," and including the final market risk capital rules (Basel II.5)). The increase in Citi's estimated Basel III Tier 1 Common ratio in the third quarter of 2012 was primarily due to net income (excluding the after-tax effect of the MSSB loss and impairment charge), changes in OCI and other items, proceeds received from Morgan Stanley for Citi's sale of the 14% interest in MSSB, as well as lower risk-weighted assets. Citi's estimated Basel III Tier 1 Common ratio and its related components are non-GAAP financial measures. Citi believes this ratio and its components (the latter of which are presented in the table below) provide useful information to investors and others by measuring Citi's progress against expected future regulatory capital standards. Citi's estimated Basel III Tier 1 Common ratio is based on its interpretation, expectations and understanding of the respective proposed Basel III requirements, and is necessarily subject to final regulatory clarity and rulemaking, model calibration and approvals and other implementation guidance in the U.S.

Components of Tier 1 Common Capital and Risk-Weighted Assets under Basel III

In millions of dollars	September 30, 2012	June 30, 2012
Tier 1 Common Capital(1)		
Citigroup common stockholders' equity	\$ 186,465	\$ 183,599
Add: Qualifying minority interests	161	150
Regulatory Capital Adjustments and Deductions:		
Less: Accumulated net unrealized losses on cash flow hedges, net of tax	(2,503)	(2,689)
Less: Cumulative change in fair value of financial liabilities attributable to the change in own creditworthiness, net of tax	998	1,649
Less: Intangible assets:		
Goodwill(2)	27,248	29,108
Identifiable intangible assets other than mortgage servicing rights (MSRs)	5,983	6,156
Less: Defined benefit pension plan net assets	752	910
Less: Deferred tax assets (DTAs) arising from tax credit and net operating loss carryforwards	23,500	21,800
Less: Excess over 10%/15% limitations for other DTAs, certain common equity investments, and MSRs(3)	24,749	27,951
Total Tier 1 Common Capital	\$ 106,899	\$ 98,864
Risk-Weighted Assets(4)	\$ 1,236,619	\$ 1,250,233

(1) Calculated based on the U.S. banking agencies proposed Basel III rules (Basel III NPR).

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

(3)

Edgar Filing: CITIGROUP INC - Form 10-Q

Aside from MSRs, reflects DTAs arising from temporary differences and significant common stock investments in unconsolidated financial institutions.

(4)

Calculated based on the "advanced approaches" for determining risk-weighted assets under the Basel III NPR and the final market risk capital rules (Basel II.5).

Common Stockholders' Equity

Citigroup's common stockholders' equity increased during the nine months ended September 30, 2012 by \$9 billion to \$186.5 billion, and represented 9.7% of total assets as of September 30, 2012. The table below summarizes the change in Citigroup's common stockholders' equity during the first nine months of 2012:

In billions of dollars

Common stockholders' equity, December 31, 2011	\$ 177.5
Citigroup's net income	6.3
Employee benefit plans and other activities(1)	0.5
Net change in accumulated other comprehensive income (loss), net of tax	2.2
Common stockholders' equity, September 30, 2012	\$ 186.5

(1) As of September 30, 2012, \$6.7 billion of common stock repurchases remained under Citi's authorized repurchase programs. No material repurchases were made in the first nine months of 2012.

Tangible Common Equity and Tangible Book Value Per Share

Tangible common equity (TCE), as defined by Citigroup, represents common equity less goodwill, other 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 \$154.5 billion at September 30, 2012 and \$145.4 billion at December 31, 2011. The TCE ratio (TCE divided by Basel I risk-weighted assets) was 15.8% at September 30, 2012 and 14.9% at December 31, 2011.

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. A reconciliation of Citigroup's total stockholders' equity to TCE, and book value per share to tangible book value per share, as of September 30, 2012 and December 31, 2011, follows:

<i>In millions of dollars or shares, except ratios and per share data</i>	Sept. 30, 2012	Dec. 31, 2011
Total Citigroup stockholders' equity	\$ 186,777	\$ 177,806
Less:		
Preferred stock	312	312
Common equity	\$ 186,465	\$ 177,494
Less:		
Goodwill	25,915	25,413
Other intangible assets (other than MSRs)	5,963	6,600
Goodwill and other intangible assets (other than MSRs) related to assets for disc ops held for sale	37	
Net deferred tax assets related to goodwill and other intangible assets above	35	44
Tangible common equity (TCE)	\$ 154,515	\$ 145,437
Tangible assets		
GAAP assets	\$ 1,931,346	\$ 1,873,878
Less:		
Goodwill	25,915	25,413
Other intangible assets (other than MSRs)	5,963	6,600
Goodwill and other intangible assets (other than MSRs) related to assets for disc ops held for sale	37	
Net deferred tax assets related to goodwill and other intangible assets above	316	322
Tangible assets (TA)	\$ 1,899,115	\$ 1,841,543

Edgar Filing: CITIGROUP INC - Form 10-Q

Risk-weighted assets (RWA)	\$ 975,367	\$ 973,369
TCE/TA ratio	8.14%	7.90%
TCE/RWA ratio	15.84%	14.94%
Common shares outstanding (CSO)	2,932.5	2,923.9
Book value per share (common equity/CSO)	\$ 63.59	\$ 60.70
Tangible book value per share (TCE/CSO)	\$ 52.69	\$ 49.74

Capital Resources of Citigroup's Subsidiary U.S. Depository Institutions

Citigroup's subsidiary U.S. 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 subsidiary U.S. depository institution, as of September 30, 2012 and December 31, 2011:

Citibank, N.A. Capital Tiers and Capital Ratios Under Current Regulatory Guidelines

<i>In billions of dollars, except ratios</i>	Sept. 30, 2012	Dec. 31, 2011
Tier 1 Common Capital	\$ 127.5	\$ 121.3
Tier 1 Capital	128.2	121.9
Total Capital (Tier 1 Capital + Tier 2 Capital)	138.7	134.3
Tier 1 Common ratio	15.30%	14.63%
Tier 1 Capital ratio	15.38	14.70
Total Capital ratio	16.65	16.20
Leverage ratio	9.71	9.66

Impact of Changes on Capital Ratios Under Current Regulatory Guidelines

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), as of September 30, 2012. 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		Leverage 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	Impact of \$1 billion change in adjusted average total assets
Citigroup	1.0 bps	1.3 bps	1.0 bps	1.4 bps	1.0 bps	1.8 bps	0.5 bps	0.4 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	0.7 bps

Broker-Dealer Subsidiaries

At September 30, 2012, Citigroup Global Markets Inc., a U.S. broker-dealer registered with the SEC that is an indirect wholly owned subsidiary of Citigroup, had net capital, computed in accordance with the SEC's net capital rule, of \$7.1 billion, which exceeded the minimum requirement by \$6.4 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 other broker-dealer subsidiaries were in compliance with their capital requirements at September 30, 2012.

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:

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");

Citi's significant Citibank entities, which consist of Citibank, N.A. units domiciled in the U.S., Western Europe, Hong Kong, Japan and Singapore (collectively referred to in this section as "significant Citibank entities"); and

other Citibank and Banamex 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.

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 (primarily senior and subordinated debt) issued at the non-bank level and certain bank subsidiaries, and (iii) stockholders' equity. These sources may be supplemented by short-term borrowings, primarily in the form of secured financing transactions (securities loaned or sold under agreements to repurchase, or repos).

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

<i>In billions of dollars</i>	Non-bank			Significant Citibank Entities			Other Citibank and Banamex Entities			Total		
	Sept. 30, 2012	Jun. 30, 2012	Sept. 30, 2011	Sept. 30, 2012	Jun. 30, 2012	Sept. 30, 2011	Sept. 30, 2012	Jun. 30, 2012	Sept. 30, 2011	Sept. 30, 2012	Jun. 30, 2012	Sept. 30, 2011
Available cash at central banks	\$ 50.9	\$ 55.6	\$ 34.2	\$ 72.7	\$ 53.0	\$ 63.6	\$ 15.9	\$ 14.0	\$ 32.7	\$ 139.5	\$ 122.6	\$ 130.4
Unencumbered liquid securities	26.8	37.6	66.2	164.0	168.4	130.2	73.9	83.5	74.6	264.7	289.6	271.1
Total	\$ 77.7	\$ 93.2	\$ 100.4	\$ 236.7	\$ 221.4	\$ 193.8	\$ 89.8	\$ 97.6	\$ 107.3	\$ 404.2	\$ 412.2	\$ 401.5

As set forth in the table above, Citigroup's aggregate liquidity resources totaled approximately \$404.2 billion at September 30, 2012, compared to \$412.2 billion at June 30, 2012, and \$401.5 billion at September 30, 2011. All amounts in the table above are as of period-end and may increase or decrease intra-period in the ordinary course of business. During the quarter ended September 30, 2012, the intra-quarter amounts did not fluctuate materially from the prior quarter-end amounts noted above.

At September 30, 2012, Citigroup's non-bank aggregate liquidity resources totaled approximately \$77.7 billion, compared to \$93.2 billion at June 30, 2012, and \$100.4 billion at September 30, 2011. These amounts included unencumbered liquid securities and cash held in Citi's U.S. and non-U.S. broker-dealer entities. The decrease in aggregate liquidity resources of Citi's non-bank entities year-over-year and quarter-over-quarter was primarily due to the continued pay down and runoff of long-term debt, including Temporary Liquidity Guarantee Program (TLGP) debt, which will fully mature by the end of 2012.

Edgar Filing: CITIGROUP INC - Form 10-Q

Citigroup's significant Citibank entities had approximately \$236.7 billion of aggregate liquidity resources as of September 30, 2012, compared to \$221.4 billion at June 30, 2012, and \$193.8 billion at September 30, 2011. As of September 30, 2012, the significant Citibank entities' liquidity resources included \$72.7 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 \$53.0 billion at June 30, 2012, and \$63.6 billion at September 30, 2011. The significant Citibank entities' liquidity resources amount, as of September 30, 2012, also included unencumbered liquid securities. These securities are available-for-sale or secured financing through private markets or by pledging to the major central banks. The liquidity value of these securities was \$164.0 billion at September 30, 2012 compared to \$168.4 billion at June 30, 2012, and \$130.2 billion at September 30, 2011. Citi's aggregate liquidity resources at the significant Citibank entities increased quarter-over-quarter and year-over-year partially due to increased deposit inflows (see "Deposits" below).

Citi estimates that its other Citibank and Banamex entities and subsidiaries held approximately \$89.8 billion in aggregate liquidity resources as of September 30, 2012, compared to \$97.6 billion at June 30, 2012, and \$107.3 billion at September 30, 2011. The \$89.8 billion as of September 30, 2012 included \$15.9 billion of cash on deposit with central banks and \$73.9 billion of unencumbered liquid securities. Citi's aggregate liquidity resources in its other Citibank and Banamex entities decreased quarter-over-quarter and year-over-year primarily due to increased lending and changes in deposits in those entities.

Citi's \$404.2 billion of aggregate liquidity resources as of September 30, 2012 above does not include additional potential liquidity in the form of Citigroup's borrowing capacity from the

Edgar Filing: CITIGROUP INC - Form 10-Q

various Federal Home Loan Banks (FHLB), which was approximately \$32 billion as of September 30, 2012 and is maintained by pledged collateral to all such banks. The aggregate liquidity resources shown above also do not include Citi's borrowing capacity at the U.S. Federal Reserve Bank discount window or international central banks, which capacity would also be in addition to the resources noted above.

Moreover, in general, Citigroup can freely fund legal entities within its bank vehicles. 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 September 30, 2012, the amount available for lending to these non-bank entities under Section 23A was approximately \$17 billion, provided the funds are collateralized appropriately.

Overall, subject to market conditions, Citi expects to continue to manage down its aggregate liquidity resources modestly, as it continues to pay down or allow its outstanding long-term debt to mature (see "Long-Term Debt" below).

Aggregate Liquidity Resources By Type

The following table shows the composition of Citi's aggregate liquidity resources by type of asset for each of the periods indicated. For securities, the amounts represent the liquidity value that could potentially be realized, and thus exclude any securities that are encumbered, as well as the haircuts that would be required for secured financing transactions. The aggregate liquidity resources are composed entirely of cash and securities positions. While Citi utilizes derivatives to manage the interest rate and currency risks related to the aggregate liquidity resources, credit derivatives are not used.

<i>In billions of dollars</i>	Sept. 30, 2012	Jun. 30, 2012
Available cash at central banks	\$ 139.5	\$ 122.6
U.S. Treasuries	73.0	77.4
U.S. Agencies/Agency MBS	67.0	71.4
Foreign Government(1)	119.5	132.9
Other Investment Grade	5.3	7.9
Total	\$ 404.2	\$ 412.2

(1)

Foreign government also includes foreign government agencies, multinationals and foreign government guaranteed securities. Foreign government securities are held largely to support local liquidity requirements and Citi's local franchises and, as of September 30, 2012, principally included government bonds from Japan, Korea, Mexico, Brazil, Singapore, Hong Kong and Germany.

Deposits

Deposits are the primary and lowest cost funding source for Citi's bank subsidiaries. As of September 30, 2012, approximately 81% of Citi's bank subsidiaries are funded by deposits, compared to 76% as of September 30, 2011 and 72% as of September 30, 2010.

Citi continued to focus on maintaining a geographically diverse retail and corporate deposit base that stood at approximately \$945 billion at September 30, 2012, up 3% from June 30, 2012 and 11% from September 30, 2011. Adjusted for the impact of FX translation, total deposits were up 2% quarter-over-quarter, and 10% year-over-year. The increase in deposits year-over-year was largely due to higher deposit volumes in each of Citicorp's deposit-taking businesses (*Transaction Services, Securities and Banking* primarily the Private Bank and *Global Consumer Banking*). Year-over-year deposit growth occurred in all four regions, including 16% growth in *EMEA* and 13% growth in *Latin America*, as customers continued a "flight-to-quality" given the uncertain macroeconomic environment. As of September 30, 2012, approximately 60% of Citi's deposits were located outside of the U.S., compared to 61% at June 30, 2012 and 62% at September 30, 2011.

These year-over-year increases in deposits in Citicorp were partially offset by a decrease in deposits in Citi Holdings. Citi also experienced an approximately \$12 billion increase in deposits towards the end of the third quarter of 2012, which Citi does not expect to remain. Further, Citi expects approximately \$4.4 billion in deposits to be transferred to Morgan Stanley during the fourth quarter of 2012 in connection with the previously disclosed sale of Citi's 14% interest in MSSB.

The Dodd-Frank Deposit Insurance Provision is set to expire on December 31, 2012. While difficult to predict, and ultimately based on subjective customer behavior, Citi believes its level of deposits could decline, potentially offset by balance inflows due to diversification

Edgar Filing: CITIGROUP INC - Form 10-Q

throughout the industry. Citi does not believe that the ultimate decline in its deposits will be material as a result of the provision's expiration.

During the third quarter, the composition of Citi's deposits continued to shift towards a greater proportion of operating balances. (Citi defines operating balances as checking and savings accounts for individuals, as well as cash management accounts for corporations. This compares to time deposits, where rates are fixed for the term of the deposit and which have generally lower margins.) At September 30, 2012, operating balances represented 77% and 76% of total deposits in each of *Global Consumer Banking* and Citi's institutional businesses, respectively. In addition, operating balances represented 76% of Citicorp's deposit base as of September 30, 2012, compared to 74% as of June 30, 2012, and 74% as of September 30, 2011.

Deposits can be interest-bearing or non-interest-bearing. Of Citi's \$945 billion of deposits as of September 30, 2012, \$198 billion were non-interest-bearing, compared to \$180 billion at June 30, 2012 and \$162 billion at September 30, 2011. The remainder, or \$747 billion, was interest-bearing, compared to \$734 billion at June 30, 2012 and \$690 billion at September 30, 2011.

Citi's overall cost of funds on deposits continued to decrease during the third quarter of 2012, despite continued deposit growth. Citi's average rate on total deposits was 0.83% at September 30, 2012, compared with 0.85% at June 30, 2012 and 1.03% at September 30, 2011. Excluding the impact of the higher FDIC assessment and deposit insurance, the average rate on Citi's total deposits was 0.70% at September 30, 2012, compared with 0.72% at June 30, 2012 and 0.85% at September 30, 2011. Consistent with prevailing interest rates, Citi continued to see declining deposit rates, notwithstanding pressure on deposit rates due to competitive pricing in certain regions.

Long-Term Debt

Long-term debt (generally defined as original maturities of one year or more) continued to represent the most significant component of Citi's funding for its non-bank entities, or 37% of the funding for the non-bank entities as of September 30, 2012, compared to 39% as of September 30, 2011 and 43% as of September 30, 2010. The vast majority of this funding is composed of senior term debt, along with subordinated instruments and trust preferred securities.

Senior long-term debt includes benchmark notes and structured notes, such as equity- and credit-linked notes. Citi's issuance of structured notes is generally driven by customer demand and is not a principal a source of liquidity for Citi. Structured notes frequently contain contractual features, such as call options, which can lead to an expectation that the debt will be redeemed earlier than one year, despite contractually scheduled maturities greater than one year. As such, when considering the measurement of Citi's long-term "structural" liquidity, structured notes with these contractual features are not included (see note 1 to the "Long-Term Debt Issuances and Maturities" table below).

In addition, due to the phase-out of Tier 1 Capital treatment for trust preferred securities, Citi has no plans to issue new trust preferreds. During the third quarter of 2012, Citi redeemed three series of its trust preferred securities, for an aggregate amount of approximately \$5.4 billion. For details on Citi's remaining outstanding trust preferred securities, see Note 15 to the Consolidated Financial Statements.

Long-term debt is an important funding source for Citi's non-bank entities due in part to its multi-year maturity structure. The weighted average maturities of long-term debt issued by Citigroup and its affiliates, including Citibank, N.A., with a remaining life greater than one year as of September 30, 2012 (excluding trust preferred securities), was approximately 7.0 years as of September 30, 2012, compared to 7.0 years at June 30, 2012 and 6.6 years at September 30, 2011.

Long-Term Debt Outstanding

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

<i>In billions of dollars</i>	Sept. 30, 2012	Jun. 30, 2012	Sept. 30, 2011
Non-bank	\$ 210.0	\$ 222.8	\$ 251.3
Senior/subordinated debt(1)	186.8	194.4	222.3
Trust preferred securities	10.6	16.0	16.1
Securitized debt and securitizations(1)(2)	3.5	3.2	4.0
Local country	9.1	9.2	8.9
Bank	\$ 61.9	\$ 65.5	\$ 82.5
Senior/subordinated debt	3.7	4.6	12.0
Securitized debt and securitizations(1)(2)	32.0	34.5	48.3
Local country and FHLB borrowings(3)	26.2	26.4	22.2
Total long-term debt	\$ 271.9(4)	\$ 288.3	\$ 333.8

- (1) Includes structured notes in the amount of \$25.8 billion, \$25.1 billion and \$24.6 billion as of September 30, 2012, June 30, 2012 and September 30, 2011, respectively.
- (2) Of the approximately \$35.5 billion of total bank and non-bank securitized debt and securitizations as of September 30, 2012, approximately \$28.9 billion related to credit card securitizations, the vast majority of which was at the bank level.
- (3) Of this amount, approximately \$17.3 billion related to collateralized advances from the FHLB as of September 30, 2012.
- (4) Of this amount, approximately \$13.5 billion consists of TLGP debt that matures in full by the end of 2012.

Edgar Filing: CITIGROUP INC - Form 10-Q

As set forth in the table above, Citi's overall long-term debt decreased by approximately \$62 billion year-over-year. In the bank, the decrease was due to securitization and TLGP run-off that was replaced with deposit growth. In the non-bank, the decrease was primarily due to TLGP run-off that was not refinanced, trust preferred redemptions, and debt repurchases through tender offers or other means (see discussion below), partially offset by issuances. While long-term debt in the non-bank declined over the course of the past year, Citi correspondingly reduced the illiquid assets it was meant to support. These reductions are in keeping with Citi's continued strategy to deleverage the balance sheet and lower funding costs.

Given its liquidity resources as of September 30, 2012, Citi has considered, and may continue to consider, opportunities to repurchase its long-term and short-term debt pursuant to open market purchases, tender offers or other means. Such repurchases further decrease Citi's overall funding costs. During the third quarter of 2012, Citi repurchased an aggregate of approximately \$3.6 billion of its outstanding long-term and short-term debt, primarily pursuant to selective public tender offers and open market purchases, compared to \$1.7 billion and \$0.3 billion during the second quarter of 2012 and third quarter of 2011, respectively.

Edgar Filing: CITIGROUP INC - Form 10-Q

Long-Term Debt Issuances and Maturities

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

<i>In billions of dollars</i>	3Q 2012		2Q 2012		3Q 2011	
	Maturities	Issuances	Maturities	Issuances	Maturities	Issuances
Structural long-term debt(1)	\$ 19.8	\$ 2.8	\$ 23.7	\$ 3.0	\$ 11.5	\$ 2.6
Local country level, FHLB and other(2)	2.5	1.6	2.9	8.1	8.2	1.9
Secured debt and securitizations	3.0	0.5	6.7	0.0	1.1	0.0
Total	\$ 25.3	\$ 4.9	\$ 33.3	\$ 11.1	\$ 20.8	\$ 4.5

- (1) Citi defines structural long-term debt as its long-term debt (original maturities of one year or more), excluding certain structured debt, such as equity-linked and credit-linked notes, with early redemption features effective within one year. Issuances and maturities of these notes are included in this table in "Local country level, FHLB and other." See note 2 below. Structural long-term debt is a non-GAAP measure. 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.
- (2) As referenced above, "other" includes long-term debt not considered structural long-term debt relating to certain structured notes. The amounts of issuances included in this line, and thus excluded from "structural long-term debt," were \$0.4 billion, \$0.3 billion, and \$0.9 billion in the third quarter of 2012, second quarter of 2012, and third quarter of 2011, respectively. The amounts of maturities included in this line, and thus excluded from "structural long-term debt," were \$0.7 billion, \$0.7 billion, and \$0.5 billion, in the third quarter of 2012, second quarter of 2012, and third quarter of 2011, respectively.

The table below shows Citi's aggregate expected annual long-term debt maturities as of September 30, 2012:

<i>In billions of dollars</i>	Expected Long-Term Debt Maturities as of September 30, 2012							
	2012(1)	2013	2014	2015	2016	2017	Thereafter	Total
Senior/subordinated debt(2)	\$ 73.0	\$ 25.1	\$ 26.4	\$ 20.3	\$ 12.6	\$ 20.3	\$ 67.6	\$ 245.3
Trust preferred securities	5.4	0.0	0.0	0.0	0.0	0.0	10.6	16.0
Securitized debt and securitizations	20.5	3.7	9.9	5.8	2.9	2.3	6.2	51.3
Local country and FHLB borrowings	8.4	15.5	4.9	3.2	5.3	0.8	2.9	41.0
Total long-term debt	\$ 107.3	\$ 44.3	\$ 41.2	\$ 29.3	\$ 20.8	\$ 23.4	\$ 87.3	\$ 353.6

- (1) Includes \$81.8 billion of maturities during the first three quarters of 2012 (including \$24.5 billion related to TLGP).
- (2) Includes certain structured notes, such as equity-linked and credit-linked notes, with early redemption features effective within one year. The amount and maturity of such notes included is as follows: \$0.1 billion maturing in 2012; \$1.0 billion in 2013; \$0.6 billion in 2014; \$0.5 billion in 2015; \$0.4 billion in 2016; \$0.3 billion in 2017; and \$1.4 billion thereafter.

As set forth in the table above, Citi's senior and subordinated long-term debt maturities peak during 2012 at \$73.0 billion. Of this amount, \$38.0 billion is TLGP debt, of which \$24.5 billion has matured as of September 30, 2012. Citi has not and does not expect to refinance its remaining maturing TLGP debt (\$13.5 billion as of September 30, 2012).

Short-Term Debt*Secured Financing*

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 September 30, 2012, approximately 32% of the funding for Citi's non-bank entities, primarily the broker-dealer, was from secured financings.

Secured financing was \$224 billion as of September 30, 2012, compared to \$215 billion as of June 30, 2012, and \$224 billion as of September 30, 2011. Average balances for secured financing were approximately \$221 billion as of September 30, 2012, compared to \$225 billion as of June 30, 2012, and \$218 billion as of September 30, 2011. Changes in levels of secured financing were primarily due to fluctuations in inventory for all periods discussed above (either on an end-of-quarter or on an average basis).

Commercial Paper

Citi's commercial paper balances have decreased and will likely continue to do so as Citi shifts its funding mix away from short-term sources to deposits and long-term debt and equity. The following table sets forth Citi's commercial paper outstanding for each of its non-bank entities and significant Citibank entities, respectively, for each of the periods indicated:

<i>In billions of dollars</i>	Sept. 30, 2012	June 30, 2012	Sept. 30, 2011
Commercial paper			
Non-bank	\$ 0.6	\$ 5.1	\$ 9.4
Bank	11.8	15.6	14.8
Total	\$ 12.4	\$ 20.7	\$ 24.2

Other Short-Term Borrowings

At September 30, 2012, Citi's other short-term borrowings, which includes borrowings from the FHLBs and other market participants, were approximately \$37 billion, compared with \$38 billion at June 30, 2012 and \$42 billion at September 30, 2011.

See Note 15 to the Consolidated Financial Statements for further information on Citigroup's and its affiliates' outstanding long-term debt and short-term borrowings.

Liquidity Management and Measures*Liquidity Management*

Citi's aggregate liquidity resources are managed by the Citi Treasurer. Liquidity is managed via a centralized treasury model by Corporate Treasury and by in-country treasurers. Pursuant to this structure, Citi's liquidity resources are managed with a goal of ensuring the asset/liability match and liquidity positions are appropriate in every country and throughout Citi.

Citi's Chief Risk Officer is responsible for the overall risk profile of Citi's aggregate liquidity resources. The Chief Risk Officer and Chief Financial Officer co-chair Citi's Asset Liability Management Committee (ALCO), which includes Citi's Treasurer and senior executives. ALCO sets the strategy of the liquidity portfolio and monitors its performance. Significant changes to portfolio asset allocations need to be approved by ALCO.

Excess cash available in Citi's aggregate liquidity resources is available to be invested in a liquid portfolio such that cash can be made available to meet demand in a stress situation. At September 30, 2012, as in recent prior quarters, Citi's liquidity pool was primarily invested in cash, government securities, including U.S. agency debt and U.S. agency mortgage-backed securities, and a certain amount of highly rated investment-grade credits. While the vast majority of Citi's liquidity pool at September 30, 2012 consisted of long positions, Citi utilizes derivatives to manage its interest rate and currency risks; credit derivatives are not used.

Liquidity Measures

Edgar Filing: CITIGROUP INC - Form 10-Q

Citi uses multiple measures in monitoring its liquidity, including without limitation, those described below.

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 the asset base is funded by sufficiently long-dated liabilities. Citi's structural liquidity ratio has remained stable over the past year: approximately 73% at September 30, 2012, 72% at June 30, 2012, and 70% at September 30, 2011.

In addition, Citi believes it is currently in compliance with the proposed minimum Basel III Liquidity Coverage Ratio (LCR) of 100% even though such ratio is not proposed to take effect until 2015. Although still awaiting final guidance from its regulators, based on its current interpretation, understanding and expectations of the proposed rules, Citi's estimated LCR was approximately 116% as of September 30, 2012, compared with approximately 117% at June 30, 2012. In keeping with its estimates regarding its overall liquidity levels, Citi expects that its estimated LCR could decrease modestly but would continue to remain above the proposed 100% required minimum.

Citi's estimated LCR is a non-GAAP financial measure. Citi believes this measure provides useful information to investors and others by measuring Citi's progress toward potential future expected regulatory liquidity standards. The LCR is designed to ensure banks maintain an adequate level of unencumbered cash and highly liquid securities that can be converted to cash to meet liquidity needs under an acute 30-

Edgar Filing: CITIGROUP INC - Form 10-Q

day stress scenario. The LCR estimate is calculated in accordance with the Basel Committee on Banking Supervision (BCBS) "Basel III: International framework for liquidity risk measurement, standards and monitoring." Specifically, the LCR is calculated by dividing the amount of highly liquid unencumbered government and government-backed cash securities, as well as unencumbered cash, by the estimated net outflows over a stressed 30-day period. The net cash outflows are calculated by applying assumed outflow factors, prescribed in BCBS' guidance, to the various categories of liabilities (deposits, unsecured and secured wholesale borrowings), as well as to unused commitments, partially offset by inflows from assets maturing within 30 days.

For a more detailed discussion of Citi's overall liquidity management and additional liquidity measures and stress testing, see "Capital Resources and Liquidity Funding and Liquidity" in Citigroup's 2011 Annual Report on Form 10-K.

Credit Ratings

Citigroup's funding and liquidity, including without limitation its funding capacity, its 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. The table below indicates the ratings for Citigroup, Citibank, N.A. and Citigroup Global Markets Inc. (a broker-dealer subsidiary of Citigroup Inc.) as of September 30, 2012.

Citi's Debt Ratings as of September 30, 2012

	Citigroup Inc.(1)		Citibank, N.A.		Citigroup Global
	Senior debt	Commercial paper	Long-term	Short-term	Markets Inc. Long-term
Fitch Ratings (Fitch)	A	F1	A	F1	NR
Moody's Investors Service (Moody's)	Baa2	P-2	A3	P-2	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 Citigroup Funding Inc. (CFI), are the same as those of Citigroup.

NR
Not rated.

Recent Credit Rating Developments

On October 16, 2012, Fitch noted the change in Citi's senior management as an unexpected, but credit-neutral, event that would likely have no material impact on the credit profile of Citibank, N.A. or its ratings in the near term. On October 10, 2012 Fitch affirmed the long- and short-term ratings of 'A/F1' and the Viability Rating of 'a-' for Citigroup and Citibank, N.A. and, as of such date, the rating outlook by Fitch was stable. This rating action was taken in conjunction with Fitch's periodic review of the 13 global trading and universal banks.

On October 16, 2012, Moody's affirmed the long- and short-term ratings of Citigroup and Citibank, N.A.. At the same time, Moody's affirmed the rating outlook of Citigroup as negative, but changed Citibank, N.A.'s outlook from stable to negative following senior management changes.

On October 16, 2012, S&P noted that Citi's ratings remain unchanged despite the change in senior management. At the same time, S&P maintained a negative outlook on the ratings. These ratings continue to receive two notches of government support uplift, in line with other large banks.

Potential Impacts of Ratings Downgrades

Ratings downgrades by Moody's, Fitch or S&P could negatively impact Citigroup's and/or Citibank, N.A.'s funding and liquidity due to reduced funding capacity, including derivatives triggers, which could take the form of cash obligations and collateral requirements. The following information is provided for the purpose of analyzing the potential funding and liquidity impact to Citigroup and Citibank, N.A. of a hypothetical, simultaneous ratings downgrade across all three major rating agencies. This analysis is subject to certain estimates, estimation

Edgar Filing: CITIGROUP INC - Form 10-Q

methodologies, and judgments and uncertainties, including without limitation those relating to potential ratings limitations certain entities may have with respect to permissible counterparties, as well as general subjective counterparty behavior (e.g., certain corporate customers and trading counterparties could re-evaluate their business relationships with Citi, and limit the trading of certain contracts or market instruments with Citi). Moreover, changes in counterparty behavior could impact Citi's funding and liquidity as well as the results of operations of certain of its businesses. Accordingly, the actual impact to Citigroup or Citibank, N.A. is unpredictable and may differ materially from the potential funding and liquidity impacts described below.

For additional information on the impact of credit rating changes on Citi and its applicable subsidiaries, see "Risk Factors Market and Economic Risks" in Citi's 2011 Annual Report on Form 10-K.

Edgar Filing: CITIGROUP INC - Form 10-Q

Citigroup Inc. and Citibank, N.A. Potential Derivative Triggers

As of September 30, 2012, Citi estimates that a hypothetical one-notch downgrade of the senior debt/long-term rating of Citigroup across all three major rating agencies could impact Citigroup's funding and liquidity due to derivative triggers by approximately \$2.5 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.

In addition, as of September 30, 2012, Citi estimates that a hypothetical one-notch downgrade across all three major rating agencies of Citibank, N.A.'s senior debt/long-term rating could impact Citibank, N.A.'s funding and liquidity due to derivative triggers by approximately \$4.3 billion.

In total, Citi estimates that a one-notch downgrade of Citigroup and Citibank, N.A., across all three major rating agencies, could result in aggregate cash obligations and collateral requirements of approximately \$6.8 billion (see Note 18 to the Consolidated Financial Statements). As set forth under "Aggregate Liquidity Resources" above, the aggregate liquidity resources of Citi's non-bank entities were approximately \$78 billion, and the aggregate liquidity resources of Citi's significant Citibank entities and other Citibank and Banamex entities were approximately \$326 billion, for a total of approximately \$404 billion as of September 30, 2012. These liquidity resources are available in part as a contingency for the potential events described above.

In addition, a broad range of mitigating actions are currently included in Citigroup's and Citibank, N.A.'s detailed contingency funding plans (for additional information, see "Capital Resources and Liquidity Funding and Liquidity" in Citi's 2011 Annual Report on Form 10-K). For Citigroup, 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 Citi's significant bank subsidiaries. Mitigating actions available to Citibank, N.A. include, but are not limited to, selling or financing highly liquid government securities, tailoring levels of secured lending, adjusting the size of select trading books, reducing loan originations and renewals, raising additional deposits, or borrowing from the FHLBs or central banks. Citi believes these mitigating actions could substantially reduce the funding and liquidity risk, if any, of the potential downgrades described above.

Citibank, N.A. Additional Potential Impacts

In addition to the above derivative triggers, Citi believes that a potential one-notch downgrade of Citibank, N.A.'s senior debt/long-term rating by S&P and Fitch could also have an adverse impact on the commercial paper/short-term rating of Citibank, N.A. As of September 30, 2012, Citibank, N.A. had liquidity commitments of approximately \$19.7 billion to asset-backed commercial paper conduits. This included \$11.8 billion of commitments to consolidated conduits and \$7.9 billion of commitments to unconsolidated conduits (each as referenced in Note 17 to the Consolidated Financial Statements).

In addition to the above-referenced aggregate liquidity resources of Citi's significant Citibank entities and other Citibank and Banamex entities, as well as the various mitigating actions previously noted, mitigating actions available to Citibank, N.A. to reduce the funding and liquidity risk, if any, of the potential downgrades described above, include repricing or reducing certain commitments to commercial paper conduits.

In addition, in the event of the potential downgrades described above, Citi believes that certain corporate customers could re-evaluate their deposit relationships with Citibank, N.A. Among other things, this re-evaluation could include adjusting their discretionary deposit levels or changing their depository institution, each of which could potentially reduce certain deposit levels at Citibank, N.A. As a potential mitigant, however, Citi could choose to adjust pricing or offer alternative deposit products to its existing customers, or seek to attract deposits from new customers, as well as utilize the other mitigating actions referenced above.

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 where a discussion of Citi's various off-balance-sheet arrangements may be found in this Form 10-Q. In addition, see "Significant Accounting Policies and Significant Estimates - Securitizations", as well as Notes 1, 22 and 28 to the Consolidated Financial Statements in Citigroup's 2011 Annual Report on Form 10-K.

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

Variable interests and other obligations, including contingent obligations, arising from variable interests in nonconsolidated VIEs	See Note 17 to the Consolidated Financial Statements.
Leases, letters of credit, and lending and other commitments	See Note 21 to the Consolidated Financial Statements.
Guarantees	See Note 21 to the Consolidated Financial Statements.

MANAGING GLOBAL RISK

Citigroup's risk management framework balances strong corporate oversight with well-defined independent risk management functions for each business and region, as well as cross-business product expertise. For more information on Citi's risk management, see "Managing Global Risk" in Citigroup's 2011 Annual Report on Form 10-K.

CREDIT RISK**Loans Outstanding**

<i>In millions of dollars</i>	3rd Qtr. 2012	2nd Qtr. 2012	1st Qtr. 2012	4th Qtr. 2011	3rd Qtr. 2011
Consumer loans					
In U.S. offices					
Mortgage and real estate(1)	\$ 128,737	\$ 132,931	\$ 136,325	\$ 139,177	\$ 140,819
Installment, revolving credit, and other	14,210	14,757	14,942	15,616	20,044
Cards	108,819	109,755	110,049	117,908	113,777
Commercial and industrial	5,042	4,668	4,796	4,766	4,785
Lease financing				1	1
	\$ 256,808	\$ 262,111	\$ 266,112	\$ 277,468	\$ 279,426
In offices outside the U.S.					
Mortgage and real estate(1)	\$ 54,529	\$ 53,058	\$ 53,652	\$ 52,052	\$ 51,304
Installment, revolving credit, and other	36,290	35,108	35,813	34,613	35,377
Cards	39,671	38,721	39,319	38,926	38,063
Commercial and industrial	20,070	19,768	20,830	19,975	19,764
Lease financing	742	719	757	711	606
	\$ 151,302	\$ 147,374	\$ 150,371	\$ 146,277	\$ 145,114
Total Consumer loans	\$ 408,110	\$ 409,485	\$ 416,483	\$ 423,745	\$ 424,540
Unearned income	(358)	(358)	(380)	(405)	(328)
Consumer loans, net of unearned income	\$ 407,752	\$ 409,127	\$ 416,103	\$ 423,340	\$ 424,212
Corporate loans					
In U.S. offices					
Commercial and industrial	\$ 30,056	\$ 24,889	\$ 22,793	\$ 20,830	\$ 17,386
Loans to financial institutions	17,376	19,134	15,635	15,113	14,254
Mortgage and real estate(1)	24,221	23,239	21,859	21,516	21,346
Installment, revolving credit, and other	32,987	33,838	30,533	33,182	31,401
Lease financing	1,394	1,295	1,278	1,270	1,396
	\$ 106,034	\$ 102,395	\$ 92,098	\$ 91,911	\$ 85,783
In offices outside the U.S.					
Commercial and industrial	\$ 85,854	\$ 87,347	\$ 83,951	\$ 79,764	\$ 76,075
Installment, revolving credit, and other	16,758	17,001	15,341	14,114	14,733
Mortgage and real estate(1)	6,214	6,517	6,974	6,885	6,015
Loans to financial institutions	35,014	31,302	32,280	29,794	27,069
Lease financing	574	538	566	568	469
Governments and official institutions	984	1,527	1,497	1,576	3,545
	\$ 145,398	\$ 144,232	\$ 140,609	\$ 132,701	\$ 127,906
Total Corporate loans	\$ 251,432	\$ 246,627	\$ 232,707	\$ 224,612	\$ 213,689
Unearned income	(761)	(786)	(788)	(710)	(662)
Corporate loans, net of unearned income	\$ 250,671	\$ 245,841	\$ 231,919	\$ 223,902	\$ 213,027
Total loans net of unearned income	\$ 658,423	\$ 654,968	\$ 648,022	\$ 647,242	\$ 637,239
Allowance for loan losses on drawn exposures	(25,916)	(27,611)	(29,020)	(30,115)	(32,052)

Edgar Filing: CITIGROUP INC - Form 10-Q

Total loans net of unearned income and allowance for credit losses	\$ 632,507	\$ 627,357	\$ 619,002	\$ 617,127	\$ 605,187
Allowance for loan losses as a percentage of total loans net of unearned income(2)	3.97%	4.25%	4.51%	4.69%	5.07%
Allowance for Consumer loan losses as a percentage of total Consumer loans net of unearned income(2)	5.68%	6.04%	6.26%	6.45%	6.83%
Allowance for Corporate loan losses as a percentage of total Corporate loans net of unearned income(2)	1.14%	1.23%	1.34%	1.31%	1.52%

(1) Loans secured primarily by real estate.

(2) All periods exclude loans which are carried at fair value.

Details of Credit Loss Experience

<i>In millions of dollars</i>	3rd Qtr. 2012	2nd Qtr. 2012	1st Qtr. 2012	4th Qtr. 2011	3rd Qtr. 2011
Allowance for loan losses at beginning of period	\$ 27,611	\$ 29,020	\$ 30,115	\$ 32,052	\$ 34,362
Provision for loan losses					
Consumer(1)	\$ 2,568	\$ 2,499	\$ 2,761	\$ 2,798	\$ 3,004
Corporate	(57)	86	67	(154)	45
	\$ 2,511	\$ 2,585	\$ 2,828	\$ 2,644	\$ 3,049
Gross credit losses					
Consumer					
In U.S. offices(1)(2)	\$ 3,297	\$ 2,971	\$ 3,516	\$ 3,361	\$ 3,607
In offices outside the U.S.	1,145	1,119	1,170	1,248	1,312
Corporate					
In U.S. offices	47	104	37	129	161
In offices outside the U.S.	149	123	48	172	137
	\$ 4,638	\$ 4,317	\$ 4,771	\$ 4,910	\$ 5,217
Credit recoveries					
Consumer					
In U.S. offices	\$ 282	\$ 369	\$ 354	\$ 341	\$ 358
In offices outside the U.S.	298	299	294	303	319
Corporate					
In U.S. offices	45	54	105	108	6
In offices outside the U.S.	34	19	63	50	20
	\$ 659	\$ 741	\$ 816	\$ 802	\$ 703
Net credit losses					
In U.S. offices(1)	\$ 3,017	\$ 2,652	\$ 3,094	\$ 3,041	\$ 3,404
In offices outside the U.S.	962	924	861	1,067	1,110
Total	\$ 3,979	\$ 3,576	\$ 3,955	\$ 4,108	\$ 4,514
Other net(3)(4)(5)(6)(7)	\$ (227)	\$ (418)	\$ 32	\$ (473)	\$ (845)
Allowance for loan losses at end of period	\$ 25,916	\$ 27,611	\$ 29,020	\$ 30,115	\$ 32,052
Allowance for loan losses as a % of total loans(8)	3.97%	4.25%	4.51%	4.69%	5.07%
Allowance for unfunded lending commitments(9)	\$ 1,063	\$ 1,104	\$ 1,097	\$ 1,136	\$ 1,139
Total allowance for loan losses and unfunded lending commitments	\$ 26,979	\$ 28,715	\$ 30,117	\$ 31,251	\$ 33,191
Net consumer credit losses(1)(9)	\$ 3,862	\$ 3,422	\$ 4,038	\$ 3,965	\$ 4,242
As a percentage of average consumer loans	3.79%	3.35%	3.85%	3.70%	3.87%
Net corporate credit losses	\$ 117	\$ 154	\$ (83)	\$ 143	\$ 272
As a percentage of average corporate loans	0.05%	0.07%	(0.04)%	0.07%	0.13%
Allowance for loan losses at end of period(10)					
Citicorp	\$ 14,828	\$ 15,387	\$ 16,306	\$ 16,699	\$ 17,613
Citi Holdings	11,088	12,224	12,714	13,416	14,439

Edgar Filing: CITIGROUP INC - Form 10-Q

Total Citigroup	\$	25,916	\$	27,611	\$	29,020	\$	30,115	\$	32,052
Allowance by type										
Consumer	\$	23,099	\$	24,639	\$	25,963	\$	27,236	\$	28,866
Corporate		2,817		2,972		3,057		2,879		3,186
Total Citigroup	\$	25,916	\$	27,611	\$	29,020	\$	30,115	\$	32,052

-
- (1) The third quarter of 2012 includes approximately \$635 million of incremental charge-offs related to new Office of the Comptroller of the Currency (OCC) guidance regarding mortgage loans where the borrower has gone through Chapter 7 bankruptcy. There was a corresponding approximately \$600 million reserve release in the third quarter of 2012 specific to these mortgage loans.
- (2) The first quarter of 2012 included approximately \$370 million of incremental charge-offs related to previously deferred principal balances on modified mortgages. These charge-offs were related to anticipated forgiveness of principal, largely in connection with the national mortgage settlement. There was a corresponding approximately \$350 million reserve release in the first quarter of 2012 specific to these charge-offs. See also "Credit Risk National Mortgage Settlement" below.
- (3) The third quarter of 2012 includes a reduction of approximately \$300 million related to the sale or transfer to held-for-sale of various U.S. loan portfolios.
- (4) The second quarter of 2012 included a reduction of approximately \$175 million related to the sale or transfer to held-for-sale of various U.S. loan portfolios and a reduction of approximately \$200 million related to the impact of FX translation.
- (5) The first quarter of 2012 included a reduction of approximately \$145 million related to the sale or transfers to held-for-sale of various U.S. loan portfolios.
- (6) The fourth quarter of 2011 included a reduction of approximately \$325 million related to the sale or transfer to held-for-sale of various U.S. loan portfolios and a reduction of approximately \$72 million related to the transfer of Citi Belgium to held-for-sale.
- (7) The third quarter of 2011 included a reduction of approximately \$300 million related to the sale or transfers to held-for-sale of various U.S. loan portfolios and a reduction of approximately \$530 million related to the impact of FX translation.
- (8) September 30, 2012, June 30, 2012, March 31, 2012, December 31, 2011 and September 30, 2011 exclude \$5.4 billion, \$5.1 billion, \$4.7 billion, \$5.3 billion and \$5.4 billion, respectively, of loans which are carried at fair value.
- (9) Represents additional credit loss reserves for unfunded lending commitments and letters of credit recorded in *Other liabilities* on the Consolidated Balance Sheet.

- (10) Allowance for loan losses represents management's best estimate of probable losses inherent in the portfolio, as well as probable losses related to large individually evaluated impaired loans and troubled debt restructurings (TDRs). Attribution of the allowance is made for analytical purposes only and the entire allowance is available to absorb probable credit losses inherent in the overall portfolio.

Allowance for Loan Losses (continued)

The following table details information on Citi's allowance for loan losses, loans and coverage ratios as of September 30, 2012:

<i>In billions of dollars</i>	September 30, 2012		
	Allowance for loan losses	Loans, net of unearned income	Allowance as a percentage of loans(1)
<i>North America</i> cards(2)	\$ 7.6	\$ 109.3	6.9%
<i>North America</i> residential mortgages	8.7	128.3	6.8
<i>North America</i> other	1.5	22.0	7.0
International cards	2.8	39.7	7.0
International other(3)	2.5	108.4	2.3
Total Consumer	\$ 23.1	\$ 407.7	5.7%
Total Corporate	\$ 2.8	\$ 250.7	1.1%
Total Citigroup	\$ 25.9	\$ 658.4	4.0%

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

Non-Accrual Loans and Assets and Renegotiated Loans

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

Non-Accrual Loans and Assets:

- (1) Corporate and Consumer (commercial market) non-accrual status is based on the determination that payment of interest or principal is doubtful.
- (2) Consumer non-accrual status is based on aging, i.e., the borrower has fallen behind in payments.
- (3) As a result of new OCC guidance, effective in the third quarter of 2012, mortgage loans discharged through Chapter 7 bankruptcy are classified as non-accrual. This new guidance added \$1.5 billion of Consumer loans to non-accrual status at September 30, 2012, of which approximately \$1.3 billion was current. See also Note 1 to the Consolidated Financial Statements.
- (4)

Edgar Filing: CITIGROUP INC - Form 10-Q

North America Citi-branded cards and Citi retail services are not included as, under industry standards, they accrue interest until charge-off.

Renegotiated Loans:

- (1) Both Corporate and Consumer loans whose terms have been modified in a troubled debt restructuring (TDR).
- (2) Includes both accrual and non-accrual TDRs.

Non-Accrual Loans and Assets

The table below summarizes Citigroup's non-accrual loans as of the periods indicated. As summarized above, non-accrual loans are loans in which the borrower has fallen behind in interest payments or, for Corporate and Consumer (commercial market) loans, where Citi has determined that the payment of interest or principal is doubtful and which are therefore considered impaired. In situations where Citi reasonably expects that only a portion of the principal owed will ultimately be collected, all payments received are reflected as a reduction of principal and not as interest income. As a result of new OCC guidance, effective in the third quarter of 2012, mortgage loans discharged through Chapter 7 bankruptcy are classified as non-accrual (see discussion above). There is no industry-wide definition of non-accrual assets, however, and as such, analysis across the industry is not always comparable.

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

Non-Accrual Loans

<i>In millions of dollars</i>	Sept. 30, 2012	Jun. 30, 2012	Mar. 31, 2012	Dec. 31, 2011	Sept. 30, 2011
Citicorp	\$ 4,090	\$ 4,000	\$ 4,175	\$ 4,018	\$ 4,564
Citi Holdings	8,100	6,917	7,366	7,050	7,421
Total non-accrual loans (NAL)	\$ 12,190	\$ 10,917	\$ 11,541	\$ 11,068	\$ 11,985
Corporate non-accrual loans(1)					
<i>North America</i>	\$ 900	\$ 724	\$ 1,017	\$ 1,246	\$ 1,639
<i>EMEA</i>	1,054	1,169	1,194	1,293	1,748
<i>Latin America</i>	151	209	263	362	442
<i>Asia</i>	324	469	499	335	342
Total corporate non-accrual loans	\$ 2,429	\$ 2,571	\$ 2,973	\$ 3,236	\$ 4,171
Citicorp	\$ 1,928	\$ 2,014	\$ 2,213	\$ 2,217	\$ 2,861
Citi Holdings	501	557	760	1,019	1,310
Total corporate non-accrual loans	\$ 2,429	\$ 2,571	\$ 2,973	\$ 3,236	\$ 4,171
Consumer non-accrual loans(1)					
<i>North America(2)(3)</i>	\$ 7,698	\$ 6,403	\$ 6,519	\$ 5,888	\$ 5,822
<i>EMEA</i>	379	371	397	387	514
<i>Latin America</i>	1,275	1,158	1,178	1,107	998
<i>Asia</i>	409	414	474	450	480
Total consumer non-accrual loans(2)(3)	\$ 9,761	\$ 8,346	\$ 8,568	\$ 7,832	\$ 7,814
Citicorp	\$ 2,162	\$ 1,986	\$ 1,962	\$ 1,801	\$ 1,703
Citi Holdings(2)(3)	7,599	6,360	6,606	6,031	6,111
Total consumer non-accrual loans(2)(3)	\$ 9,761	\$ 8,346	\$ 8,568	\$ 7,832	\$ 7,814

(1) Excludes purchased distressed loans as they are generally accreting interest. The carrying value of these loans was \$533 million at September 30, 2012, \$532 million at June 30, 2012, \$531 million at March 31, 2012, \$511 million at December 31, 2011, and \$405 million at September 30, 2011.

(2) The first quarter of 2012 increase in non-accrual Consumer loans in *North America* was attributable to a \$0.8 billion reclassification from accrual to non-accrual status of home equity loans where the related residential first mortgage was 90 days or more past due as of March 31, 2012. Of the \$0.8 billion of home equity loans, \$0.7 billion were current and \$0.1 billion were 30 to 89 days past due as of March 31, 2012. The reclassification reflected regulatory guidance issued on January 31, 2012. The reclassification had no impact on Citi's delinquency statistics or its loan loss reserves.

(3) The third quarter of 2012 includes an increase in Consumer non-accrual loans in *North America* of approximately \$1.5 billion as a result of new OCC guidance regarding mortgage loans where the borrower has gone through Chapter 7 bankruptcy. Of the \$1.5 billion of such non-accrual loans, \$1.3 billion was current as of September 30, 2012.

Edgar Filing: CITIGROUP INC - Form 10-Q

Non-Accrual Loans and Assets (continued)

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

<i>In millions of dollars</i>	Sept. 30, 2012	Jun. 30, 2012	Mar. 31, 2012	Dec. 31, 2011	Sept. 30, 2011
OREO					
Citicorp	\$ 47	\$ 47	\$ 48	\$ 71	\$ 810
Citi Holdings	417	484	518	480	534
Corporate/Other	10	10	14	15	13
Total OREO	\$ 474	\$ 541	\$ 580	\$ 566	\$ 1,357
<i>North America</i>	\$ 315	\$ 366	\$ 392	\$ 441	\$ 1,222
<i>EMEA</i>	111	127	139	73	79
<i>Latin America</i>	48	48	48	51	56
<i>Asia</i>			1	1	
Total OREO	\$ 474	\$ 541	\$ 580	\$ 566	\$ 1,357
Other repossessed assets	\$ 1	\$ 2	\$ 1	\$ 1	\$ 24
Non-accrual assets Total Citigroup					
Corporate non-accrual loans	\$ 2,429	\$ 2,571	\$ 2,973	\$ 3,236	\$ 4,171
Consumer non-accrual loans(1)(2)	9,761	8,346	8,568	7,832	7,814
Non-accrual loans (NAL)	\$ 12,190	\$ 10,917	\$ 11,541	\$ 11,068	\$ 11,985
OREO	474	541	580	566	1,357
Other repossessed assets	1	2	1	1	24
Non-accrual assets (NAA)	\$ 12,665	\$ 11,460	\$ 12,122	\$ 11,635	\$ 13,366
NAL as a percentage of total loans	1.85%	1.67%	1.78%	1.71%	1.88%
NAA as a percentage of total assets	0.66%	0.60%	0.62%	0.62%	0.69%
Allowance for loan losses as a percentage of NAL(3)	213%	253%	251%	272%	267%
Non-accrual assets Total Citicorp					
Non-accrual loans (NAL)	\$ 4,090	\$ 4,000	\$ 4,175	\$ 4,018	\$ 4,564
OREO	47	47	48	71	810
Other repossessed assets	N/A	N/A	N/A	N/A	N/A
Non-accrual assets (NAA)	\$ 4,137	\$ 4,047	\$ 4,223	\$ 4,089	\$ 5,374
NAA as a percentage of total assets	0.28%	0.28%	0.30%	0.30%	0.38%
Allowance for loan losses as a percentage of NAL(3)	363%	385%	391%	416%	386%
Non-accrual assets Total Citi Holdings					
Non-accrual loans (NAL)(1)(2)	\$ 8,100	\$ 6,917	\$ 7,366	\$ 7,050	\$ 7,421
OREO	417	484	518	480	534
Other repossessed assets	N/A	N/A	N/A	N/A	N/A

Edgar Filing: CITIGROUP INC - Form 10-Q

Non-accrual assets (NAA)	\$ 8,517	\$ 7,401	\$ 7,884	\$ 7,530	\$ 7,955
NAA as a percentage of total assets	4.98%	3.87%	3.77%	3.35%	3.22%
Allowance for loan losses as a percentage of NAL(3)	137%	177%	173%	190%	195%

-
- (1) The first quarter of 2012 increase in non-accrual consumer loans in *North America* was attributable to a \$0.8 billion reclassification from accrual to non-accrual status of home equity loans where the related residential first mortgage was 90 days or more past due. Of the \$0.8 billion of home equity loans, \$0.7 billion were current and \$0.1 billion were 30 to 89 days past due as of March 31, 2012. The reclassification reflected regulatory guidance issued on January 31, 2012. The reclassification had no impact on Citi's delinquency statistics or its loan loss reserves.
- (2) The third quarter of 2012 includes an increase in Consumer non-accrual loans of approximately \$1.5 billion as a result of new OCC guidance regarding mortgage loans where the borrower has gone through Chapter 7 bankruptcy. Of the \$1.5 billion of such non-accrual loans, \$1.3 billion was current as of September 30, 2012.
- (3) The allowance for loan losses includes the allowance for Citi's credit card portfolios and purchased distressed loans, while the non-accrual loans exclude credit card balances (with the exception of certain international portfolios) and purchased distressed loans as these continue to accrue interest until charge-off.

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

Renegotiated Loans

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

<i>In millions of dollars</i>	Sept. 30, 2012	Dec. 31, 2011
Corporate renegotiated loans(1)		
In U.S. offices		
Commercial and industrial(2)	\$ 202	\$ 206
Mortgage and real estate(3)	54	241
Loans to financial institutions	18	85
Other	553	546
	\$ 827	\$ 1,078
In offices outside the U.S.		
Commercial and industrial(2)	\$ 193	\$ 223
Mortgage and real estate(3)	73	17
Loans to financial institutions	3	12
Other	4	6
	\$ 273	\$ 258
Total Corporate renegotiated loans	\$ 1,100	\$ 1,336
Consumer renegotiated loans(4)(5)(6)(7)		
In U.S. offices		
Mortgage and real estate(8)	\$ 23,253	\$ 21,429
Cards	4,134	5,766
Installment and other	1,405	1,357
	\$ 28,792	\$ 28,552
In offices outside the U.S.		
Mortgage and real estate	\$ 901	\$ 936
Cards	880	929
Installment and other	994	1,342
	\$ 2,775	\$ 3,207
Total Consumer renegotiated loans	\$ 31,567	\$ 31,759

- (1) Includes \$359 million and \$455 million of non-accrual loans included in the non-accrual assets table above at September 30, 2012 and December 31, 2011, respectively. The remaining loans are accruing interest.
- (2) In addition to modifications reflected as TDRs at September 30, 2012, Citi also modified \$31 million and \$288 million of commercial loans risk rated "Substandard Non-Performing" or worse (asset category defined by banking regulators) in U.S. offices and offices outside the U.S., respectively. These modifications were not considered TDRs because the modifications did not involve a concession (a required element of a TDR for accounting purposes).
- (3) In addition to modifications reflected as TDRs at September 30, 2012, Citi also modified \$79 million of commercial real estate loans risk rated "Substandard Non-Performing" or worse (asset category defined by banking regulators) in U.S. offices. These modifications were not considered TDRs because the modifications did not involve a concession (a required element of a TDR for accounting

purposes).

- 4) Includes \$4,610 million and \$2,269 million of non-accrual loans included in the non-accrual assets table above at September 30, 2012 and December 31, 2011, respectively. The remaining loans are accruing interest.
- (5) Includes \$19 million and \$19 million of commercial real estate loans at September 30, 2012 and December 31, 2011, respectively.
- (6) Includes \$254 million and \$257 million of commercial loans at September 30, 2012 and December 31, 2011, respectively.
- (7) Smaller-balance homogeneous loans were derived from Citi's risk management systems.
- (8) Includes \$1,714 million of TDRs as of September 30, 2012 as a result of new OCC guidance regarding mortgage loans where the borrower has gone through Chapter 7 bankruptcy.

In certain circumstances, Citigroup modifies certain of its Corporate loans involving a non-troubled borrower. These modifications are subject to Citi's normal underwriting standards for new loans and are made in the normal course of business to match customers' needs with available Citi products or programs (these modifications are not included in the table above). In other cases, loan modifications involve a troubled borrower to whom Citi may grant a concession (modification). Modifications involving troubled borrowers may include extension of maturity date, reduction in the stated interest rate, rescheduling of future cash flows, principal reductions or reduction or waiver of accrued interest or fees. See Note 12 to the Consolidated Financial Statements for a discussion of such modifications.

North America Consumer Mortgage Lending

Overview

Citi's *North America* Consumer mortgage portfolio consists of both residential first mortgages and home equity loans. As of September 30, 2012, Citi's *North America* Consumer residential first mortgage portfolio totaled \$89.7 billion, while the home equity loan portfolio was \$38.6 billion. Of the first mortgages, \$59.9 billion is recorded in *LCL* within Citi Holdings, with the remaining \$29.8 billion recorded in Citicorp. With respect to the home equity loan portfolio, \$35.4 billion is recorded in *LCL*, and \$3.2 billion is reported in Citicorp.

Citi's residential first mortgage portfolio included \$8.6 billion of loans with FHA insurance or VA guarantees as of September 30, 2012. This portfolio consists of loans originated to low-to-moderate-income borrowers with lower FICO (Fair Isaac Corporation) scores and generally has higher loan-to-value ratios (LTVs). Losses on FHA loans are borne by the sponsoring governmental agency, provided that the insurance terms have not been rescinded as a result of an origination defect. With respect to VA loans, the VA establishes a loan-level loss cap, beyond which Citi is liable for loss. While FHA and VA loans have high delinquency rates, given the insurance and guarantees, respectively, Citi has experienced negligible credit losses on these loans to date.

Also as of September 30, 2012, the residential first mortgage portfolio included \$1.4 billion of loans with LTVs above 80%, which have insurance through mortgage insurance companies, and \$1.0 billion of loans subject to long-term standby commitments (LTSC) with U.S. government-sponsored entities (GSEs), for which Citi has limited exposure to credit losses. Citi's home equity loan portfolio also included \$0.4 billion of loans subject to LTSCs with GSEs, for which Citi also has limited exposure to credit losses. These guarantees and commitments may be rescinded in the event of origination defects.

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

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

As of September 30, 2012, Citi's *North America* residential first mortgage portfolio contained approximately \$12.7 billion of adjustable rate mortgages that are required to make a payment only of accrued interest for the payment period, or an interest-only payment. Borrowers that are currently required to make an interest-only payment cannot select a lower payment that would negatively amortize the loan. Residential first mortgages with this payment feature are primarily to high-credit-quality borrowers that have on average significantly higher origination and refreshed FICO scores than other loans in the residential first mortgage portfolio.

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

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

-
- (1) The first quarter of 2012 included approximately \$315 million of incremental charge-offs related to previously deferred principal balances on modified mortgages. Excluding the impact of these charge-offs, net credit losses would have increased to \$0.45 and \$0.43 for the Citigroup and Citi Holdings portfolios, respectively.
- (2) The third quarter of 2012 included approximately \$181 million of charge-offs related to new OCC guidance with respect to the treatment of mortgage loans where the borrower has gone through Chapter 7 bankruptcy. Excluding the impact of these charge-offs, net credit losses would have increased to \$0.47 and \$0.44 for the Citigroup and Citi Holdings portfolios, respectively.

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

Edgar Filing: CITIGROUP INC - Form 10-Q

Management actions, including asset sales and modification programs, continued to be the primary drivers of the overall improved asset performance within Citi's residential first mortgage portfolio in Citi Holdings during the periods presented above (excluding the deferred principal net credit losses and the Chapter 7 bankruptcy net credit losses described in notes 1 and 2 to the tables above). Citi sold approximately \$0.8 billion of delinquent residential first mortgages during the third quarter of 2012, up from \$0.5 billion in the second quarter of 2012. Since the third quarter of 2010, Citi has sold approximately \$9.0 billion of residential mortgages, of which \$6.0 billion have been delinquent.

In addition, Citi has modified approximately \$0.2 billion of residential first mortgage loans in each of the third and second quarters of 2012. (For additional information on Citi's residential first mortgage loan modifications, see Note 12 to the Consolidated Financial Statements.) While re-defaults of previously modified mortgages under the HAMP and Citi Supplemental Modification (CSM) programs continued to track favorably versus expectations as of September 30, 2012, Citi's residential first mortgage portfolio continued to show some signs of the impact of re-defaults of previously modified mortgages, which continued to increase in the current quarter. This is reflected in the stabilizing to increasing net credit loss trends in the tables above (excluding the deferred principal net credit losses and the Chapter 7 bankruptcy net credit losses described in notes 1 and 2 to the tables above).

Accordingly, Citi continues to believe that its ability to offset increasing delinquencies or net credit losses in its residential first mortgage portfolio, due to any deterioration of the underlying credit performance of these loans, re-defaults, the lengthening of the foreclosure process (see "Foreclosures" below) or otherwise, pursuant to asset sales or modifications could be limited going forward given the lack of remaining inventory of loans to sell or modify or due to lack of market demand for asset sales. Citi has taken these trends and uncertainties, including the potential for re-defaults, into consideration in determining its loan loss reserves. See "North America Consumer Mortgages Loan Loss Reserve Coverage" below. Citi also continues to believe that any increase in net credit losses relating to the national mortgage settlement will be covered by its existing loan loss reserves. See also "Credit Risk National Mortgage Settlement" below.

North America Residential First Mortgages State Delinquency Trends

The following tables set forth, for total Citigroup, the six states and/or regions with the highest concentration of Citi's residential first mortgages as of September 30, 2012 and June 30, 2012.

In billions of dollars	September 30, 2012					June 30, 2012				
	ENR(2)	ENR	90+DPD	LTV > 100%	Refreshed FICO	ENR(2)	ENR	90+DPD	LTV > 100%	Refreshed FICO
State(1)	\$	%	%	%	\$	%	%	%	%	\$
CA	21.4	28%	2.3%	26%	729	21.8	28%	2.7%	31%	729
NY/NJ/CT	11.6	15	4.3	8	720	11.5	15	4.8	12	718
IN/OH/MI	4.1	5	5.9	35	655	4.3	5	6.0	45	654
FL	3.9	5	8.6	43	676	4.0	5	9.5	49	674
IL	3.2	4	5.9	32	693	3.3	4	6.6	47	692
AZ/NV	2.0	3	4.8	56	702	2.1	3	5.0	62	702
Other	30.7	40	5.6	15	667	31.9	40	5.8	20	666
Total	\$ 76.9	100%	4.7%	21%	691	\$ 78.9	100%	5.0%	27%	690

Note: Totals may not sum due to rounding.

(1) Certain of the states are included as part of a region based on Citi's view of similar home prices (HPI) within the region.

(2) Ending net receivables. Excludes loans in Canada and Puerto Rico, loans guaranteed by U.S. government agencies, loans recorded at fair value and loans subject to LTSCs. Excludes balances for which FICO or LTV data is unavailable.

As evidenced by the table above, Citi's residential first mortgages portfolio is primarily concentrated in California and the New York/New Jersey/Connecticut region (with New York as the largest of the three states). The improvement in refreshed LTV percentages at September 30, 2012 was primarily the result of improvements in HPI across substantially all metropolitan statistical areas, thereby increasing values used in the determination of LTV. Additionally, sales of higher LTV loans during the third quarter (see discussion above) further reduced the amount of loans with greater than 100% LTV. To a lesser extent, modification programs involving principal write-downs further reduced the loans in this category during the quarter. With the continued lengthening of the foreclosure process (see discussion under "Foreclosures" below) in all of these states and regions, Citi expects it could experience less improvement in the 90+ days past due delinquency rate in certain of these states and/or regions in the future.

Foreclosures

The substantial majority of Citi's foreclosure inventory consists of residential first mortgages. As of September 30, 2012, approximately 2.1% of Citi's residential first mortgage portfolio was in Citi's foreclosure inventory (based on the dollar amount of loans in foreclosure inventory as of such date, excluding loans that are guaranteed by U.S. government agencies and loans subject to LTSCs), essentially flat as compared to 2.2% as of June 30, 2012.

Similar to prior quarters, Citi continued to experience fewer loans moving into its foreclosure inventory during the third quarter of 2012, primarily as a result of Citi's continued asset sales of delinquent first mortgages, increased state requirements for foreclosure filings and Citi's continued efforts to work with borrowers pursuant to its loan modification programs, including under the national mortgage settlement.

In addition, the foreclosure process remains stagnant across most states, driven primarily by the additional state requirements necessary to complete foreclosures as well as the continued lengthening of the foreclosure process. Citi continues to experience average timeframes to foreclosure that are two to three times longer than historical norms. These lengthening foreclosure timelines and the low number of loans moving into foreclosure inventory resulted in the aged foreclosure inventory (active foreclosures in process for two years or more) increasing slightly to approximately 20% of Citi's total foreclosure inventory as of September 30, 2012 (compared to 19% at June 30, 2012). Extended foreclosure timelines continue to be more pronounced in the judicial states (i.e., those states that require foreclosures to be processed via court approval), where Citi has a higher concentration of residential first mortgages in foreclosure (see "*North America Residential First Mortgages State Delinquency Trends*" above).

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

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

Historically, Citi's home equity lines of credit typically had a 10-year draw period. Citi's new originations of home equity lines of credit typically have a five-year draw period as Citi changed these terms in June 2010 to mitigate risk due to the economic environment and declining home prices. As of September 30, 2012, Citi's home equity loan portfolio of \$38.6 billion included approximately \$22.7 billion of home equity lines of credit that are still within their revolving period and have not commenced amortization (the interest-only payment feature during the revolving period is standard for this product across the industry). The vast majority of Citi's home equity loans extended under lines of credit as of September 30, 2012 will contractually begin to amortize after 2014.

As of September 30, 2012, the percentage of U.S. home equity loans in a junior lien position where Citi also owned or serviced the first lien was approximately 30%. However, for all home equity loans (regardless of whether Citi owns or services the first lien), Citi manages its home equity loan account strategy through obtaining and reviewing refreshed credit bureau scores (which reflect the borrower's performance on all of its debts, including a first lien, if any), refreshed LTV ratios and other borrower credit-related information. Historically, the default and delinquency statistics for junior liens where Citi also owns or services the first lien have been better than for those where Citi does not own or service the first lien, which Citi believes is generally attributable to origination channels and better credit characteristics of the portfolio, including FICO and LTV, for those junior liens where Citi also owns or services the first lien.

Edgar Filing: CITIGROUP INC - Form 10-Q

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

Note:

For each of the tables above, past due exclude (i) U.S. mortgage loans that are guaranteed by U.S. government-sponsored agencies because the potential loss predominantly resides with the U.S. agencies, and (ii) loans recorded at fair value.

(1)

The first quarter of 2012 included approximately \$55 million of charge-offs related to previously deferred principal balances on modified mortgages. Excluding the impact of these charge-offs, net credit losses would have decreased to \$0.51 and \$0.50 for the Citigroup and Citi Holdings portfolios, respectively.

(2)

Edgar Filing: CITIGROUP INC - Form 10-Q

The third quarter of 2012 included approximately \$454 million of charge-offs related to new OCC guidance with respect to the treatment of mortgage loans where the borrower has gone through Chapter 7 bankruptcy. Excluding the impact of these charge-offs, net credit losses would have decreased to \$0.43 and \$0.41 for the Citigroup and Citi Holdings portfolios, respectively.

(3)

Represents year-over-year change in the S&P/Case-Shiller U.S. National Home Price Index. The third quarter of 2012 data is not yet available.

Note:
Days past due exclude (i) U.S. mortgage loans that are guaranteed by U.S. government-sponsored agencies, because the potential loss predominantly resides with the U.S. agencies, and (ii) loans are recorded at fair value. Totals may not sum due to rounding.

Edgar Filing: CITIGROUP INC - Form 10-Q

As evidenced by the tables above, there generally continued to be improvement in home equity loan delinquencies in the third quarter of 2012, although the rate of improvement has continued to slow. Given the lack of a market in which to sell delinquent home equity loans, as well as the relatively smaller number of home equity loan modifications and modification programs, Citi's ability to offset increased delinquencies and net credit losses in its home equity loan portfolio in Citi Holdings, whether pursuant to deterioration of the underlying credit performance of these loans or otherwise, continues to be more limited as compared to residential first mortgages as discussed above. Accordingly, Citi could begin to experience increased delinquencies and thus increased net credit losses in this portfolio going forward. Citi has taken these trends and uncertainties into consideration in determining its loan loss reserves. See "North America Consumer Mortgages Loan Loss Reserve Coverage" below.

North America Home Equity Loans State Delinquency Trends

The following tables set forth, for total Citigroup, the six states and/or regions with the highest concentration of Citi's home equity loans as of September 30, 2012 and June 30, 2012.

In billions of dollars State(1)	September 30, 2012					June 30, 2012				
	ENR(2)	ENR Distribution	90+DPD %	LTV > 100%	Refreshed FICO	ENR	ENR(2) Distribution	90+DPD %	LTV > 100%	Refreshed FICO
CA	\$ 10.0	27%	2.1%	42%	723	\$ 10.4	27%	2.1%	46%	723
NY/NJ/CT	8.4	23	2.2	19	715	8.7	23	2.2	24	715
IN/OH/MI	1.3	3	2.3	57	679	1.4	4	2.1	65	678
FL	2.5	7	3.3	57	699	2.6	7	3.2	62	698
IL	1.4	4	2.0	53	708	1.5	4	2.3	64	707
AZ/NV	0.9	2	3.1	73	709	0.9	2	3.3	77	709
Other	12.0	33	2.2	36	695	12.8	33	2.1	45	695
Total	\$ 36.5	100%	2.3%	37%	704	\$ 38.3	100%	2.2%	44%	704

Note:

Totals may not sum due to rounding.

(1) Certain of the states are included as part of a region based on Citi's view of similar home prices (HPI) within the region.

(2) Ending net receivables. Excludes loans in Canada and Puerto Rico and loans subject to LTSCs. Excludes balances for which FICO or LTV data is unavailable.

Similar to residential first mortgages discussed above, the improvement in refreshed LTV percentages at September 30, 2012 was primarily the result of improvements in HPI across substantially all metropolitan statistical areas, thereby increasing values used in the determination of LTV. For the reasons described under "North America Consumer Mortgage Quarterly Credit Trends Delinquencies and Net Credit Losses Home Equity Loans" above, Citi has experienced, and could continue to experience, increased delinquencies and thus increased net credit losses in certain of these states and/or regions going forward.

North America Consumer Mortgages Loan Loss Reserve Coverage

At September 30, 2012, approximately \$8.5 billion of Citi's total loan loss reserves of \$25.9 billion was allocated to North America real estate lending in Citi Holdings. With respect to Citi's aggregate North America Consumer mortgage portfolio, including Citi Holdings as well as the residential first mortgages and home equity loans in Citicorp, Citi's loan loss reserves were \$8.7 billion at September 30, 2012. Excluding the impact of the \$635 million charge-offs related to the new OCC guidance in the third quarter of 2012, this represented over 29 months of coincident net credit loss coverage.

National Mortgage Settlement

As previously disclosed, under the national mortgage settlement, Citi is required to provide (i) customer relief in the form of loan modifications for delinquent borrowers, including principal reductions, and other loss mitigation activities to be completed over three years, with a required settlement value of \$1.4 billion; and (ii) refinancing concessions to enable current borrowers whose properties are worth less than the balance of their loans to reduce their interest rates, also to be completed over three years, with a required settlement value of \$378 million. Citi commenced loan modifications under the settlement, including principal reductions, in March 2012, and commenced the refinancing process in the latter part of June 2012.

If Citi does not provide the required amount of financial relief in the form of loan modifications and other loss mitigation activities for delinquent borrowers or refinancing concessions under the national mortgage settlement, additional cash payments would be required. Citi is required to complete 75% of its required relief by March 1, 2014. Failure to meet 100% of the commitment by March 1, 2015 will result in Citi paying an amount equal to 125% of the shortfall. Failure to meet the two-year commitment noted above and then failure to meet the three-year commitment will result in an amount equal to 140% of the three-year shortfall. Citi continues to believe that its obligations will be fully met in the form of financial relief to homeowners; therefore, no additional cash payments are currently expected.

Loan Modifications/Loss Mitigation for Delinquent Borrowers

All of the loan modifications for delinquent borrowers receiving relief towards the \$1.4 billion in settlement value are either currently accounted for as TDRs or will become TDRs at the time of modification. The loan modifications have been, and will continue to be, primarily performed under the HAMP and Citi's CSM loan modification programs (see Note 12 to the Consolidated Financial Statements for a discussion of TDRs). The loss mitigation activities include short sales for residential first mortgages and home equity loans, extinguishments and other loss mitigation activities. Based on the nature of the loss mitigation activities (e.g., short sales and extinguishments), these activities are not anticipated to have an impact on Citi's TDRs.

Through September 30, 2012, Citi has assisted approximately 18,000 customers under the loan modification and other loss mitigation activities provisions of the national mortgage settlement, resulting in an aggregate principal reduction of approximately \$1.4 billion that is potentially eligible for inclusion in the settlement value. Net credit losses of approximately \$450 million have been incurred to date relating to the loan modifications under the national mortgage settlement, all of which were offset by loan loss reserve releases (the \$450 million includes approximately \$370 million of incremental charge-offs related to anticipated forgiveness of principal in connection with the national mortgage settlement in the first quarter of 2012). Citi continues to believe that its loan loss reserves as of September 30, 2012 will be sufficient to cover the required customer relief to delinquent borrowers under the national mortgage settlement. Loan modifications pursuant to the national mortgage settlement have improved Citi's 30+ days past due delinquencies by approximately \$278 million.

Like other financial institutions party to the national mortgage settlement, Citi does not receive dollar-for-dollar settlement value for the relief it provides under the national mortgage settlement in all cases, and as a result, Citi anticipates that the relief provided will be higher than the settlement value.

Refinancing Concessions for Current Borrowers

The refinancing concessions are to be offered to residential first mortgage borrowers whose properties are worth less than the value of their loans, who have been current in the prior twelve months, who have not had a modification, bankruptcy or foreclosure proceeding during the prior 24 months, and whose loans have a current interest rate greater than 5.25%. As of September 30, 2012, approximately 9,000 customers holding loans with a total unpaid principal balance of \$1.4 billion have been provided refinance concessions under the national mortgage settlement, thus reducing their interest rate to 5.25% for the remaining life of the loan. Citi continues to anticipate that customers holding approximately \$2.0 billion in loans will be provided refinance concessions under the national mortgage settlement.

Citi accounts for the refinancing concessions under the settlement based on whether the particular borrower is determined to be experiencing financial difficulty based on certain underwriting criteria. When a refinancing concession is granted to a borrower that is experiencing financial difficulty, the loan is accounted for as a TDR. Otherwise, the impact of the refinancing concessions is recognized over a period of years in the form of lower interest income. As of September 30, 2012, approximately 4,000 customers holding loans with a total unpaid principal balance of \$600 million that were provided refinance concessions have been accounted for as TDRs. These refinancing concessions have not had a material impact on the fair value of the modified mortgage loans.

As noted above, if the modified loan under the refinancing is not accounted for as a TDR, the impact to Citi of the refinancing concession will be recognized over a period of years in the form of lower interest income. Citi estimates the foregone future interest income as a result of the refinance concessions under the national mortgage settlement was approximately \$7 million in the third quarter of 2012. Citi continues to estimate the total amount of expected foregone future interest income will be approximately \$40 million annually. However, this estimate could change based on the response rate of borrowers that qualify and the subsequent borrower payment behavior.

Consumer Mortgage FICO and LTV

As a consequence of the financial crisis, economic environment and the decrease in housing prices, LTV and FICO scores for Citi's residential first mortgage and home equity loan portfolios have generally deteriorated since origination, particularly in the case of originations between 2006 and 2007. However, as set forth in the tables below, the negative migration has generally stabilized, and refreshed LTVs have improved in the last two quarters.

Generally, on a refreshed basis, approximately 21% of residential first mortgages had an LTV ratio above 100%, compared to approximately 0% at origination. Similarly, approximately 33% of residential first mortgages had FICO scores less than 660 on a refreshed basis, compared to 25% at origination. With respect to home equity loans, approximately 37% of home equity loans had refreshed LTVs above 100%, compared to approximately 0% at origination. Approximately 24% of home equity loans had FICO scores less than 660 on a refreshed basis, compared to 9% at origination.

FICO and LTV Trend Information North America Consumer Mortgages

Residential First Mortgages

In billions of dollars

Home Equity Loans

In billions of dollars

Notes:

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

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

Balances exclude deferred fees/costs.

Tables exclude balances for which FICO or LTV data is unavailable. For residential first mortgages, balances for which such data is unavailable include \$0.4 billion in each of the periods presented. For home equity loans, balances for which such data is unavailable include \$0.2 billion in each of the periods presented.

Citi's residential first mortgage delinquencies continue to show the impact of re-defaults of previously modified mortgages. Generally, the increased level of 90+ days past due for residential first mortgages with refreshed FICO scores of less than 660 can be attributed to the lengthening of the foreclosure process and the continued economic uncertainty, as discussed in the sections above.

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

consequently, the 90 days or more delinquencies of these mortgages remain higher.

Mortgage Servicing Rights

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

Citi's MSRs totaled \$1.9 billion as of September 30, 2012, compared to \$2.0 billion and \$2.9 billion at June 30, 2012 and September 30, 2011, respectively. The sequential decrease in the value of Citi's MSRs primarily reflected the impact from lower interest rates in addition to amortization. As of September 30, 2012, approximately \$1.3 billion of MSRs were specific to Citicorp, with the remainder to Citi Holdings.

For additional information on Citi's MSRs, see Note 17 to the Consolidated Financial Statements.

Citigroup Residential Mortgages Representations and Warranties

Overview

In connection with Citi's sales of residential mortgage loans to the U.S. government-sponsored entities (GSEs) and, in most cases, other mortgage loan sales and private-label securitizations, Citi makes representations and warranties that the loans sold meet certain requirements. The specific representations and warranties made by Citi in any particular transaction depend on, among other things, the nature of the transaction and the requirements of the investor (e.g., whole loan sale to the GSEs versus loans sold through securitization transactions), as well as the credit quality of the loan (e.g., prime, Alt-A or subprime). For details on the specific types of representations and warranties made by Citi in transactions with the GSEs and through private-label securitizations, see "Managing Global Risk Credit Risk Consumer Mortgage Representations and Warranties" and "Securities and Banking-Sponsored Legacy Private-Label Residential Mortgage Securitizations Representations and Warranties" in Citi's 2011 Annual Report on Form 10-K.

These activities expose Citi to potential claims for breaches of its representations and warranties. In the event of a breach of its representations and warranties, Citi could be required either to repurchase the mortgage loans with the identified defects (generally at unpaid principal balance plus accrued interest) or to indemnify ("make-whole") the investors for their losses on these loans. To the extent Citi made representation and warranties on loans it purchased from third-party sellers that remain financially viable, Citi may have the right to seek recovery of repurchase losses or make-whole payments from the third party based on representations and warranties made by the third party to Citi.

Whole Loan Sales (principally reflected in Citi Holdings Local Consumer Lending)

Citi is exposed to representation and warranty repurchase claims primarily as a result of its whole loan sales to the GSEs and, to a lesser extent, private investors, through its Consumer business (CitiMortgage). To date, the majority of Citi's repurchases has been due to GSE repurchase claims and relate to loans originated from 2006 through 2008, which also represent the vintages with the highest loss severity. An insignificant percentage of repurchases and make-whole payments have been from vintages pre-2006 and post-2008. Citi attributes this to better credit performance of these vintages and to the enhanced underwriting standards implemented in the second half of 2008 and forward.

During the period 2006 through 2008, Citi sold a total of approximately \$336 billion of whole loans, substantially all to the GSEs (this amount has not been adjusted for subsequent borrower repayments of principal, defaults, or repurchase activity to date). The vast majority of these loans were either originated by Citi or purchased from a third-party seller that is no longer financially viable. As discussed below, however, Citi's repurchase reserve takes into account estimated reimbursements, if any, to be received from third-party sellers.

Private-Label Residential Mortgage Securitizations

Citi is also exposed to representation and warranty repurchase claims as a result of mortgage loans sold through private-label residential mortgage securitizations. During 2005-2008, Citi sold loans into and sponsored private-label securitizations through both its Consumer business (CitiMortgage) and its legacy S&B business. Citi sold approximately \$91 billion of mortgage loans through private-label securitizations during this period.

Edgar Filing: CITIGROUP INC - Form 10-Q

CitiMortgage (principally reflected in Citi Holdings Local Consumer Lending)

During the period 2005 through 2008, Citi sold approximately \$24.6 billion of loans through private-label mortgage securitization trusts via its Consumer business in CitiMortgage. These \$24.6 billion of securitization trusts were composed of approximately \$15.4 billion in prime trusts and \$9.2 billion in Alt-A trusts, each as classified at issuance. As of September 30, 2012, approximately \$9.1 billion of the \$24.6 billion remained outstanding as a result of repayments of approximately \$14.2 billion and cumulative losses (incurred by the issuing trusts) of approximately \$1.3 billion. The remaining outstanding amount is composed of approximately \$4.6 billion in prime trusts and approximately \$4.5 billion in Alt-A trusts, as classified at issuance. As of September 30, 2012, the remaining outstanding amount had a 90 days or more delinquency rate in the aggregate of approximately 15.1%. Similar to the whole loan sales discussed above, the vast majority of these loans were either originated by Citi or purchased from a third-party seller that is no longer financially

Edgar Filing: CITIGROUP INC - Form 10-Q

viable. Citi's repurchase reserve takes into account estimated reimbursements to be received from third-party sellers.

Legacy S&B Securitizations (principally reflected in Citi Holdings Special Asset Pool)

During the period 2005 through 2008, S&B, through its legacy business, sold approximately \$66.4 billion of loans through private-label mortgage securitization trusts. These \$66.4 billion of securitization trusts were composed of approximately \$15.4 billion in prime trusts, \$12.4 billion in Alt-A trusts and \$38.6 billion in subprime trusts, each as classified at issuance. As of September 30, 2012, approximately \$20.7 billion of this amount remained outstanding as a result of repayments of approximately \$35.6 billion and cumulative losses (incurred by the issuing trusts) of approximately \$10.1 billion (of which approximately \$7.6 billion related to loans in subprime trusts). The remaining outstanding amount is composed of approximately \$5.3 billion in prime trusts, \$4.4 billion in Alt-A trusts and \$11.0 billion in subprime trusts, as classified at issuance. As of September 30, 2012, the remaining outstanding amount had a 90 days or more delinquency rate of approximately 26.6%.

The mortgages included in the S&B legacy securitizations were primarily purchased from third-party sellers. In connection with these securitization transactions, representations and warranties relating to the mortgages were made either by Citi, by third-party sellers, or both. As of September 30, 2012, where Citi made representations and warranties and received similar representations and warranties from third-party sellers, Citi believes that for the majority of the securitizations backed by prime and Alt-A loan collateral, if Citi received a repurchase claim for those loans, it would have a back-to-back claim against financially viable sellers. However, for the significant majority of the subprime collateral, Citi believes that such sellers would be unlikely to honor back-to-back claims because they are in bankruptcy, liquidation, or financial distress and are thus no longer financially viable. Citi's repurchase reserve, to the extent applicable, takes into account estimated reimbursements to be received, if any, from third-party sellers.

Repurchase Reserve

Citi has recorded a mortgage repurchase reserve (referred to as the repurchase reserve) for its potential repurchase or make-whole liability regarding representation and warranty claims. As mentioned above, Citi's repurchase reserve primarily relates to whole loan sales to the GSEs and is thus calculated primarily based on Citi's historical repurchase activity with the GSEs. The repurchase reserve relating to Citi's whole loan sales, and changes in estimate with respect thereto, are generally recorded in Citi Holdings *Local Consumer Lending*. The repurchase reserve relating to private-label securitizations, and changes in estimate with respect thereto, are recorded in Citi Holdings *Special Asset Pool*.

Repurchase Reserve Whole Loan Sales

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

As previously disclosed, the repurchase reserve is based on various assumptions which, as referenced above, are primarily based on Citi's historical repurchase activity with the GSEs. As of September 30, 2012, the most significant assumptions used to calculate the reserve levels are the: (i) correlation between loan characteristics and repurchase claims; (ii) claims appeal success rates; and (iii) estimated loss per repurchase or make-whole payment. In addition, as previously disclosed, Citi considers reimbursements estimated to be received from third-party sellers, which are generally based on Citi's analysis of its most recent collection trends and the financial solvency or viability of the third-party sellers, in estimating its repurchase reserve.

During the third quarter of 2012, Citi recorded an additional reserve of \$200 million relating to its whole loan sales repurchase exposure. The change in estimate for the third quarter of 2012 primarily resulted from a deterioration in loan performance and increased repurchase activity associated with servicing sold to a third party in the fourth quarter of 2010, where Citi retained the repurchase liability, an increase in Freddie Mac loan documentation requests during the quarter, and a deteriorating repurchase estimate associated with mortgage insurance rescission behavior. Despite the increase in the repurchase reserve during the third quarter relating to the deterioration of mortgage insurance recession behavior, Citi continues to believe that the inability to collect reimbursement from mortgage insurers is not likely to have a material impact on the repurchase reserve. Citi's claims appeal success rate continued to remain stable in the third quarter of 2012, with approximately half of repurchase claims successfully appealed and thus resulting in no loss to Citi. Citi continues to believe the activity in and change in estimate relating to its repurchase reserve will remain volatile in the near term.

As referenced above, the repurchase reserve estimation process for potential whole loan representation and warranty claims relies on various assumptions that involve numerous estimates and judgments, including with respect to certain future events, and thus entails inherent uncertainty. As of September 30, 2012, Citi estimates that the range of reasonably possible loss for whole loan sale representation and warranty claims in excess of amounts accrued could be up to \$0.6 billion. This estimate was derived by modifying the key assumptions discussed above to

Edgar Filing: CITIGROUP INC - Form 10-Q

reflect management's judgement regarding reasonably possible adverse changes to those assumptions. Citi's estimate of reasonably possible loss is based on currently available information, significant judgment and numerous assumptions that are subject to change.

Edgar Filing: CITIGROUP INC - Form 10-Q

Repurchase Reserve Private-Label Securitizations

Investors in private-label securitizations may seek recovery for losses caused by non-performing loans through repurchase claims or through litigation premised on a variety of legal theories. To date, Citi has received actual repurchase claims for breaches of representations and warranties related to private-label securitizations at a sporadic and unpredictable rate, and most of the claims received are not yet resolved. Thus, Citi cannot estimate probable future repurchases from such private-label securitizations. Rather, at the present time, Citi views repurchase claims related to private-label securitizations as episodic, such that repurchase reserves are currently expected to be recorded principally on the basis of estimated losses arising from actual claims received, rather than predictions regarding claims estimated to be received or paid in the future.

While actual repurchase claims related to private-label securitizations have been episodic to date, Citi has continued to receive significant levels of inquiries and demands for loan files, among other things, relating to private-label securitizations, from trustees of securitization trusts and others. Given the continued intense focus on mortgage-related matters, as well as the increasing level of litigation and regulatory activity relating to mortgage loans and mortgage-backed securities, the level of inquiries and demands regarding these securitizations could further increase. As noted above, these inquiries and demands could lead to additional claims for breaches of representations and warranties, or to litigation relating to such breaches or other matters. Citi considers these matters as part of its contingencies analysis. For additional information, see Note 22 to the Consolidated Financial Statements.

The table below sets forth the activity in the repurchase reserve for each of the quarterly periods below:

<i>In millions of dollars</i>	Three Months Ended				
	September 30, 2012	June 30, 2012	March 31, 2012	December 31, 2011	September 30, 2011
Balance, beginning of period	\$ 1,476	\$ 1,376	\$ 1,188	\$ 1,076	\$ 1,001
Additions for new sales(1)	7	4	6	7	5
Change in estimate(2)	200	242	335	306	296
Utilizations	(167)	(146)	(153)	(201)	(226)
Balance, end of period	\$ 1,516	\$ 1,476	\$ 1,376	\$ 1,188	\$ 1,076

(1) Reflects new whole loan sales, primarily to the GSEs.

(2) Change in estimate for the third quarter of 2012 related entirely to whole loan sales to the GSEs and private investors.

The following table sets forth the unpaid principal balance of loans repurchased due to representation and warranty claims during each of the quarterly periods below:

<i>In millions of dollars</i>	Three Months Ended				
	September 30, 2012	June 30, 2012	March 31, 2012	December 31, 2011	September 30, 2011
GSEs and others(1)	\$ 105	\$ 202	\$ 101	\$ 110	\$ 162

(1) Predominantly related to claims from the GSEs. Also includes repurchases pursuant to private investor and private-label securitization claims.

In addition to the amounts set forth in the table above, Citi recorded make-whole payments of \$118 million, \$91 million, \$107 million, \$148 million and \$171 million for the quarterly periods ended September 30, 2012, June 30, 2012, March 31, 2012, December 31, 2011 and September 30, 2011, respectively. Predominantly all of these make-whole payments were to the GSEs.

Edgar Filing: CITIGROUP INC - Form 10-Q

Representation and Warranty Claims By Claimant

For the GSEs, Citi's response (i.e., agree or disagree to repurchase or make-whole) to any repurchase claim is required within 90 days of receipt of the claim. If Citi does not respond within 90 days, the claim is subject to discussions between Citi and the particular GSE. For other investors, the time period for responding to a repurchase claim is generally governed by the relevant agreement.

The following table sets forth the original principal balance of representation and warranty claims by claimant, as well as the original principal balance of unresolved claims by claimant, for each of the quarterly periods below:

<i>In millions of dollars</i>	Claims during the three months ended				
	September 30, 2012	June 30, 2012	March 31, 2012	December 31, 2011	September 30, 2011
GSEs and others(1)	\$ 866	\$ 1,486	\$ 1,291	\$ 712	\$ 806
Mortgage insurers(2)	21	90	23	35	54
Total	\$ 887	\$ 1,576	\$ 1,314	\$ 747	\$ 860

<i>In millions of dollars</i>	Unresolved claims at				
	September 30, 2012	June 30, 2012	March 31, 2012	December 31, 2011	September 30, 2011
GSEs and others(1)	\$ 2,794	\$ 2,685	\$ 2,019	\$ 1,536	\$ 1,593
Mortgage insurers(2)	4	15	8	15	24
Total	\$ 2,798	\$ 2,700	\$ 2,027	\$ 1,551	\$ 1,617

(1) Primarily includes claims from the GSEs. Also includes private investor and private-label securitization claims.

(2) Represents the insurer's rejection of a claim for loss reimbursement that has yet to be resolved and includes only GSE whole loan activity. To the extent that mortgage insurance will not cover the claim on a loan, Citi may have to make the GSE whole. Failure to collect from mortgage insurers is considered in determining the repurchase reserve. Citi does not believe the inability to collect reimbursement from mortgage insurers is likely to have a material impact on its repurchase reserve.

For additional information regarding Citi's potential mortgage repurchase liability, see Note 21 to the Consolidated Financial Statements below.

North America Cards

Overview

Citi's *North America* cards portfolio primarily consists of its Citi-branded cards and Citi retail services portfolios in Citicorp. As of September 30, 2012, the Citicorp Citi-branded cards portfolio totaled approximately \$72 billion while the Citi retail services portfolio was approximately \$37 billion.

See Note 12 to the Consolidated Financial Statements below for a discussion of Citi's significant cards modification programs.

North America Cards Quarterly Credit Trends Delinquencies and Net Credit Losses

The following charts detail the quarterly trends in delinquencies and net credit losses for Citigroup's *North America* Citi-branded cards and Citi retail services portfolios in Citicorp. Citi continued to experience improvement in these metrics during the third quarter of 2012.

North America Cards Loan Loss Reserve Coverage

At September 30, 2012, approximately \$7.6 billion of Citi's total loan loss reserves of \$25.9 billion was allocated to Citi's *North America* cards portfolios, representing approximately 18 months of coincident net credit loss coverage as of such date.

CONSUMER LOAN DETAILS

Consumer Loan Delinquency Amounts and Ratios

<i>In millions of dollars, except EOP loan amounts in billions</i>	Total loans(1)		90+ days past due(2)			30-89 days past due(2)		
	September 2012	September 2012	June 2012	September 2011	September 2012	June 2012	September 2011	
Citicorp(3)(4)								
Total	\$ 289.1	\$ 3,024	\$ 3,090	\$ 3,416	\$ 3,539	\$ 3,449	\$ 4,049	
Ratio		1.05%	1.09%	1.25%	1.23%	1.22%	1.48%	
Retail banking								
Total	\$ 143.2	\$ 882	\$ 869	\$ 794	\$ 1,154	\$ 1,049	\$ 977	
Ratio		0.62%	0.63%	0.63%	0.81%	0.76%	0.77%	
<i>North America</i>	41.5	291	294	232	230	215	218	
Ratio		0.72%	0.74%	0.66%	0.57%	0.54%	0.62%	
<i>EMEA</i>	4.9	50	49	65	79	78	107	
Ratio		1.02%	1.07%	1.51%	1.61%	1.70%	2.49%	
<i>Latin America</i>	27.5	322	285	273	412	316	267	
Ratio		1.17%	1.10%	1.26%	1.50%	1.22%	1.24%	
<i>Asia</i>	69.3	219	241	224	433	440	385	
Ratio		0.32%	0.36%	0.34%	0.62%	0.65%	0.59%	
Cards								
Total	\$ 145.9	\$ 2,142	\$ 2,221	\$ 2,622	\$ 2,385	\$ 2,400	\$ 3,072	
Ratio		1.47%	1.53%	1.78%	1.63%	1.65%	2.08%	
<i>North America Citi-branded</i>	72.2	760	830	1,063	744	744	1,106	
Ratio		1.05%	1.14%	1.42%	1.03%	1.02%	1.47%	
<i>North America Citi retail services</i>	36.6	716	721	902	823	852	1,205	
Ratio		1.96%	1.97%	2.38%	2.25%	2.33%	3.18%	
<i>EMEA</i>	2.9	45	43	47	68	61	63	
Ratio		1.55%	1.54%	1.74%	2.34%	2.18%	2.33%	
<i>Latin America</i>	14.2	401	405	396	416	428	398	
Ratio		2.82%	2.96%	3.07%	2.93%	3.12%	3.09%	
<i>Asia</i>	20.0	220	222	214	334	315	300	
Ratio		1.10%	1.13%	1.13%	1.67%	1.61%	1.59%	
Citi Holdings Local Consumer Lending(5)(6)								
Total	\$ 117.9	\$ 4,974	\$ 5,354	\$ 5,791	\$ 4,753	\$ 4,614	\$ 5,999	
Ratio		4.54%	4.66%	4.20%	4.34%	4.02%	4.35%	
International	8.8	366	363	480	436	453	677	
Ratio		4.16%	3.90%	3.24%	4.95%	4.87%	4.57%	
<i>North America</i>	109.1	4,608	4,991	5,311	4,317	4,161	5,322	
Ratio		4.58%	4.71%	4.31%	4.29%	3.93%	4.32%	
Total Citigroup (excluding Special Asset Pool)								
Total	\$ 407.0	\$ 7,998	\$ 8,444	\$ 9,207	\$ 8,292	\$ 8,063	\$ 10,048	
Ratio		2.01%	2.12%	2.23%	2.09%	2.03%	2.44%	

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

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

- (3) The 90+ days past due balances for *North America Citi-branded cards* and *North America Citi retail services cards* are generally still accruing interest. Citigroup's policy is generally to accrue interest on credit card loans until 180 days past due, unless notification of bankruptcy filing has been received earlier.
- (4) The 90+ days and 30-89 days past due and related ratios for *North America Regional Consumer Banking* exclude U.S. mortgage loans that are guaranteed by U.S. government entities since the potential loss predominantly resides within the U.S. government entities. The amounts excluded for loans 90+ days past due and (EOP loans) were \$738 million (\$1.2 billion), \$748 million (\$1.2 billion) and \$512 million (\$1.3 billion) at September 30, 2012, June 30, 2012 and September 30, 2011, respectively. The amounts excluded for loans 30-89 days past due (end-of-period loans have the same adjustment as above) were \$122 million, \$124 million and \$102 million, at September 30, 2012, June 30, 2012 and September 30, 2011, respectively.
- (5) The 90+ days and 30-89 days past due and related ratios for *North America Local Consumer Lending* exclude U.S. mortgage loans that are guaranteed by U.S. government entities since the potential loss predominantly resides within the U.S. entities. The amounts excluded for loans 90+ days past due and (EOP loans) for each period were \$4.1 billion (\$7.2 billion), \$4.3 billion (\$7.4 billion), and \$4.5 billion (\$8.1 billion) at September 30, 2012, June 30, 2012 and September 30, 2011, respectively. The amounts excluded for loans 30-89 days past due (end-of-period loans have the same adjustment as above) for each period were \$1.3 billion, \$1.3 billion, and \$1.6 billion, at September 30, 2012, June 30, 2012 and September 30, 2011, respectively.
- (6) The September 30, 2012, June 30, 2012 and September 30, 2011 loans 90+ days past due and 30-89 days past due and related ratios for *North America* exclude \$1.2 billion, \$1.2 billion and \$1.3 billion, respectively, of loans that are carried at fair value.

Consumer Loan Net Credit Losses and Ratios

<i>In millions of dollars, except average loan amounts in billions</i>	Average loans(1)	Net credit losses(2)		
	3Q12	3Q12	2Q12	3Q11
Citicorp				
Total	\$ 285.6	\$ 2,030	\$ 2,124	\$ 2,545
Ratio		2.83%	3.02%	3.64%
Retail banking				
Total	\$ 141.1	\$ 325	\$ 276	\$ 298
Ratio		0.92%	0.80%	0.92%
<i>North America</i>	41.3	72	62	65
Ratio		0.69%	0.61%	0.73%
<i>EMEA</i>	4.7	12	7	29
Ratio		1.02%	0.60%	2.61%
<i>Latin America</i>	26.6	160	135	113
Ratio		2.39%	2.15%	1.98%
<i>Asia</i>	68.5	81	72	91
Ratio		0.47%	0.43%	0.54%
Cards				
Total	\$ 144.5	\$ 1,705	\$ 1,848	\$ 2,247
Ratio		4.69%	5.16%	6.00%
<i>North America Citi-branded</i>	71.5	745	840	1,099
Ratio		4.15%	4.71%	5.89%
<i>North America retail services</i>	36.5	534	609	690
Ratio		5.82%	6.71%	7.19%
<i>EMEA</i>	2.8	17	7	20
Ratio		2.42%	1.01%	2.83%
<i>Latin America</i>	13.9	273	265	293
Ratio		7.81%	7.84%	8.42%
<i>Asia</i>	19.8	136	127	145
Ratio		2.73%	2.62%	2.91%
Citi Holdings Local Consumer Lending				
Total(3)	\$ 121.7	\$ 1,825	\$ 1,289	\$ 1,676
Ratio		5.97%	4.09%	4.29%
International	9.0	121	154	237
Ratio		5.35%	6.45%	5.91%
<i>North America(3)</i>	112.7	1,704	1,135	1,439
Ratio		6.02%	3.90%	4.11%
Total Citigroup (excluding Special Asset Pool)(3)				
Total	\$ 407.3	\$ 3,855	\$ 3,413	\$ 4,221
Ratio		3.77%	3.35%	3.87%

(1) Average loans include interest and fees on credit cards.

(2) The ratios of net credit losses are calculated based on average loans, net of unearned income.

(3) The third quarter of 2012 includes approximately \$635 million of incremental charge-offs related to new OCC guidance with respect to the treatment of mortgage loans where the borrower has gone through Chapter 7 bankruptcy. There was a corresponding approximately \$600 million reserve release in the third quarter of 2012 specific to these mortgage loans.

CORPORATE LOAN DETAILS

For corporate clients and investment banking activities across Citigroup, the credit process is grounded in a series of fundamental policies, in addition to those described under "Managing Global Risk Risk Management Overview" in Citi's 2011 Annual Report on Form 10-K. These include:

joint business and independent risk management responsibility for managing credit risks;

a single center of control for each credit relationship that coordinates credit activities with that client;

portfolio limits to ensure diversification and maintain risk/capital alignment;

a minimum of two authorized credit officer signatures required on extensions of credit, one of which must be from a credit officer in credit risk management;

risk rating standards, applicable to every obligor and facility; and

consistent standards for credit origination documentation and remedial management.

Corporate Credit Portfolio

The following table represents the Corporate credit portfolio (excluding Private Bank in *Securities and Banking*), before consideration of collateral, by maturity at September 30, 2012 and December 31, 2011. The Corporate credit portfolio is broken out by direct outstandings, which include drawn loans, overdrafts, interbank placements, bankers' acceptances and leases, and unfunded commitments, which include unused commitments to lend, letters of credit and financial guarantees.

<i>In billions of dollars</i>	At September 30, 2012				At December 31, 2011			
	Due within 1 year	Greater than 1 year but within 5 years	Greater than 5 years	Total Exposure	Due within 1 year	Greater than 1 year but within 5 years	Greater than 5 years	Total exposure
Direct outstandings	\$ 203	\$ 67	\$ 15	\$ 285	\$ 177	\$ 62	\$ 13	\$ 252
Unfunded lending commitments	127	169	20	316	144	151	21	316
Total	\$ 330	\$ 236	\$ 35	\$ 601	\$ 321	\$ 213	\$ 34	\$ 568

Portfolio Mix

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

	September 30, 2012	December 31, 2011
North America	45%	47%
EMEA	29	27
Asia	18	18
Latin America	8	8

Total	100%	100%
--------------	-------------	------

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

Obligor risk ratings reflect an estimated probability of default for an obligor and are derived primarily through the use of validated statistical models, scorecard models and external agency ratings (under defined circumstances), in combination with consideration of factors specific to the obligor or market, such as management experience, competitive position, and regulatory environment. Facility risk ratings are assigned that reflect the probability of default of the obligor and factors that affect the loss-given default of the facility, such as support or collateral. Internal obligor ratings that generally correspond to BBB and above are considered investment grade, while those below are considered non-investment grade.

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

The following table presents the Corporate credit portfolio by facility risk rating at September 30, 2012 and December 31, 2011, as a percentage of the total portfolio:

	Direct outstandings and unfunded commitments	
	September 30, 2012	December 31, 2011
AAA/AA/A	56%	55%
BBB	29	29
BB/B	13	13
CCC or below	2	2
Unrated		1
Total	100%	100%

Edgar Filing: CITIGROUP INC - Form 10-Q

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

	Direct outstandings and unfunded commitments	
	September 30, 2012	December 31, 2011
Public sector	18%	19%
Transportation and industrial	18	16
Petroleum, energy, chemical and metal	17	17
Banks/broker-dealers	13	13
Consumer retail and health	12	13
Technology, media and telecom	8	8
Insurance and special purpose vehicles	5	5
Hedge funds	4	4
Real estate	3	3
Other industries(1)	2	2
Total	100%	100%

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

Credit Risk Mitigation

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

At September 30, 2012 and December 31, 2011, \$41.4 billion and \$41.5 billion, respectively, of credit risk exposures were economically hedged. Citigroup's expected loss model used in the calculation of its loan loss reserve does not include the favorable impact of credit derivatives and other mitigants that are marked to market. In addition, the reported amounts of direct outstandings and unfunded commitments above do not reflect the impact of these hedging transactions. At September 30, 2012 and December 31, 2011, the credit protection was economically hedging underlying credit exposure with the following risk rating distribution:

Rating of Hedged Exposure

	September 30, 2012	December 31, 2011
AAA/AA/A	35%	41%
BBB	46	45
BB/B	16	13
CCC or below	3	1
Total	100%	100%

At September 30, 2012 and December 31, 2011, the credit protection was economically hedging underlying credit exposures with the following industry distribution:

Industry of Hedged Exposure

Edgar Filing: CITIGROUP INC - Form 10-Q

	September 30, 2012	December 31, 2011
Transportation and industrial	21%	22%
Petroleum, energy, chemical and metal	21	22
Public sector	20	12
Consumer retail and health	12	15
Technology, media and telecom	10	12
Banks/broker-dealers	10	10
Insurance and special purpose vehicles	4	5
Other industries(1)	2	2
Total	100%	100%

(1)

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

MARKET RISK

Market risk encompasses liquidity risk and price risk, both of which arise in the normal course of business of a global financial intermediary. Liquidity risk is the risk that an entity may be unable to meet a financial commitment to a customer, creditor, or investor when due. Liquidity risk is discussed in "Capital Resources and Liquidity Funding and Liquidity" above and in Citi's 2011 Annual Report on Form 10-K. Price risk is the earnings risk from changes in interest rates, foreign exchange rates, equity and commodity prices, and in their implied volatilities. Price risk arises in Citi's non-trading portfolios, as well as its trading portfolios.

Non-Trading Portfolios Interest Rate Exposure (IRE)

The exposures in the following table represent the approximate annualized risk to Citi's net interest revenue assuming an unanticipated parallel instantaneous 100 bps change in interest rates compared with the market forward interest rates in selected currencies.

<i>In millions of dollars</i>	September 30, 2012		June 30, 2012		September 30, 2011	
	Increase	Decrease	Increase	Decrease	Increase	Decrease
U.S. dollar(1)	\$ 786	NM	\$ 691	NM	\$ 168	NM
Mexican peso	\$ 57	\$ (57)	\$ 42	\$ (42)	\$ 131	\$ (131)
Euro	\$ (24)	NM	\$ 32	NM	\$ 125	\$ (122)
Japanese yen	\$ 83	NM	\$ 79	NM	\$ 95	NM
Pound sterling	\$ 40	NM	\$ 46	NM	\$ 51	NM

(1)

Certain trading-oriented businesses within Citi have accrual-accounted positions that are excluded from the table. The U.S. dollar IRE associated with these businesses was \$(127) million for a 100 basis point instantaneous increase in interest rates as of September 30, 2012.

NM

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

The changes in the U.S. dollar IRE from the prior quarter reflected changes in balance sheet composition, the impact of continued lower rates, and regular updates of behavioral assumptions for mortgages. The changes from the prior-year period also reflected the impact of lower rates, debt issuance and swapping activities and regular updates of behavioral assumptions for customer-related assets and liabilities.

The following table shows the approximate annualized risk to net interest revenue from six different changes in the implied-forward rates for the U.S. dollar. Each scenario assumes that the rate change will occur simultaneously.

	Scenario					
	Scenario 1	2	Scenario 3	Scenario 4	Scenario 5	Scenario 6
Overnight rate change (bps)		100	200	(200)	(100)	
10-year rate change (bps)	(100)		100	(100)		100
Impact to net interest revenue (in millions of dollars)	(132)	777	1,497	NM	NM	136

Value at Risk for Trading Portfolios

Value at risk (VAR) estimates, at a 99% confidence level, the potential decline in the value of a position or a portfolio under normal market conditions. VAR statistics, which are based on historical data, can be materially different across firms due to differences in portfolio composition, differences in VAR methodologies, and differences in model parameters. Due to these inconsistencies, Citi believes VAR statistics can be used more effectively as indicators of trends in risk taking within a firm, rather than as a basis for inferring differences in risk taking across firms. In addition to VAR, Citi monitors the price risk of its trading portfolios using other measures such as, but not limited to, risk factor sensitivities and stress testing. For additional information on risk factor sensitivities and stress testing, see "Market Risk Price Risk Trading Portfolios Value at Risk" in Citi's 2011 Annual Report on Form 10-K.

Citi uses a single Monte Carlo simulation VAR model which has been designed to capture material risk sensitivities (such as first and second order sensitivities of positions to changes in market prices) of various asset classes/risk types (such as interest rate, foreign exchange, equity and commodity risks). Citi's VAR includes all positions which are measured at fair value; it does not include investment securities classified as available-for-sale or held-to-maturity. For information on these securities, see Note 11 to the Consolidated Financial Statements.

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

The conservative features of the VAR calibration contribute approximately 12% add-on to what would be a VAR estimated under the assumption of stable and perfectly normally distributed markets. Under normal and stable market conditions, Citi would thus expect the number of days where trading losses exceed its VAR to be less than two or three exceptions per year. Periods of unstable market conditions could increase the number of these exceptions. During the last four quarters, there was one back-testing exception where trading losses exceeded the VAR estimate at the Citigroup level (back-testing is the process in which the daily VAR of a portfolio is compared to the actual daily change in the market value of transactions).

As set forth in the table below, Citi's total trading and credit portfolios VAR was \$118 million, \$143 million and \$223 million at September 30, 2012, June 30, 2012 and September 30, 2011, respectively. Daily total trading and credit portfolio VAR averaged \$129 million in the third quarter of 2012 and ranged between \$117 million to \$149 million. The decrease in Citi's average total trading and credit portfolio VAR from the prior quarter was primarily driven by position changes within global equity derivatives, reduced volatilities in the three-year time series used for VAR, and reduced market volatilities associated with the credit portfolio that lead to a reduction in risk.

<i>In millions of dollars</i>	September 30, 2012	Third Quarter 2012 Average	June 30, 2012	Second Quarter 2012 Average	September 30, 2011	Third Quarter 2011 Average
Interest rate	108	114	\$ 122	\$ 119	187	197
Foreign exchange	44	33	42	40	49	41
Equity	18	22	21	31	51	52
Commodity	19	15	17	18	22	21
Diversification benefit(1)	(82)	(75)	(86)	(86)	(114)	(124)
Total Trading VAR all market risk factors, including general and specific risk (excluding credit portfolios)(2)	107	109	\$ 116	\$ 122	195	187
Specific risk-only component(3)	24	29	\$ 23	\$ 17	56	29
Total general market factors only	83	80	\$ 93	\$ 105	139	158
Incremental Impact of Credit Portfolios(4)	11	20	\$ 27	\$ 27	28	20
Total Trading and Credit Portfolios VAR	118	129	\$ 143	\$ 149	223	207

(1)

Covariance adjustment (also known as diversification benefit) equals the difference between the total VAR and the sum of the VARs tied to each individual risk type. The benefit reflects the fact that the risks within each and across risk types are not perfectly correlated

Edgar Filing: CITIGROUP INC - Form 10-Q

and, consequently, the total VAR on a given day will be lower than the sum of the VARs relating to each individual risk type. The determination of the primary drivers of changes to the covariance adjustment is made by an examination of the impact of both model parameter and position changes.

- (2) The total trading VAR includes trading positions from *S&B*, Citi Holdings and Corporate Treasury.
- (3) The specific risk-only component represents the level of equity and fixed income issuer-specific risk embedded in VAR.
- (4) The credit portfolio is composed of the asset side of the CVA derivative exposures and all associated CVA hedges. DVA is not included. It also includes hedges to the loan portfolio, fair value option loans, and tail hedges that are not explicitly hedging the trading book.

Edgar Filing: CITIGROUP INC - Form 10-Q

The table below provides the range of market factor VARs for total trading VAR, inclusive of specific risk, across the following quarters:

<i>In millions of dollars</i>	Third quarter 2012		Second quarter 2012		Third quarter 2011	
	Low	High	Low	High	Low	High
Interest rate	\$ 101	\$ 126	\$ 109	\$ 149	\$ 179	\$ 232
Foreign exchange	25	46	32	53	29	59
Equity	18	31	21	43	25	85
Commodity	11	20	13	21	17	29

VAR Model Review and Validation

Generally, Citi's VAR review and model validation process entails reviewing the model framework, major assumptions, and implementation of the mathematical algorithm. In addition, as part of the model validation process, product specific back-testing on hypothetical portfolios are periodically completed and reviewed with Citi's U.S. banking regulators. Furthermore, back-testing is performed against the actual change in market value of transactions on a quarterly basis at multiple levels of the organization (trading desk level, ICG business segment and Citigroup) and the results are also shared with the U.S. banking regulators.

Significant VAR model and assumption changes must be independently validated within Citi's risk management organization. This validation process includes a review by Citi's model validation group and further approval from its model validation review committee which is composed of senior quantitative risk management officers. In the event of significant model changes, parallel model runs are undertaken prior to implementation. In addition, significant model and assumption changes are subject to the periodic reviews and approval by Citi's U.S. banking regulators.

Citi uses the same independently validated VAR model for both regulatory capital and external market risk disclosure purposes and, as such, the model review and oversight process for both purposes is as described above. While the scope of positions included in the VAR model calculations for regulatory capital purposes differs from the scope of positions for external market risk disclosure purposes, these differences are due to the fact that certain positions included for external market risk purposes are not eligible for market risk treatment under the U.S. regulatory capital rules, either as currently in effect under Basel I or under the final market risk capital rules under Basel II.5 (e.g., the interest rate sensitivity of repos and reverse repos and the credit and market sensitivities of the derivatives CVA are included for external market risk disclosure purposes, but are not included for regulatory capital purposes). The applicability of the VAR model for positions eligible for market risk treatment under U.S. regulatory capital rules is periodically reviewed and approved by Citi's U.S. banking regulators.

INTEREST REVENUE/EXPENSE AND YIELDS

<i>In millions of dollars, except as otherwise noted</i>	3rd Qtr. 2012	2nd Qtr. 2012	3rd Qtr. 2011	Change 3Q12 vs. 3Q11
Interest revenue(1)	\$ 17,070	\$ 17,028	\$ 18,282	(7)%
Interest expense(2)	5,016	5,291	6,030	(17)
Net interest revenue(3)	\$ 12,054	\$ 11,737	\$ 12,252	(2)%
Interest revenue average rate	4.05%	4.07%	4.23%	(18) bps
Interest expense average rate	1.43	1.51	1.62	(19) bps
Net interest margin	2.86	2.81	2.83	3 bps
Interest-rate benchmarks				
Federal Funds rate end of period	0.00-0.25%	0.00-0.25%	0.00-0.25%	
Federal Funds rate average rate	0.00-0.25	0.00-0.25	0.00-0.25	
Two-year U.S. Treasury note average rate	0.26%	0.29%	0.28%	(2) bps
10-year U.S. Treasury note average rate	1.64	1.83	2.41	(77) bps
10-year vs. two-year spread	138 bps	154 bps	213 bps	

- (1) *Interest revenue* includes the taxable equivalent adjustments (based on the U.S. federal statutory tax rate of 35%) of \$136 million, \$139 million, and \$137 million for the three months ended September 30, 2012, June 30, 2012 and September 30, 2011, respectively.
- (2) *Interest expense* includes the taxable equivalent adjustments (based on the U.S. federal statutory tax rate of 35%) of \$5 million, \$5 million and \$1 million for the three months ended September 30, 2012, June 30, 2012 and September 30, 2011, respectively.
- (3) Excludes expenses associated with certain hybrid financial instruments. These obligations are classified as *Long-term debt* and accounted for at fair value with changes recorded in *Principal transactions*.

Edgar Filing: CITIGROUP INC - Form 10-Q

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

During the third quarter of 2012, Citi's NIM increased by 5 basis points from the second quarter of 2012. While Citi continued to experience a negative impact on loan and investment portfolio yields given the low interest rate environment, during the third quarter of 2012, it was able to offset this yield pressure by paying down higher cost long-term debt and redeeming three outstanding series of trust preferred securities (see "Capital Resources and Liquidity Funding and Liquidity" above). Moreover, Citi has continued to reduce its cost of funding for deposits which also served to offset the yield pressure during the quarter. While Citi expects to continue to benefit from lower funding costs into the fourth quarter of 2012, it also believes the overall low interest rate environment will continue to negatively impact yields. Thus, absent any significant items, Citi would expect that its NIM could decrease slightly from the 2.86% in the third quarter.

Edgar Filing: CITIGROUP INC - Form 10-Q

AVERAGE BALANCES AND INTEREST RATES ASSETS(1)(2)(3)(4)

Taxable Equivalent Basis

<i>In millions of dollars, except rates</i>	Average volume			Interest revenue			% Average rate			
	3rd Qtr. 2012	2nd Qtr. 2012	3rd Qtr. 2011	3rd Qtr. 2012	2nd Qtr. 2012	3rd Qtr. 2011	3rd Qtr. 2012	2nd Qtr. 2012	3rd Qtr. 2011	
Assets										
Deposits with banks(5)	\$ 160,735	\$ 160,820	\$ 167,808	\$ 296	\$ 331	\$ 423	0.73%	0.83%	1.00%	
Federal funds sold and securities borrowed or purchased under agreements to resell(6)										
In U.S. offices	\$ 159,230	\$ 158,267	\$ 154,573	\$ 362	\$ 380	\$ 362	0.90%	0.97%	0.93%	
In offices outside the U.S.(5)	113,758	127,781	126,460	463	522	586	1.62	1.64	1.84	
Total	\$ 272,988	\$ 286,048	\$ 281,033	\$ 825	\$ 902	\$ 948	1.20%	1.27%	1.34%	
Trading account assets(7)(8)										
In U.S. offices	\$ 124,953	\$ 124,160	\$ 121,915	\$ 933	\$ 988	\$ 1,013	2.97%	3.20%	3.30%	
In offices outside the U.S.(5)	123,086	127,239	153,835	730	753	1,081	2.36	2.38	2.79	
Total	\$ 248,039	\$ 251,399	\$ 275,750	\$ 1,663	\$ 1,741	\$ 2,094	2.67%	2.79%	3.01%	
Investments										
In U.S. offices										
Taxable	\$ 170,813	\$ 164,847	\$ 164,497	\$ 699	\$ 706	\$ 775	1.63%	1.72%	1.87%	
Exempt from U.S. income tax	17,527	15,039	13,705	193	194	237	4.38	5.19	6.86	
In offices outside the U.S.(5)	116,348	113,924	118,652	1,066	1,034	1,025	3.64	3.65	3.43	
Total	\$ 304,688	\$ 293,810	\$ 296,854	\$ 1,958	\$ 1,934	\$ 2,037	2.56%	2.65%	2.72%	
Loans (net of unearned income)(9)										
In U.S. offices	\$ 361,988	\$ 359,902	\$ 366,248	\$ 6,836	\$ 6,714	\$ 7,272	7.51%	7.50%	7.88%	
In offices outside the U.S.(5)	291,851	286,334	278,214	5,348	5,274	5,402	7.29	7.41	7.70	
Total	\$ 653,839	\$ 646,236	\$ 644,462	\$ 12,184	\$ 11,988	\$ 12,674	7.41%	7.46%	7.80%	
Other interest-earning assets	\$ 37,290	\$ 43,420	\$ 50,755	\$ 144	\$ 132	\$ 106	1.54%	1.22%	0.83%	
Total interest-earning assets	\$ 1,677,579	\$ 1,681,733	\$ 1,716,662	\$ 17,070	\$ 17,028	\$ 18,282	4.05%	4.07%	4.23%	
Non-interest-earning assets(7)	231,866	234,352	247,003							
Total assets from discontinued operations										
Total assets	\$ 1,909,445	\$ 1,916,085	\$ 1,963,665							

(1) *Interest revenue* includes the taxable equivalent adjustments (based on the U.S. federal statutory tax rate of 35%) of \$136 million, \$139 million, and \$137 million for the three months ended September 30, 2012, June 30, 2012 and September 30, 2011, respectively.

(2)

Edgar Filing: CITIGROUP INC - Form 10-Q

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

- (3) Monthly or quarterly averages have been used by certain subsidiaries where daily averages are unavailable.
- (4) Detailed average volume, *Interest revenue* and *Interest expense* exclude *Discontinued operations*. See Note 2 to the Consolidated Financial Statements.
- (5) Average rates reflect prevailing local interest rates, including inflationary effects and monetary corrections in certain countries.
- (6) Average volumes of securities borrowed or purchased under agreements to resell are reported net pursuant to FIN 41 (ASC 210-20-45). However, *Interest revenue* excludes the impact of FIN 41 (ASC 210-20-45).
- (7) The fair value carrying amounts of derivative contracts are reported in *Non-interest-earning assets* and *Other non-interest-bearing liabilities*.
- (8) Interest expense on *Trading account liabilities* of ICG is reported as a reduction of *Interest revenue*. Interest revenue and interest expense on cash collateral positions are reported in interest on *Trading account assets* and *Trading account liabilities*, respectively.
- (9) Includes cash-basis loans.

Edgar Filing: CITIGROUP INC - Form 10-Q

AVERAGE BALANCES AND INTEREST RATES LIABILITIES AND EQUITY, AND NET INTEREST REVENUE(1)(2)(3)(4)

Taxable Equivalent Basis

<i>In millions of dollars, except rates</i>	Average volume			Interest expense			% Average rate		
	3rd Qtr. 2012	2nd Qtr. 2012	3rd Qtr. 2011	3rd Qtr. 2012	2nd Qtr. 2012	3rd Qtr. 2011	3rd Qtr. 2012	2nd Qtr. 2012	3rd Qtr. 2011
Liabilities									
Deposits									
In U.S. offices(5)	\$ 237,337	\$ 228,957	\$ 221,148	\$ 486	\$ 443	\$ 561	0.81%	0.78%	1.01%
In offices outside the U.S.(6)	502,730	487,546	484,081	1,426	1,443	1,667	1.13	1.19	1.37
Total	\$ 740,067	\$ 716,503	\$ 705,229	\$ 1,912	\$ 1,886	\$ 2,228	1.03%	1.06%	1.25%
Federal funds purchased and securities loaned or sold under agreements to repurchase(7)									
In U.S. offices	\$ 122,218	\$ 121,713	\$ 116,944	\$ 206	\$ 270	\$ 175	0.67%	0.89%	0.59%
In offices outside the U.S.(6)	99,138	103,074	101,472	507	483	621	2.03	1.88	2.43
Total	\$ 221,356	\$ 224,787	\$ 218,416	\$ 713	\$ 753	\$ 796	1.28%	1.35%	1.45%
Trading account liabilities(8)(9)									
In U.S. offices	29,653	\$ 30,896	\$ 43,032	\$ 27	\$ 37	\$ 54	0.36%	0.48%	0.50%
In offices outside the U.S.(6)	40,281	51,517	53,676	19	15	37	0.19	0.12	0.27
Total	\$ 69,934	\$ 82,413	\$ 96,708	\$ 46	\$ 52	\$ 91	0.26%	0.25%	0.37%
Short-term borrowings									
In U.S. offices	\$ 78,837	\$ 81,760	\$ 80,189	\$ 49	\$ 69	\$ 14	0.25%	0.34%	0.07%
In offices outside the U.S.(6)	30,988	30,253	45,605	124	114	141	1.59	1.52	1.23
Total	\$ 109,825	\$ 112,013	\$ 125,794	\$ 173	\$ 183	\$ 155	0.63%	0.66%	0.49%
Long-term debt(10)									
In U.S. offices	\$ 242,079	\$ 260,276	\$ 313,762	\$ 2,108	\$ 2,353	\$ 2,594	3.46%	3.64%	3.28%
In offices outside the U.S.(6)	15,238	15,025	15,968	64	64	166	1.67	1.71	4.12
Total	\$ 257,317	\$ 275,301	\$ 329,730	\$ 2,172	\$ 2,417	\$ 2,760	3.36%	3.53%	3.32%
Total interest-bearing liabilities	\$ 1,398,499	\$ 1,411,017	\$ 1,475,877	\$ 5,016	\$ 5,291	\$ 6,030	1.43%	1.51%	1.62%
Demand deposits in U.S. offices	\$ 13,372	\$ 11,166	14,797						
Other non-interest-bearing liabilities(8)	309,415	309,169	293,548						
Total liabilities from discontinued operations									
Total liabilities	\$ 1,721,286	\$ 1,731,352	\$ 1,784,222						
Citigroup stockholders' equity(11)									
Noncontrolling interest	\$ 186,195	\$ 182,807	\$ 177,465						
	1,964	1,926	1,978						
Total equity(11)	\$ 188,159	\$ 184,733	\$ 179,443						
	\$ 1,909,445	\$ 1,916,085	\$ 1,963,665						

Total liabilities and stockholders' equity**Net interest revenue as a percentage of average interest-earning assets(12)**

In U.S. offices	\$ 943,899	\$ 938,962	\$ 954,004	\$ 6,308	\$ 5,959	\$ 6,410	2.66%	2.55%	2.67%
In offices outside the U.S.(6)	733,680	742,771	762,658	5,746	5,778	5,842	3.12	3.13	3.04
Total	\$ 1,677,579	\$ 1,681,733	\$ 1,716,662	\$ 12,054	\$ 11,737	\$ 12,252	2.86%	2.81%	2.83%

- (1) *Interest expense* includes the taxable equivalent adjustments (based on the U.S. federal statutory tax rate of 35%) of \$5 million, \$5 million and \$1 million for the three months ended September 30, 2012, June 30, 2012 and September 30, 2011, respectively.
- (2) Interest rates and amounts include the effects of risk management activities associated with the respective asset and liability categories.
- (3) Monthly or quarterly averages have been used by certain subsidiaries where daily averages are unavailable.
- (4) Detailed average volume, *Interest revenue* and *Interest expense* exclude *Discontinued operations*. See Note 2 to the Consolidated Financial Statements.
- (5) Consists of Other time deposits and Savings deposits. Saving deposits are made up of insured money market accounts, NOW accounts, and other savings deposits. The interest expense on Savings deposits includes FDIC deposit insurance fees and charges.
- (6) Average rates reflect prevailing local interest rates, including inflationary effects and monetary corrections in certain countries.
- (7) Average volumes of securities loaned or sold under agreements to repurchase are reported net pursuant to FIN 41 (ASC 210-20-45). However, *Interest expense* excludes the impact of FIN 41 (ASC 210-20-45).
- (8) The fair value carrying amounts of derivative contracts are reported in *Non-interest-earning assets* and *Other non-interest-bearing liabilities*.
- (9) Interest expense on *Trading account liabilities* of ICG is reported as a reduction of *Interest revenue*. Interest revenue and interest expense on cash collateral positions are reported in interest on *Trading account assets* and *Trading account liabilities*, respectively.
- (10) Excludes hybrid financial instruments and beneficial interests in consolidated VIEs that are classified as *Long-term debt*, as these obligations are accounted for at fair value with changes recorded in *Principal transactions*.
- (11) Includes stockholders' equity from discontinued operations.
- (12) Includes allocations for capital and funding costs based on the location of the asset.

AVERAGE BALANCES AND INTEREST RATES ASSETS(1)(2)(3)(4)

Taxable Equivalent Basis

<i>In millions of dollars, except rates</i>	Average volume		Interest revenue		% Average rate	
	Nine Months 2012	Nine Months 2011	Nine Months 2012	Nine Months 2011	Nine Months 2012	Nine Months 2011
Assets						
Deposits with banks(5)	\$ 160,769	\$ 173,682	\$ 994	\$ 1,342	0.83%	1.03%
Federal funds sold and securities borrowed or purchased under agreements to resell(6)						
In U.S. offices	\$ 157,051	\$ 157,469	\$ 1,118	\$ 1,114	0.95%	0.95%
In offices outside the U.S.(5)	123,257	114,662	1,552	1,575	1.68	1.84
Total	\$ 280,308	\$ 272,131	\$ 2,670	\$ 2,689	1.27%	1.32%
Trading account assets(7)(8)						
In U.S. offices	\$ 122,682	\$ 126,099	\$ 2,880	\$ 3,253	3.14%	3.45%
In offices outside the U.S.(5)	126,130	150,804	2,262	3,109	2.40	2.76
Total	\$ 248,812	\$ 276,903	\$ 5,142	\$ 6,362	2.76%	3.07%
Investments						
In U.S. offices						
Taxable	\$ 169,191	\$ 171,824	\$ 2,167	\$ 2,543	1.71%	1.98%
Exempt from U.S. income tax	15,723	13,340	598	729	5.08	7.31
In offices outside the U.S.(5)	114,504	126,717	3,127	3,491	3.65	3.68
Total	\$ 299,418	\$ 311,881	\$ 5,892	\$ 6,763	2.63%	2.90%
Loans (net of unearned income)(9)						
In U.S. offices	\$ 360,679	\$ 371,157	\$ 20,455	\$ 22,019	7.58%	7.93%
In offices outside the U.S.(5)	288,350	272,072	16,202	15,717	7.51	7.72
Total	\$ 649,029	\$ 643,229	\$ 36,657	\$ 37,736	7.54%	7.84%
Other interest-earning assets	\$ 41,313	\$ 50,227	\$ 414	\$ 373	1.34%	0.99%
Total interest-earning assets	\$ 1,679,649	\$ 1,728,053	\$ 51,769	\$ 55,265	4.12%	4.28%
Non-interest-earning assets(7)						
Total assets from discontinued operations	232,801	237,656				891
Total assets	\$ 1,912,450	\$ 1,966,600				

(1) *Interest revenue* includes the taxable equivalent adjustments (based on the U.S. federal statutory tax rate of 35%) of \$410 million and \$380 million for the nine months ended September 30, 2012 and 2011, respectively.

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

(3)

Edgar Filing: CITIGROUP INC - Form 10-Q

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

- (4) Detailed average volume, *Interest revenue* and *Interest expense* exclude *Discontinued operations*. See Note 2 to the Consolidated Financial Statements.
- (5) Average rates reflect prevailing local interest rates, including inflationary effects and monetary corrections in certain countries.
- (6) Average volumes of securities borrowed or purchased under agreements to resell are reported net pursuant to FIN 41 (ASC 210-20-45). However, *Interest revenue* excludes the impact of FIN 41 (ASC 210-20-45).
- (7) The fair value carrying amounts of derivative contracts are reported in *Non-interest-earning assets* and *Other non-interest-bearing liabilities*.
- (8) Interest expense on *Trading account liabilities* of ICG is reported as a reduction of *Interest revenue*. Interest revenue and interest expense on cash collateral positions are reported in interest on *Trading account assets* and *Trading account liabilities*, respectively.
- (9) Includes cash-basis loans.

AVERAGE BALANCES AND INTEREST RATES LIABILITIES AND EQUITY, AND NET INTEREST REVENUE(1)(2)(3)(4)

Taxable Equivalent Basis

<i>In millions of dollars, except rates</i>	Average volume		Interest expense		% Average rate	
	Nine Months 2012	Nine Months 2011	Nine Months 2012	Nine Months 2011	Nine Months 2012	Nine Months 2011
Liabilities						
Deposits						
In U.S. offices(5)	230,692	\$ 223,422	\$ 1,479	\$ 1,656	0.86%	0.99%
In offices outside the U.S.(6)	486,720	491,469	4,341	4,816	1.19	1.31
Total	717,412	\$ 714,891	\$ 5,820	\$ 6,472	1.08%	1.21%
Federal funds purchased and securities loaned or sold under agreements to repurchase(7)						
In U.S. offices	\$ 120,671	\$ 117,878	\$ 662	\$ 591	0.73%	0.67%
In offices outside the U.S.(6)	101,154	100,699	1,499	1,875	1.98	2.49
Total	\$ 221,825	\$ 218,577	\$ 2,161	\$ 2,466	1.30%	1.51%
Trading account liabilities(8)(9)						
In U.S. offices	\$ 30,724	\$ 38,541	\$ 96	\$ 219	0.42%	0.76%
In offices outside the U.S.(6)	45,567	51,235	55	124	0.16	0.32
Total	\$ 76,291	\$ 89,776	\$ 151	\$ 343	0.26%	0.51%
Short-term borrowings						
In U.S. offices	\$ 81,722	\$ 88,519	\$ 156	\$ 110	0.25%	0.17%
In offices outside the U.S.(6)	30,812	41,296	408	383	1.77	1.24
Total	\$ 112,534	\$ 129,815	\$ 564	\$ 493	0.67%	0.51%
Long-term debt(10)						
In U.S. offices	\$ 265,965	\$ 333,451	\$ 6,916	\$ 8,178	3.47%	3.28%
In offices outside the U.S.(6)	15,287	18,535	248	565	2.17	4.08
Total	\$ 281,252	\$ 351,986	\$ 7,164	\$ 8,743	3.40%	3.32%
Total interest-bearing liabilities	\$ 1,409,314	\$ 1,505,045	\$ 15,860	\$ 18,517	1.50%	1.64%
Demand deposits in U.S. offices	12,523	17,752				
Other non-interest-bearing liabilities(8)	305,507	268,695				
Total liabilities from discontinued operations		13				
Total liabilities	\$ 1,727,344	\$ 1,791,505				
Citigroup stockholders' equity(11)	\$ 183,235	\$ 172,957				
Noncontrolling interest	\$ 1,871	\$ 2,138				
Total equity(11)	\$ 185,106	\$ 175,095				
Total liabilities and stockholders' equity	\$ 1,912,450	\$ 1,966,600				
Net interest revenue as a percentage of average interest-earning assets(12)						

Edgar Filing: CITIGROUP INC - Form 10-Q

In U.S. offices	\$ 945,764	\$ 977,643	\$ 18,401	\$ 19,383	2.60%	2.65%
In offices outside the U.S.(6)	733,885	750,410	17,508	17,365	3.19%	3.09
Total	\$ 1,679,649	\$ 1,728,053	\$ 35,909	\$ 36,748	2.86%	2.84%

-
- (1) *Interest expense* includes the taxable equivalent adjustments (based on the U.S. federal statutory tax rate of 35%) of \$46 million and \$4 million for the nine months ended September 30, 2012 and 2011, respectively.
 - (2) Interest rates and amounts include the effects of risk management activities associated with the respective asset and liability categories.
 - (3) Monthly or quarterly averages have been used by certain subsidiaries where daily averages are unavailable.
 - (4) Detailed average volume, *Interest revenue* and *Interest expense* exclude *Discontinued operations*. See Note 2 to the Consolidated Financial Statements.
 - (5) Consists of Other time deposits and Savings deposits. Saving deposits are made up of insured money market accounts, NOW accounts, and other savings deposits. The interest expense on Savings deposits includes FDIC deposit insurance fees and charges.
 - (6) Average rates reflect prevailing local interest rates, including inflationary effects and monetary corrections in certain countries.
 - (7) Average volumes of securities loaned or sold under agreements to repurchase are reported net pursuant to FIN 41 (ASC 210-20-45). However, *Interest expense* excludes the impact of FIN 41 (ASC 210-20-45).
 - (8) The fair value carrying amounts of derivative contracts are reported in *Non-interest-earning assets* and *Other non-interest-bearing liabilities*.
 - (9) Interest expense on *Trading account liabilities* of ICG is reported as a reduction of *Interest revenue*. Interest revenue and interest expense on cash collateral positions are reported in interest on *Trading account assets* and *Trading account liabilities*, respectively.
 - (10) Excludes hybrid financial instruments and beneficial interests in consolidated VIEs that are classified as *Long-term debt*, as these obligations are accounted for at fair value with changes recorded in *Principal transactions*.
 - (11) Includes stockholders' equity from discontinued operations.
 - (12) Includes allocations for capital and funding costs based on the location of the asset.

ANALYSIS OF CHANGES IN INTEREST REVENUE(1)(2)(3)

<i>In millions of dollars</i>	3rd Qtr. 2012 vs. 2nd Qtr. 2012 Increase (decrease) due to change in:			3rd Qtr. 2012 vs. 3rd Qtr. 2011 Increase (decrease) due to change in:		
	Average volume	Average rate	Net change	Average volume	Average rate	Net change
Deposits with banks(4)	\$	\$	\$	\$	\$	\$
		(35)	(35)	(17)	(110)	(127)
Federal funds sold and securities borrowed or purchased under agreements to resell						
In U.S. offices	\$	2	(20)	\$	11	(11)
In offices outside the U.S.(4)		(57)	(2)	(59)	(56)	(67)
Total	\$	(55)	(22)	\$	(77)	(123)
Trading account assets(5)						
In U.S. offices	\$	6	(61)	\$	25	(105)
In offices outside the U.S.(4)		(25)	2	(23)	(197)	(154)
Total	\$	(19)	(59)	\$	(78)	(431)
Investments(1)						
In U.S. offices	\$	41	(49)	\$	55	(175)
In offices outside the U.S.(4)		22	10	32	(20)	61
Total	\$	63	(39)	\$	24	(79)
Loans (net of unearned income)(6)						
In U.S. offices	\$	39	83	\$	122	(84)
In offices outside the U.S.(4)		101	(27)	74	258	(312)
Total	\$	140	56	\$	196	174
Other interest-earning assets	\$	(20)	32	\$	12	(34)
Total interest revenue	\$	109	(67)	\$	42	(59)
					(1,153)	(1,212)

(1) The taxable equivalent adjustment is based on the U.S. federal statutory tax rate of 35% and is included in this presentation.

(2) Rate/volume variance is allocated based on the percentage relationship of changes in volume and changes in rate to the total net change.

(3) Detailed average volume, interest revenue and interest expense exclude discontinued operations. See Note 2 to the Consolidated Financial Statements.

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

(5) Interest expense on *Trading account liabilities* of ICG is reported as a reduction of interest revenue. Interest revenue and interest

expense on cash collateral positions are reported in interest on *Trading account assets* and *Trading account liabilities*, respectively.

(6)

Includes cash-basis loans.

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

<i>In millions of dollars</i>	3rd Qtr. 2012 vs. 2nd Qtr. 2012 Increase (decrease) due to change in:			3rd Qtr. 2012 vs. 3rd Qtr. 2011 Increase (decrease) due to change in:		
	Average volume	Average rate	Net change	Average volume	Average rate	Net change
Deposits						
In U.S. offices	\$ 17	\$ 26	\$ 43	\$ 39	\$ (114)	\$ (75)
In offices outside the U.S.(4)	44	(61)	(17)	62	(303)	(241)
Total	\$ 61	\$ (35)	\$ 26	\$ 101	\$ (417)	\$ (316)
Federal funds purchased and securities loaned or sold under agreements to repurchase						
In U.S. offices	\$ 1	\$ (65)	\$ (64)	\$ 8	\$ 23	\$ 31
In offices outside the U.S.(4)	(19)	43	24	(14)	(100)	(114)
Total	\$ (18)	\$ (22)	\$ (40)	\$ (6)	\$ (77)	\$ (83)
Trading account liabilities(5)						
In U.S. offices	\$ (1)	\$ (9)	\$ (10)	\$ (14)	\$ (13)	\$ (27)
In offices outside the U.S.(4)	(4)	8	4	(8)	(10)	(18)
Total	\$ (5)	\$ (1)	\$ (6)	\$ (22)	\$ (23)	\$ (45)
Short-term borrowings						
In U.S. offices	\$ (2)	\$ (18)	\$ (20)	\$ 35	\$ 35	\$ 35
In offices outside the U.S.(4)	3	7	10	(52)	35	(17)
Total	\$ 1	\$ (11)	\$ (10)	\$ (52)	\$ 70	\$ 18
Long-term debt						
In U.S. offices	\$ (161)	\$ (84)	\$ (245)	\$ (618)	\$ 132	\$ (486)
In offices outside the U.S.(4)	1	(1)		(7)	(95)	(102)
Total	\$ (160)	\$ (85)	\$ (245)	\$ (625)	\$ 37	\$ (588)
Total interest expense	\$ (121)	\$ (154)	\$ (275)	\$ (604)	\$ (410)	\$ (1,014)
Net interest revenue	\$ 230	\$ 87	\$ 317	\$ 545	\$ (743)	\$ (198)

(1) The taxable equivalent adjustment is based on the U.S. federal statutory tax rate of 35% and is included in this presentation.

(2) Rate/volume variance is allocated based on the percentage relationship of changes in volume and changes in rate to the total net change.

(3) Detailed average volume, interest revenue and interest expense exclude discontinued operations. See Note 2 to the Consolidated Financial Statements.

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

(5)

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

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

<i>In millions of dollars</i>	Nine Months 2012 vs. Nine Months 2011		
	Increase (Decrease)		
	Due to Change in:		
	Average	Average	Net
	Volume	Rate	Change(2)
Deposits at interest with banks(4)	\$ (94)	\$ (254)	\$ (348)
Federal funds sold and securities borrowed or purchased under agreements to resell			
In U.S. offices	\$ (3)	\$ 7	\$ 4
In offices outside the U.S.(4)	113	(136)	(23)
Total	\$ 110	\$ (129)	\$ (19)
Trading account assets(5)			
In U.S. offices	\$ (86)	\$ (287)	\$ (373)
In offices outside the U.S.(4)	(472)	(375)	(847)
Total	\$ (558)	\$ (662)	\$ (1,220)
Investments(1)			
In U.S. offices	\$ (4)	\$ (503)	\$ (507)
In offices outside the U.S.(4)	(334)	(30)	(364)
Total	\$ (338)	\$ (533)	\$ (871)
Loans (net of unearned income)(6)			
In U.S. offices	\$ (611)	\$ (953)	\$ (1,564)
In offices outside the U.S.(4)	923	(438)	485
Total	\$ 312	\$ (1,391)	\$ (1,079)
Other interest-earning assets	\$ (74)	\$ 115	\$ 41
Total interest revenue	\$ (642)	\$ (2,854)	\$ (3,496)
Deposits(7)			
In U.S. offices	\$ 52	\$ (229)	\$ (177)
In offices outside the U.S.(4)	(46)	(429)	(475)
Total	\$ 6	\$ (658)	\$ (652)
Federal funds purchased and securities loaned or sold under agreements to repurchase			
In U.S. offices	\$ 14	\$ 57	\$ 71
In offices outside the U.S.(4)	8	(384)	(376)
Total	\$ 22	\$ (327)	\$ (305)
Trading account liabilities(5)			
In U.S. offices	\$ (38)	\$ (85)	\$ (123)
In offices outside the U.S.(4)	(12)	(57)	(69)
Total	\$ (50)	\$ (142)	\$ (192)
Short-term borrowings			
In U.S. offices	\$ (9)	\$ 55	\$ 46

Edgar Filing: CITIGROUP INC - Form 10-Q

In offices outside the U.S.(4)		(113)		138		25
Total		\$ (122)	\$	193	\$	71
Long-term debt						
In U.S. offices		\$ (1,732)	\$	470	\$	(1,262)
In offices outside the U.S.(4)		(86)		(231)		(317)
Total		\$ (1,818)	\$	239	\$	(1,579)
Total interest expense		\$ (1,962)	\$	(695)	\$	(2,657)
Net interest revenue		\$ 1,320	\$	(2,159)	\$	(839)

-
- (1) The taxable equivalent adjustment is based on the U.S. Federal statutory tax rate of 35% and is included in this presentation.
- (2) Rate/volume variance is allocated based on the percentage relationship of changes in volume and changes in rate to the total net change.
- (3) Detailed average volume, interest revenue and interest expense exclude discontinued operations.
- (4) Changes in average rates reflect changes in prevailing local interest rates, including inflationary effects and monetary corrections in certain countries.
- (5) Interest expense on *Trading account liabilities* of ICG is reported as a reduction of *Interest revenue*. Interest revenue and Interest expense on cash collateral positions are reported in *Trading account assets* and *Trading account liabilities*, respectively.
- (6) Includes cash-basis loans.
- (7) The interest expense on deposits includes the FDIC assessment and deposit insurance fees and charges of \$959 million and \$974 million for the nine months ended September 30, 2012 and 2011, respectively.

COUNTRY RISK

Overview

Country risk is the risk that an event in a country (precipitated by developments within or external to a country) will impair the value of Citi's franchise or will adversely affect the ability of obligors within that country to honor their obligations to Citi, any of which could negatively impact Citi's results of operations or financial condition. Country risk events may include sovereign defaults, banking defaults or crises, redenomination events (which could be accompanied by a revaluation (either devaluation or appreciation) of the affected currency), currency crises, foreign exchange controls and/or political events. See also "Risk Factors Market and Economic Risks" in Citigroup's 2011 Annual Report on Form 10-K.

As noted in the "Managing Global Risk Risk Management Overview" section of Citigroup's 2011 Annual Report on Form 10-K, Citi has instituted a risk management process to monitor, evaluate and manage the principal risks it assumes in conducting its activities, which include the credit, market and operations risks associated with Citi's country risk exposures. The risk management organization is structured to facilitate the management of risk across three dimensions: businesses, regions and critical products. The Chief Risk Officer monitors and controls major risk exposures and concentrations across the organization, and subjects those risks to alternative stress scenarios in order to assess the potential economic impact they may have on Citi. Citi's independent risk management, working with input from the businesses and finance, provides periodic updates to senior management on significant potential areas of concern across Citi that can arise from risk concentrations, financial market participants and other systemic issues including, for example, Eurozone debt issues and other developments in the European Monetary Union (EMU). These areas of focus are intended to be forward-looking assessments of the potential economic impacts to Citi that may arise from these exposures.

While Citi continues to work to mitigate its exposures to any potential country or credit or other risk event, the impact of any such event is highly uncertain and will be based on the specific facts and circumstances. As a result, there can be no assurance that the various steps Citi has taken to protect its businesses, results of operations and financial condition against these events will be sufficient. In addition, there could be negative impacts to Citi's businesses, results of operations or financial condition that are currently unknown to Citi and thus cannot be mitigated as part of its ongoing contingency planning.

Several European countries, including Greece, Ireland, Italy, Portugal, Spain (GIIPS) and France, have been the subject of credit deterioration due to weaknesses in their economic and fiscal situations. Moreover, the ongoing Eurozone debt crisis and other developments in the EMU could lead to the withdrawal of one or more countries from the EMU or a partial, or ultimately a complete, break-up of the EMU. Given investor interest in this area, the narrative and tables below set forth certain information regarding Citi's country risk exposures on these topics as well as certain other country risk matters as of September 30, 2012.

Credit Risk

Generally, credit risk measures Citi's net exposure to a credit or market risk event. Citi's credit risk reporting is based on Citi's internal risk management measures and systems. The country designation in Citi's internal risk management systems is based on the country to which the client relationship, taken as a whole, is most directly exposed to economic, financial, sociopolitical or legal risks. As a result, Citi's reported credit risk exposures in a particular country may include exposures to subsidiaries within the client relationship that are actually domiciled outside of the country (e.g., Citi's Greece credit risk exposures may include loans, derivatives and other exposures to a U.K. subsidiary of a Greece-based corporation).

Citi believes that the risk of loss associated with the exposures set forth below, which are based on Citi's internal risk management measures, is likely materially lower than the exposure amounts disclosed below and is sized appropriately relative to its franchise in these countries. In addition, the sovereign entities of the countries disclosed below, as well as the financial institutions and corporations domiciled in these countries, are important clients in the global Citi franchise. Citi fully expects to maintain its presence in these markets to service all of its global customers. As such, Citi's credit risk exposure in these countries may vary over time based on its franchise, client needs and transaction structures.

Sovereign, Financial Institution and Corporate Exposures

<i>In billions of U.S. dollars</i>	GIIPS(1)	Greece	Ireland	Italy	Portugal	Spain	France
Funded loans, before reserves(2)	\$ 8.4	\$ 1.1	\$ 0.3	\$ 2.1	\$ 0.3	\$ 4.6	\$ 6.4
Derivative counterparty mark-to-market, inclusive of CVA(3)	13.0	0.6	0.5	9.3	0.2	2.4	6.9
Gross funded credit exposure	\$ 21.3	\$ 1.7	\$ 0.8	\$ 11.4	\$ 0.6	\$ 7.0	\$ 13.3
Less: margin and collateral(4)	(3.8)	(0.3)	(0.3)	(1.2)	(0.1)	(1.9)	(5.5)
Less: purchased credit protection(5)	(10.1)	(0.1)	(0.0)	(7.4)	(0.3)	(2.3)	(3.7)
Net current funded credit exposure	\$ 7.4	\$ 1.3	\$ 0.5	\$ 2.7	\$ 0.2	\$ 2.8	\$ 4.1
Net trading exposure	\$ 1.8	\$ (0.0)	\$ (0.1)	\$ 1.4	\$ 0.1	\$ 0.3	\$ (0.8)
AFS exposure	0.2	0.0	0.0	0.2	0.0	0.0	0.3
Net trading and AFS exposure	\$ 2.0	\$ (0.0)	\$ (0.1)	\$ 1.7	\$ 0.1	\$ 0.3	\$ (0.5)
Net current funded exposure	\$ 9.5	\$ 1.3	\$ 0.4	\$ 4.4	\$ 0.3	\$ 3.1	\$ 3.6
Additional collateral received, not reducing amounts above	\$ (3.6)	\$ (0.8)	\$ (0.2)	\$ (0.7)	\$ (0.0)	\$ (1.9)	\$ (3.5)
Net current funded credit exposure detail:							
Sovereigns	\$ 1.1	\$ 0.1	\$ 0.1	\$ 1.2	\$ 0.1	\$ (0.3)	\$ 0.8
Financial institutions	2.0	0.0	0.0	0.1	(0.0)	1.9	2.1
Corporations	4.4	1.1	0.4	1.5	0.1	1.2	1.1
Net current funded credit exposure	\$ 7.4	\$ 1.3	\$ 0.5	\$ 2.7	\$ 0.2	\$ 2.8	\$ 4.1
Net unfunded commitments(6):							
Sovereigns	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.1
Financial institutions	0.3	0.0	0.0	0.1	0.0	0.2	3.1
Corporations, net	6.3	0.3	0.6	2.8	0.2	2.4	10.6
Total net unfunded commitments	\$ 6.6	\$ 0.4	\$ 0.6	\$ 3.0	\$ 0.2	\$ 2.5	\$ 13.7

Note: As discussed above, the information in the table above is based on Citi's internal risk management measures and systems. The exposures in the table above do not include retail, small business and Citi Private Bank exposures in the GIIPS. See "GIIPS Retail, Small Business and Citi Private Bank" below. Retail, small business and Citi Private Bank exposure in France was not material as of September 30, 2012. Citi has exposures to obligors located within the GIIPS and France that are not included in the table above because Citi's internal risk management systems determine that the client relationship, taken as a whole, is not in GIIPS or France (e.g., a funded loan to a Greece subsidiary of a Switzerland-based corporation). However, the total amount of such exposures was less than \$1.5 billion of funded loans and \$1.9 billion of unfunded commitments across the GIIPS and in France as of September 30, 2012. Totals may not sum due to rounding.

- (1) Greece, Ireland, Italy, Portugal and Spain.
- (2) As of September 30, 2012, Citi held \$0.2 billion and \$0.1 billion in reserves against these loans in the GIIPS and France, respectively.
- (3) Includes the net credit exposure arising from secured financing transactions, such as repurchase agreements and reverse repurchase agreements. See "Secured Financing Transactions" below.
- (4)

Edgar Filing: CITIGROUP INC - Form 10-Q

Margin and collateral posted under legally enforceable margin agreements. Does not include collateral received on secured financing transactions.

- (5) Credit protection purchased primarily from investment grade, global financial institutions predominantly outside of the GIIPS and France. See "Credit Default Swaps" below.
- (6) Unfunded commitments net of approximately \$0.7 billion and \$1.6 billion of purchased credit protection as of September 30, 2012 on unfunded commitments in the GIIPS and France, respectively. Previously, this purchased credit protection was included in the "purchased credit protection" line in the table above. See "Unfunded Commitments" under GIIPS and France below.

GIIPS*Sovereign, Financial Institution and Corporate Exposures*

As noted in the table above, Citi's gross funded credit exposure to sovereign entities, financial institutions and multinational and local corporations designated in the GIIPS under Citi's risk management systems was \$21.3 billion at September 30, 2012, compared to \$20.1 billion at June 30, 2012. This \$21.3 billion of gross funded credit exposure at September 30, 2012 was made up of \$8.4 billion in gross funded loans, before reserves, and \$13.0 billion in derivative counterparty mark-to-market exposure, inclusive of credit valuation adjustments (CVA). Further, as of September 30, 2012, Citi's net current funded exposure to sovereigns, financial institutions and corporations designated in the GIIPS under Citi's risk management systems was \$9.5 billion, compared to \$8.4 billion at June 30, 2012. The primary driver of the increases quarter-over-quarter related to changes in Citi's net current funded credit exposure as described in more detail below.

Net Trading and AFS Exposure \$2.0 billion

Included in the net current funded exposure at September 30, 2012 was a net position of \$2.0 billion in securities and derivatives with GIIPS sovereigns, financial institutions and corporations as the issuer or reference entity. This compared to \$2.4 billion of net trading and AFS exposures as of June 30, 2012. Included within the net position of \$2.0 billion as of September 30, 2012 was a net position of negative \$0.05 billion of indexed and tranching credit derivatives.

These securities and derivatives are marked to market daily. As previously disclosed, Citi's trading exposure levels vary as it maintains inventory consistent with customer needs.

Net Current Funded Credit Exposure \$7.4 billion

As of September 30, 2012, Citi's net current funded credit exposure to GIIPS sovereigns, financial institutions and corporations was \$7.4 billion, compared to \$6.0 billion as of June 30, 2012. As of the end of the third quarter of 2012, the majority of Citi's net current funded credit exposure continued to be to corporations designated in the GIIPS. The increase quarter-over-quarter was primarily due to an approximately \$0.8 billion drawn commitment in Spain collateralized with non-GIIPS government bonds and an approximately \$0.6 billion increase in derivative counterparty mark-to-market exposure due to market movements, inclusive of CVA, in Italy.

Consistent with its internal risk management measures and as set forth in the table above, Citi's gross funded credit exposure as of September 30, 2012 has been reduced by \$3.8 billion of margin and collateral posted under legally enforceable margin agreements (unchanged from June 30, 2012). Similar to prior periods, the majority of this margin and collateral as of September 30, 2012 was in the form of cash, with the remainder in predominantly non-GIIPS securities, which are included at fair value.

Gross funded credit exposure as of September 30, 2012 has also been reduced by \$10.1 billion in purchased credit protection, compared to \$10.3 billion at June 30, 2012, predominantly from financial institutions outside the GIIPS (see "Credit Default Swaps" below). Included within the \$10.1 billion of purchased credit protection as of September 30, 2012 was \$0.9 billion of indexed and tranching credit derivatives executed to hedge Citi's exposure on funded loans and CVA on derivatives, a significant portion of which are reflected in Italy and Spain.

Purchased credit protection generally pays out only upon the occurrence of certain credit events with respect to the country or borrower covered by the protection, as determined by a committee composed of dealers and other market participants. In addition to counterparty credit risks (see "Credit Default Swaps" below), the credit protection may not fully cover all situations that may adversely affect the value of Citi's exposure and, accordingly, Citi could still experience losses despite the existence of the credit protection.

As of September 30, 2012, Citi also held \$3.6 billion of collateral which has not been netted against its gross funded credit exposure to the GIIPS, a decrease from \$4.2 billion at June 30, 2012. This collateral may take a variety of forms, including securities, receivables and physical assets, and is held under a variety of collateral arrangements.

Unfunded Commitments \$6.6 billion

As of September 30, 2012, Citi also had \$6.6 billion of unfunded commitments to GIIPS sovereigns, financial institutions and corporations, with \$6.3 billion of this amount to corporations. This compared to \$9.1 billion of unfunded commitments as of June 30, 2012, with \$7.7 billion of such amount to corporations. The decrease in unfunded commitments quarter-over-quarter was primarily driven by the funding of the \$0.8 billion commitment in Spain described above, as well as a reallocation of purchased credit protection from funded exposure to unfunded commitments, which was approximately \$0.7 billion. This \$0.7 billion was previously included in the table above under "purchased credit protection."

Edgar Filing: CITIGROUP INC - Form 10-Q

As of September 30, 2012, unfunded commitments in the GIIPS included approximately \$4.4 billion of unfunded loan commitments that generally have standard conditions that must be met before they can be drawn, and \$2.2 billion of letters of credit.

Other Activities

In addition to the exposures described above, like other banks, Citi also provides settlement and clearing facilities for a variety of clients in these countries and actively monitors and manages these intra-day exposures.

Retail, Small Business and Citi Private Bank

As of September 30, 2012, Citi had approximately \$6.3 billion of mostly locally funded accrual loans to retail, small business and Citi Private Bank customers in the GIIPS, the vast majority of which is in Citi Holdings. This compared to \$6.9 billion at the end of the second quarter of 2012. Of the \$6.3 billion, approximately \$4.0 billion consisted of retail and small business exposures in Spain (\$2.8 billion) and Greece (\$1.2 billion), approximately \$1.5 billion related to held-to-maturity securitized retail assets (primarily mortgage-backed securities in Spain), and approximately \$0.8 billion related to

Edgar Filing: CITIGROUP INC - Form 10-Q

Private Bank customers, substantially all in Spain. This compared to approximately \$4.3 billion of retail and small business exposures in Spain (\$3.0 billion) and Greece (\$1.2 billion), approximately \$1.7 billion related to held-to-maturity securitized retail assets and approximately \$1.0 billion related to Private Bank customers as of June 30, 2012.

In addition, Citi had approximately \$4.1 billion of unfunded commitments to GIIPS retail, small business and Private Bank customers as of September 30, 2012, compared to approximately \$5.0 billion as of June 30, 2012. Citi's unfunded commitments to GIIPS retail customers, in the form of unused credit card lines, are generally cancellable upon the occurrence of significant credit events, including redenomination events.

France

Sovereign, Financial Institution and Corporate Exposures

Citi's gross funded credit exposure to the sovereign entity of France, as well as financial institutions and multinational and local corporations designated in France under Citi's risk management systems, was \$13.3 billion at September 30, 2012, compared to \$13.0 billion at June 30, 2012. This \$13.3 billion of gross funded credit exposure at September 30, 2012 was made up of \$6.4 billion in gross funded loans, before reserves, and \$6.9 billion in derivative counterparty mark-to-market exposure, inclusive of CVA. Further, as of September 30, 2012, Citi's net current funded exposure to the French sovereign and financial institutions and corporations designated in France under Citi's risk management systems was \$3.6 billion, compared to \$3.7 billion at June 30, 2012.

Net Trading and AFS Exposure \$(0.5) billion

Included in the net current funded exposure at September 30, 2012 was a net position of \$(0.5) billion in securities and derivatives with the French sovereign, financial institutions and corporations as the issuer or reference entity. This compared to \$2.1 billion of net trading and AFS exposures as of June 30, 2012. Included within the net position of \$(0.5) billion as of September 30, 2012 was a net position of \$0.03 billion of indexed and tranching credit derivatives.

These securities and derivatives are marked to market daily. As previously disclosed, Citi's trading exposure levels vary as it maintains inventory consistent with customer needs.

Net Current Funded Credit Exposure \$4.1 billion

As of September 30, 2012, the net current funded credit exposure to the French sovereign, financial institutions and corporations was \$4.1 billion. Of this amount, as of September 30, 2012, approximately \$0.8 billion was to the sovereign entity (compared to \$0.1 billion at June 30, 2012), \$2.1 billion was to financial institutions (compared to \$2.0 billion at June 30, 2012) and \$1.1 billion to corporations (compared to \$(0.4) billion at June 30, 2012).

Consistent with its internal risk management measures and as set forth in the table above, Citi's gross funded credit exposure has been reduced by \$5.5 billion of margin and collateral posted under legally enforceable margin agreements (compared to \$5.9 billion at June 30, 2012). Similar to prior periods, the majority of this margin and collateral as of September 30, 2012 was in the form of cash, with the remainder in predominantly non-French securities, which are included at fair value.

Gross funded credit exposure as of September 30, 2012 has also been reduced by \$3.7 billion in purchased credit protection, compared to \$5.4 billion at June 30, 2012, predominantly from financial institutions outside France (see "Credit Default Swaps" below). The decrease in purchased credit protection is primarily driven by the reallocation of purchased credit protection from funded exposure to unfunded commitments (as described under "GIIPS" above), which was approximately \$1.6 billion. Included within the \$3.7 billion of purchased credit protection as of September 30, 2012 was \$1.4 billion of indexed and tranching credit derivatives executed to hedge Citi's exposure on funded loans and CVA on derivatives.

Purchased credit protection generally pays out only upon the occurrence of certain credit events with respect to the country or borrower covered by the protection, as determined by a committee composed of dealers and other market participants. In addition to counterparty credit risks (see "Credit Default Swaps" below), the credit protection may not fully cover all situations that may adversely affect the value of Citi's exposure and, accordingly, Citi could still experience losses despite the existence of the credit protection.

As of September 30, 2012, Citi also held \$3.5 billion of collateral which has not been netted against its gross funded credit exposure to France. This amount is a decrease from \$4.5 billion as of June 30, 2012 and, as described above, this collateral can take a variety of forms and is held under a variety of collateral arrangements.

Unfunded Commitments \$13.7 billion

Edgar Filing: CITIGROUP INC - Form 10-Q

As of September 30, 2012, Citi also had \$13.7 billion of unfunded commitments to the French sovereign, financial institutions and corporations, with \$10.6 billion of this amount to corporations. This compared to \$17.9 billion of unfunded commitments as of June 30, 2012, with \$13.8 billion of such amount to corporations. The decrease in unfunded commitments quarter-over-quarter was primarily driven by the reallocation of purchased credit protection from funded exposure to unfunded commitments (as described under "GIIPS" above), which was approximately \$1.6 billion. This \$1.6 billion was previously included in the table above under "purchased credit protection."

As of September 30, 2012, unfunded commitments in France included \$10.6 billion of unfunded loan commitments that generally have standard conditions that must be met before they can be drawn, and \$3.1 billion of letters of credit.

Other Activities

In addition to the exposures described above, like other banks, Citi also provides settlement and clearing facilities for a variety of clients in France and actively monitors and manages these intra-day exposures.

Credit Default Swaps GIIPS and France

Citi buys and sells credit protection, through credit default swaps (CDS), on underlying GIIPS and French entities as part of its market-making activities for clients in its trading portfolios. Citi also purchases credit protection, through CDS, to hedge its own credit exposure to these underlying entities that arises from loans to these entities or derivative transactions with these entities.

Citi buys and sells CDS as part of its market-making activity, and purchases CDS for credit protection, primarily with investment grade, global financial institutions predominantly outside the GIIPS and France. The counterparty credit exposure that can arise from the purchase or sale of CDS, including any GIIPS or French counterparties, is managed and mitigated through legally enforceable netting and margining agreements with a given counterparty. Thus, the credit exposure to that counterparty is measured and managed in aggregate across all products covered by a given netting or margining agreement.

The notional amount of credit protection purchased or sold on GIIPS and French underlying single reference entities as of September 30, 2012 is set forth in the table below. The net notional contract amounts, less mark-to-market adjustments, are included in "net current funded exposure" in the table under "Sovereign, Financial Institution and Corporate Exposures" above, and appear in either "net trading exposure" when part of a trading strategy or in "purchased credit protection" when purchased as a hedge against a credit exposure.

<i>In billions of U.S. dollars</i>	CDS purchased or sold on underlying single reference entities in these countries						
	GIIPS	Greece	Ireland	Italy	Portugal	Spain	France
Notional CDS contracts on underlying reference entities							
Net purchased(1)	\$ (17.2)	\$ (0.4)	\$ (1.0)	\$ (10.4)	\$ (2.5)	\$ (6.5)	\$ (10.3)
Net sold(1)	6.5	0.3	0.7	2.8	2.4	3.9	6.1
Sovereign underlying reference entity							
Net purchased(1)	(12.1)		(0.7)	(8.4)	(1.8)	(3.9)	(4.3)
Net sold(1)	5.1		0.7	2.1	1.8	3.3	4.5
Financial institution underlying reference entity							
Net purchased(1)	(2.9)	(0.0)	(0.3)	(1.5)	(0.3)	(1.3)	(1.8)
Net sold(1)	2.1	0.0	0.0	1.3	0.3	0.9	1.4
Corporate underlying reference entity							
Net purchased(1)	(4.7)	(0.4)	(0.2)	(2.0)	(0.7)	(2.3)	(6.5)
Net sold(1)	1.8	0.3	0.1	0.9	0.6	0.9	2.4

(1)

The summation of notional amounts for each GIIPS country does not equal the notional amount presented in the GIIPS total column in the table above as additional netting is achieved at the agreement level with a specific counterparty across various GIIPS countries.

When Citi purchases CDS as a hedge against a credit exposure, it generally seeks to purchase products from counterparties that would not be correlated with the underlying credit exposure it is hedging. In addition, Citi generally seeks to purchase products with a maturity date similar to the exposure against which the protection is purchased. While certain exposures may have longer maturities that extend beyond the CDS tenors readily available in the market, Citi generally will purchase credit protection with a maximum tenor that is readily available in the market.

The above table contains all net CDS purchased or sold on GIIPS and French underlying single reference entities, whether part of a trading strategy or as purchased credit protection. With respect to the \$17.2 billion net purchased CDS contracts on underlying GIIPS reference entities, approximately 91% was purchased from non-GIIPS counterparties and 80% was purchased from investment grade counterparties as of September 30, 2012. With respect to the \$10.3 billion net purchased CDS contracts on underlying French reference entities, approximately 97% was purchased from non-French counterparties and 87% was purchased from investment grade counterparties as of September 30, 2012.

Secured Financing Transactions GIIPS and France

As part of its banking activities with its clients, Citi enters into secured financing transactions, such as repurchase agreements and reverse repurchase agreements. These transactions typically involve the lending of cash, against which securities are taken as collateral. The amount of cash loaned against the securities collateral is a function of the liquidity and quality of the collateral as well as the credit quality of the counterparty. The collateral is typically marked to market daily, and Citi has the ability to call for additional collateral (usually in the form of cash) if the value of the securities falls below a pre-defined threshold.

As shown in the table below, at September 30, 2012, Citi had loaned \$12.6 billion in cash through secured financing transactions with GIIPS and French counterparties, usually through reverse repurchase agreements. Against those loans, it held approximately \$15.7 billion fair value of securities collateral. In addition, Citi held \$1.3 billion in variation margin, most of which was in cash, against all secured financing transactions.

Consistent with Citi's risk management systems, secured financing transactions are included in the counterparty derivative mark-to-market exposure at their net credit exposure value, which is typically small or zero given the over-collateralized structure of these transactions.

<i>In billions of dollars</i>	Cash financing out	Securities collateral in(1)
Lending to GIIPS and French counterparties through secured financing transactions	\$ 12.6	\$ 15.7

(1) Citi has also received approximately \$1.3 billion in variation margin, predominantly cash, associated with secured financing transactions with these counterparties.

Collateral taken in against secured financing transactions is generally high quality, marketable securities, consisting of government debt, corporate debt, or asset-backed securities. The table below sets forth the fair value of the securities collateral taken in by Citi against secured financing transactions as of September 30, 2012.

<i>In billions of dollars</i>	Total	Government bonds	Municipal or Corporate bonds	Asset-backed bonds
Securities pledged by GIIPS and French counterparties in secured financing transaction lending(1)	\$ 15.7	\$ 2.8	\$ 2.6	\$ 10.3
Investment grade	\$ 15.2	\$ 2.7	\$ 2.5	\$ 10.0
Non-investment grade	0.2	0.1	0.0	
Not rated	0.3	0.0	0.0	0.2

(1) Total includes approximately \$2.8 billion in correlated risk collateral, predominantly French and Spanish sovereign debt pledged by French counterparties.

Secured financing transactions can be short term or can extend beyond one year. In most cases, Citi has the right to call for additional margin daily, and can terminate the transaction and liquidate the collateral if the counterparty fails to post the additional margin. The table below sets forth the remaining transaction tenor for these transactions as of September 30, 2012.

<i>In billions of dollars</i>	Total	Remaining transaction tenor		
		<1 year	1-3 years	>3 years
Cash extended to GIIPS and French counterparties in secured financing transactions lending(1)	\$ 12.6	\$ 8.5	\$ 3.8	\$ 0.3

(1) The longest remaining tenor trades mature November 2018.

Redenomination and Devaluation Risk

As previously disclosed and as referenced above, the ongoing Eurozone debt crisis and other developments in the European Monetary Union (EMU) could lead to the withdrawal of one or more countries from the EMU or a partial, or ultimately a complete, break-up of the EMU. See "Risk Factors Market and Economic Risks" in Citi's 2011 Annual Report on Form 10-K. If one or more countries were to leave the EMU, certain obligations relating to the exiting country could be redenominated from the Euro to a new country currency. While alternative scenarios could develop, redenomination could be accompanied by immediate devaluation of the new currency as compared to the Euro and the U.S. dollar.

Citi, like other financial institutions with substantial operations in the EMU, is exposed to potential redenomination and devaluation risks arising from (i) Euro-denominated assets and/or liabilities located or held within the exiting country that are governed by local country law ("local exposures"), as well as (ii) other Euro-denominated assets and liabilities, such as loans, securitized products or derivatives, between entities outside of the exiting country and a client within the country that are governed by local country law ("offshore exposures"). However, the actual assets and liabilities that could be subject to redenomination and devaluation risk are subject to substantial legal and other uncertainty.

Citi has been, and will continue to be, engaged in contingency planning for such events, particularly with respect to Greece, Ireland, Italy, Portugal and Spain. Generally, to the extent that Citi's local and offshore assets are relatively equal to its liabilities within the exiting country, and assuming both assets and liabilities are symmetrically redenominated and devalued, Citi believes that its risk of loss as a result of a redenomination and devaluation event would not be material. However, to the extent its local and offshore assets and liabilities are not equal, or there is asymmetrical redenomination of assets versus liabilities, Citi could be exposed to losses in the event of a redenomination and devaluation. Moreover, a number of events that could accompany a redenomination and devaluation, including a drawdown of unfunded commitments or "deposit flight," could exacerbate any mismatch of assets and liabilities within the exiting country.

Citi's redenomination and devaluation exposures to the GIIPS as of September 30, 2012 are not additive to its credit risk exposures to such countries as described under "Credit Risk" above. Rather, Citi's credit risk exposures in the affected country would generally be reduced to the extent of any redenomination and devaluation of assets.

As of September 30, 2012, Citi estimates that it had net asset exposure subject to redenomination and devaluation in Italy, principally relating to derivatives contracts. Citi also estimates that it had net asset exposure subject to redenomination and devaluation in Spain as of September 30, 2012, principally related to local exposures and offshore exposures related to held-to-maturity securitized retail assets (primarily mortgage-backed securities) and exposures to Private Bank customers (see "GIIPS Retail, Small Business and Citi Private Bank" above). However, as of September 30, 2012, Citi's estimated redenomination and devaluation exposure to Italy was less than Citi's net current funded credit exposure to Italy (before purchased credit protection) as reflected under "Credit Risk" above. Further, as of September 30, 2012, Citi's estimated redenomination and devaluation exposure to Spain was less than Citi's net current funded credit exposure to Spain (before purchased credit protection) plus its retail, small business and Private Bank credit risk exposure to Spain, as reflected under "Credit Risk" above. In Greece, Ireland and Portugal, as of September 30, 2012, Citi had a net liability position.

As referenced above, Citi's estimated redenomination and devaluation exposure does not include purchased credit protection. As described under "Credit Risk" above, Citi has purchased credit protection primarily from investment grade, global financial institutions predominantly outside of the GIIPS. To the extent the purchased credit protection is available in a redenomination/devaluation event, any redenomination/devaluation exposure could be reduced.

Any estimates of redenomination/devaluation exposure are subject to ongoing review and necessarily involve numerous assumptions, including which assets and liabilities would be subject to redenomination in any given case, the availability of purchased credit protection and the extent of any utilization of unfunded commitments, each as referenced above. In addition, other events outside of Citi's control such as the extent of any deposit flight and devaluation, the imposition of exchange and/or capital controls, the requirement by U.S. regulators of mandatory loan reserve requirements or any required timing of functional currency changes and the accounting impact thereof could further negatively impact Citi in such an event. Accordingly, in an actual redenomination and devaluation scenario, Citi's exposures could vary considerably based on the specific facts and circumstances.

Argentina and Venezuela Developments

Citi operates in several countries with strict foreign exchange controls that limit its ability to convert local currency into U.S. dollars and/or transfer funds outside the country. In such cases, Citi could be exposed to a risk of loss in the event that the local currency devalues as compared to the U.S. dollar.

Argentine Operations

Since 2011, the Argentine government has been tightening foreign exchange controls. Citi's access to U.S. dollars and other foreign currencies, which apply to capital repatriation efforts and discretionary investments offshore, has become limited. In addition, the Central Bank of Argentina has increased minimum capital requirements, which affect Citi's ability to remit profits.

Citi's net investment in its Argentine operations at September 30, 2012 was approximately \$800 million (unchanged from the second quarter of 2012). Citi uses the Argentine peso as the functional currency for its operations in Argentina and translates its operations into U.S. dollars using the official exchange rate as published by the Central Bank of Argentina, which was 4.70 Argentine pesos to one U.S. dollar at September 30, 2012.

Citi hedges currency risk in its net investment to the extent possible and prudent, although suitable hedging alternatives are becoming less available and more expensive, a trend Citi expects to continue going forward. At September 30, 2012, Citi hedged approximately \$300 million of its net investment using foreign currency forwards that are recorded as net investment hedges under ASC 815 *Derivatives and Hedging*. As of September 30, 2012, Citi hedged foreign currency risk by holding in its Argentine operations both U.S. dollar denominated monetary assets of approximately \$200 million and foreign currency futures with a notional value of approximately \$100 million that do not qualify as net investment hedges.

The impact of any devaluation of the Argentine peso on Citi's net investment in Argentina would be reported as a translation loss in stockholders' equity, offset by gains recorded in stockholders' equity on its hedges that have been designated and qualify for hedge accounting or recorded in earnings for its U.S. dollar denominated monetary assets or currency futures that do not qualify as net investment hedges.

Venezuelan Operations

In 2003, the Venezuelan government enacted currency restrictions that have limited Citi's ability to obtain U.S. dollars in Venezuela at the official foreign currency rate. Citi uses the official exchange rate, as fixed by the Central Bank of Venezuela, to re-measure the foreign currency transactions in the financial statements of its Venezuelan operations, which use the U.S. dollar as the functional currency, into U.S. dollars. Citi uses the official exchange rate, which was 4.3 bolivars to one U.S. dollar at September 30, 2012, because it is the only exchange rate legally available in Venezuela.

At September 30, 2012, Citi's net investment in Venezuela was approximately \$300 million, which included net monetary assets denominated in Venezuelan bolivars of approximately \$270 million (compared to \$290 million at June 30, 2012). Citi is exposed to foreign exchange losses in earnings if the official exchange rate is devalued or in the event that it must settle bolivars at a rate that is less favorable than the official rate.

FAIR VALUE ADJUSTMENTS FOR DERIVATIVES AND STRUCTURED DEBT

The following discussion relates to the derivative obligor information and the fair valuation for derivatives and structured debt. See Note 18 to the Consolidated Financial Statements for additional information on Citi's derivative activities.

Fair Valuation Adjustments for Derivatives

The fair value adjustments applied by Citigroup to its derivative carrying values consist of the following items:

Liquidity adjustments are applied to items in Level 2 or Level 3 of the fair-value hierarchy (see Note 19 to the Consolidated Financial Statements for more details) to ensure that the fair value reflects the price at which the net open risk position could be liquidated. The liquidity reserve is based on the bid/offer spread for an instrument. When Citi has elected to measure certain portfolios of financial investments, such as derivatives, on the basis of the net open risk position, the liquidity reserve is adjusted to take into account the size of the position.

Credit valuation adjustments (CVA) are applied to over-the-counter derivative instruments, in which the base valuation generally discounts expected cash flows using the relevant base interest rate curves. Because not all counterparties have the same credit risk as that implied by the relevant base curve, a CVA is necessary to incorporate the market view of both counterparty credit risk and Citi's own credit risk in the valuation.

Citi's CVA methodology is composed of two steps. First, the exposure profile for each counterparty is determined using the terms of all individual derivative positions and a Monte Carlo simulation or other quantitative analysis to generate a series of expected cash flows at future points in time. The calculation of this exposure profile considers the effect of credit risk mitigants, including pledged cash or other collateral and any legal right of offset that exists with a counterparty through arrangements such as netting agreements. Individual derivative contracts that are subject to an enforceable master netting agreement with a counterparty are aggregated for this purpose, since it is those aggregate net cash flows that are subject to nonperformance risk. This process identifies specific, point-in-time future cash flows that are subject to nonperformance risk, rather than using the current recognized net asset or liability as a basis to measure the CVA.

Second, market-based views of default probabilities derived from observed credit spreads in the credit default swap (CDS) market are applied to the expected future cash flows determined in step one. Citi's own-credit CVA is determined using Citi-specific CDS spreads for the relevant tenor. Generally, counterparty CVA is determined using CDS spread indices for each credit rating and tenor. For certain identified netting sets where individual analysis is practicable (e.g., exposures to counterparties with liquid CDS), counterparty-specific CDS spreads are used.

The CVA adjustment is designed to incorporate a market view of the credit risk inherent in the derivative portfolio. However, most derivative instruments are negotiated bilateral contracts and are not commonly transferred to third parties. Derivative instruments are normally settled contractually or, if terminated early, are terminated at a value negotiated bilaterally between the counterparties. Therefore, the CVA (both counterparty and own-credit) may not be realized upon a settlement or termination in the normal course of business. In addition, all or a portion of the CVA may be reversed or otherwise adjusted in future periods in the event of changes in the credit risk of Citi or its counterparties, or changes in the credit mitigants (collateral and netting agreements) associated with the derivative instruments.

The table below summarizes the CVA applied to the fair value of derivative instruments for the periods indicated:

<i>In millions of dollars</i>	Credit valuation adjustment contra-liability (contra-asset)	
	September 30, 2012	December 31, 2011
Non-monoline counterparties	\$ (3,372)	\$ (5,392)
Citigroup (own)	1,134	2,176
Total CVA derivative instruments	\$ (2,238)	\$ (3,216)

Own Debt Valuation Adjustments for Structured Debt

Edgar Filing: CITIGROUP INC - Form 10-Q

Own debt valuation adjustments (DVA) are recognized on Citi's debt liabilities for which the fair value option (FVO) has been elected using Citi's credit spreads observed in the bond market. Accordingly, the fair value of debt liabilities for which the fair value option has been elected (other than non-recourse and similar liabilities) is impacted by the narrowing or widening of Citi's credit spreads. Changes in fair value resulting from changes in Citi's instrument-specific credit risk are estimated by incorporating Citi's current credit spreads observable in the bond market into the relevant valuation technique used to value each liability.

The table below summarizes pretax gains (losses) related to changes in CVA on derivative instruments, net of hedges, and DVA on own FVO debt for the periods indicated:

<i>In millions of dollars</i>	Credit/debt valuation adjustment gain (loss)			
	Three Months Ended Sept. 30,		Nine Months Ended Sept. 30,	
	2012	2011	2012	2011
CVA on derivatives, excluding monolines, net of hedges	\$ (215)	\$ 333	\$ (292)	\$ 113
CVA related to monoline counterparties, net of hedges			1	180
Total CVA derivative instruments	\$ (215)	\$ 333	\$ (291)	\$ 293
DVA related to own FVO debt	\$ (560)	\$ 1,606	\$ (1,552)	\$ 1,734
Total CVA and DVA	\$ (776)	\$ 1,939	\$ (1,843)	\$ 2,027

The CVA and DVA amounts shown in the table above do not include the effect of counterparty credit risk embedded in non-derivative instruments. Losses on non-derivative instruments, such as bonds and loans, related to counterparty credit risk are also not included in the table above.

CREDIT DERIVATIVES

Citigroup makes markets in and trades a range of credit derivatives on behalf of clients and in connection with its risk management activities. Through these contracts, Citi either purchases or writes protection on either a single-name or portfolio basis. Citi primarily uses credit derivatives to help mitigate credit risk in its corporate loan portfolio and other cash positions, and to facilitate client transactions.

Credit derivatives generally require that the seller of credit protection make payments to the buyer upon the occurrence of predefined events (settlement triggers). These settlement triggers, which are defined by the form of the derivative and the referenced credit, are generally limited to the market standard of failure to pay indebtedness and bankruptcy (or comparable events) of the reference credit and, in a more limited range of transactions, debt restructuring.

Credit derivative transactions referring to emerging market reference credits will also typically include additional settlement triggers to cover the acceleration of indebtedness and the risk of repudiation or a payment moratorium. In certain transactions on a portfolio of referenced credits or asset-backed securities, the seller of protection may not be required to make payment until a specified amount of losses has occurred with respect to the portfolio and/or may only be required to pay for losses up to a specified amount.

The fair values shown below are prior to the application of any netting agreements, cash collateral, and market or credit valuation adjustments.

Citi actively participates in trading a variety of credit derivatives products as both an active two-way market-maker for clients and to manage credit risk. The majority of this activity was transacted with other financial intermediaries, including both banks and broker-dealers. Citi generally has a mismatch between the total notional amounts of protection purchased and sold and it may hold the reference assets directly, rather than entering into offsetting credit derivative contracts as and when desired. The open risk exposures from credit derivative contracts are largely matched after certain cash positions in reference assets are considered and after notional amounts are adjusted, either to a duration-based equivalent basis or to reflect the level of subordination in tranching structures.

Citi actively monitors its counterparty credit risk in credit derivative contracts. As of September 30, 2012 and December 31, 2011, approximately 96% of the gross receivables are from counterparties with which Citi maintains collateral agreements. A majority of Citi's top 15 counterparties (by receivable balance owed to Citi) are banks, financial institutions or other dealers. Contracts with these counterparties do not include ratings-based termination events. However, counterparty ratings downgrades may have an incremental effect by lowering the threshold at which Citi may call for additional collateral.

Edgar Filing: CITIGROUP INC - Form 10-Q

The following tables summarize the key characteristics of Citi's credit derivatives portfolio by counterparty and derivative form as of September 30, 2012 and December 31, 2011:

September 30, 2012

<i>In millions of dollars</i>	Fair values		Notionals	
	Receivable	Payable	Beneficiary	Guarantor
By industry/counterparty				
Bank	\$ 36,979	\$ 34,422	\$ 972,491	\$ 930,387
Broker-dealer	14,407	15,018	353,472	320,560
Monoline	6		141	
Non-financial	254	193	4,872	3,395
Insurance and other financial institutions	7,246	7,096	208,515	184,211
Total by industry/counterparty	\$ 58,892	\$ 56,729	\$ 1,539,491	\$ 1,438,553
By instrument				
Credit default swaps and options	\$ 58,769	\$ 55,247	\$ 1,523,330	\$ 1,437,397
Total return swaps and other	123	1,482	16,161	1,156
Total by instrument	\$ 58,892	\$ 56,729	\$ 1,539,491	\$ 1,438,553
By rating				
Investment grade	\$ 20,300	\$ 19,258	\$ 768,417	\$ 703,826
Non-investment grade(1)	38,592	37,471	771,074	734,727
Total by rating	\$ 58,892	\$ 56,729	\$ 1,539,491	\$ 1,438,553
By maturity				
Within 1 year	\$ 3,955	\$ 4,238	\$ 350,707	\$ 333,769
From 1 to 5 years	37,592	37,399	996,011	933,192
After 5 years	17,345	15,092	192,773	171,592
Total by maturity	\$ 58,892	\$ 56,729	\$ 1,539,491	\$ 1,438,553

December 31, 2011

<i>In millions of dollars</i>	Fair values		Notionals	
	Receivable	Payable	Beneficiary	Guarantor
By industry/counterparty				
Bank	\$ 57,175	\$ 53,638	\$ 981,085	\$ 929,608
Broker-dealer	21,963	21,952	343,909	321,293
Monoline	10		238	
Non-financial	95	130	1,797	1,048
Insurance and other financial institutions	11,611	9,132	185,861	142,579
Total by industry/counterparty	\$ 90,854	\$ 84,852	\$ 1,512,890	\$ 1,394,528
By instrument				
Credit default swaps and options	\$ 89,998	\$ 83,419	\$ 1,491,053	\$ 1,393,082
Total return swaps and other	856	1,433	21,837	1,446
Total by instrument	\$ 90,854	\$ 84,852	\$ 1,512,890	\$ 1,394,528

Edgar Filing: CITIGROUP INC - Form 10-Q

By rating

Investment grade	\$ 26,457	\$ 23,846	\$ 681,406	\$ 611,447
Non-investment grade(1)	64,397	61,006	831,484	783,081

Total by rating	\$ 90,854	\$ 84,852	\$ 1,512,890	\$ 1,394,528
------------------------	------------------	------------------	---------------------	---------------------

By maturity

Within 1 year	\$ 5,707	\$ 5,244	\$ 281,373	\$ 266,723
From 1 to 5 years	56,740	54,553	1,031,575	947,211
After 5 years	28,407	25,055	199,942	180,594

Total by maturity	\$ 90,854	\$ 84,852	\$ 1,512,890	\$ 1,394,528
--------------------------	------------------	------------------	---------------------	---------------------

(1)

Also includes not-rated credit derivative instruments.

INCOME TAXES**Deferred Tax Assets**

Deferred tax assets (DTAs) are recorded for the future consequences of events that have been recognized in the financial statements or tax returns, based upon enacted tax laws and rates. DTAs are recognized subject to management's judgment that realization is more likely than not. For additional information, see "Risk Factors" and "Significant Accounting Policies and Significant Estimates Income Taxes" in Citi's 2011 Annual Report on Form 10-K.

At September 30, 2012, Citigroup had recorded net total DTAs of approximately \$53.3 billion, an increase of \$2.3 billion from June 30, 2012 and \$1.8 billion from December 31, 2011. The sequential increase in total DTAs was primarily driven by the \$1.8 billion tax benefit recorded on the MSSB loss and other-than-temporary impairment in the third quarter and the \$0.6 billion reduction to tax expense described below under "Other." The increase in Citi's total DTAs since the end of 2011 is due, in large part, to the continued negative impact of Citi Holdings on Citi's U.S. taxable income, including the previously mentioned loss on MSSB. The decrease in the total foreign DTAs from the end of 2011 is primarily driven by reduced net operating loss carry-forward benefits in certain foreign subsidiaries in the second quarter of 2012 (approximately \$0.7 billion) and the third quarter of 2012 (approximately \$0.7 billion).

Although realization is not assured, Citi believes that the realization of its recognized net DTAs at September 30, 2012 is more likely than not based on expectations as to future taxable income in the jurisdictions in which the DTAs arise and available tax planning strategies as defined in ASC 740, *Income Taxes*, that would be implemented if necessary to prevent a carry-forward from expiring. Realization of the DTAs will continue to be driven by Citi's ability to generate U.S. taxable earnings and intended tax-related actions in the relevant tax carry-forward period. Citi does not expect significant utilization of its DTAs as a result of normal business operations during the remainder of 2012. As noted above, Citi's net total DTAs have increased by approximately \$1.8 billion since December 31, 2011, while the time remaining for utilization has shortened, given the passage of time.

The following table summarizes Citi's net DTAs balance at September 30, 2012 and December 31, 2011:

Jurisdiction/Component

<i>In billions of dollars</i>	DTAs balance	
	Sept. 30, 2012	Dec. 31, 2011
Total U.S.	\$ 50.1	\$ 46.5
Total Foreign	3.2	5.0
Total	\$ 53.3	\$ 51.5

Approximately \$41 billion of the net DTAs was deducted in calculating Citi's Tier 1 Capital and Tier 1 Common Capital as of September 30, 2012.

Other

In the third quarter of 2012, Citi recorded a \$582 million net reduction to income tax expense due to the resolution of certain items related to the 2006-2008 IRS audit.

DISCLOSURE CONTROLS AND PROCEDURES

Citi's disclosure controls and procedures are designed to ensure that information required to be disclosed under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, including without limitation that information required to be disclosed by Citi in its SEC filings is accumulated and communicated to management, including the Chief Executive Officer (CEO) and Chief Financial Officer (CFO) as appropriate to allow for timely decisions regarding required disclosure.

Citi's Disclosure Committee assists the CEO and CFO in their responsibilities to design, establish, maintain and evaluate the effectiveness of Citi's disclosure controls and procedures. The Disclosure Committee is responsible for, among other things, the oversight, maintenance and implementation of the disclosure controls and procedures, subject to the supervision and oversight of the CEO and CFO.

Citi's management, with the participation of its CEO and CFO, has evaluated the effectiveness of Citigroup's disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) as of September 30, 2012 and, based on that evaluation, the CEO and CFO have concluded that at that date Citigroup's disclosure controls and procedures were effective.

FORWARD-LOOKING STATEMENTS

Certain statements in this Form 10-Q, including but not limited to statements included within the Management's Discussion and Analysis of Financial Condition and Results of Operations, are "forward-looking statements" within the meaning of the rules and regulations of the SEC. In addition, Citigroup also may make forward-looking statements in its other documents filed or furnished with the SEC, and its management may make forward-looking statements orally to analysts, investors, representatives of the media and others.

Generally, forward-looking statements are not based on historical facts but instead represent only Citigroup's and its management's beliefs regarding future events. Such statements may be identified by words such as *believe*, *expect*, *anticipate*, *intend*, *estimate*, *may increase*, *may fluctuate*, and similar expressions, or future or conditional verbs such as *will*, *should*, *would* and *could*.

Such statements are based on management's current expectations and are subject to uncertainty and changes in circumstances. Actual results and capital and other financial condition may differ materially from those included in these statements due to a variety of factors, including without limitation the precautionary statements included in this Form 10-Q, the factors listed and described under "Risk Factors" in Citi's 2011 Annual Report on Form 10-K and the additional factors described below:

the ongoing potential impact of significant regulatory changes around the world on Citi's businesses, revenues and earnings, and the possibility of additional regulatory requirements beyond those already proposed, adopted or currently contemplated by U.S. or international regulators;

the uncertainty around the ongoing implementation of The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (Dodd-Frank Act), as well as international efforts, on Citi's ability to manage its businesses, the amount and timing of increased costs, and Citi's ability to compete with U.S. and foreign competitors;

Citi's ability to meet prospective new regulatory capital requirements in the timeframe expected by the market or its regulators, the impact the continued lack of certainty surrounding Citi's capital requirements has on Citi's long-term capital planning, and the extent to which Citi will be disadvantaged by capital requirements compared to U.S. and non-U.S. competitors;

the impact of the proposed rules relating to the regulation of derivatives under the Dodd-Frank Act, as well as similar proposed international derivatives regulations, on Citi's competitiveness in, and earnings from, these businesses;

the impact of the proposed restrictions under the "Volcker Rule" provisions of the Dodd-Frank Act on Citi's market-making activities, the significant compliance costs associated with those proposals, and the potential that Citi could be forced to dispose of certain investments at less than fair value;

the potential impact of the newly formed Consumer Financial Protection Bureau on Citi's practices and operations with respect to a number of its U.S. Consumer businesses and the potential significant costs associated with implementing and complying with any new regulatory requirements or review findings;

Edgar Filing: CITIGROUP INC - Form 10-Q

the potential negative impact to Citi of regulatory requirements in the U.S. and other jurisdictions aimed at facilitating the orderly resolution of large financial institutions;

Citi's ability to hire and retain highly qualified employees as a result of regulatory requirements regarding compensation practices or otherwise;

the impact of existing and potential future regulations on Citi's ability and costs to participate in securitization transactions, as well as the nature and profitability of securitization transactions generally;

potential future changes to key accounting standards utilized by Citi and their impact on how Citi records and reports its financial condition and results of operations, including whether Citi would be able to meet any required transition timelines;

the potential negative impact the ongoing Eurozone debt crisis could have on Citi's businesses, results of operations, financial condition and liquidity, particularly if sovereign debt defaults, significant bank failures or defaults and/or the exit of one or more countries from the European Monetary Union occur;

the continued uncertainty relating to the sustainability and pace of economic recovery and their continued effect on Citi's businesses, including without limitation *S&B* and the U.S. mortgage businesses within Citi Holdings *Local Consumer Lending*;

the potential impact of any further downgrade of the U.S. government credit rating, or concerns regarding a potential downgrade, on Citi's businesses, results of operations, capital and funding and liquidity;

risks arising from Citi's extensive operations outside the U.S., particularly in emerging markets, including, without limitation, exchange or currency controls, limitations on foreign investments, sociopolitical instability, nationalization, closure of branches or subsidiaries, confiscation of assets, and sovereign volatility, as well as increased compliance and regulatory risks and costs;

the impact of external factors, such as market disruptions or negative market perceptions of Citi or the financial services industry generally, on Citi's liquidity and/or costs of funding;

the potential negative impact on Citi's funding and liquidity, as well as the results of operations for certain of its businesses, resulting from a reduction in Citi's or its subsidiaries' credit ratings;

the potential outcome of the extensive litigation, investigations and inquiries pertaining to Citi's U.S. mortgage-related activities and the impact of any such outcomes on Citi's businesses, business practices, reputation, financial condition or results of operations;

the negative impact of the remaining assets in Citi Holdings on Citi's results of operations and other assets, including Citi's deferred tax assets (DTAs), and its ability to more productively redeploy the capital supporting the remaining assets of Citi Holdings;

the potential negative impact to Citi's common stock price and market perception if Citi is unable to increase its common stock dividend or initiate a share repurchase program;

Edgar Filing: CITIGROUP INC - Form 10-Q

Citi's ability to achieve its targeted expense reduction levels as well as ensuring the highest level of productivity of Citi's previous or future investment spending;

the potential negative impact on the value of Citi's DTAs if U.S., state or foreign tax rates are reduced, or if other changes are made to the U.S. tax system, such as changes to the tax treatment of foreign business income;

the expiration of the active financing income exception on Citi's tax expense;

the potential impact to Citi from evolving cybersecurity and other technological risks and attacks, which could result in additional costs, reputational damage, regulatory penalties and financial losses;

the accuracy of Citi's assumptions and estimates used to prepare its financial statements, including its litigation and mortgage repurchase reserves, and the potential for Citi to experience significant losses if these assumptions or estimates are incorrect;

the inability to predict the potential outcome of the extensive legal and regulatory proceedings that Citi is subject to at any given time, and the impact of any such outcomes on Citi's businesses, business practices, reputation, financial condition or results of operations;

Citi's inability to maintain the value of the Citi brand;

Citi's concentration of risk and the potential ineffectiveness of Citi's risk management processes, including its risk monitoring and risk mitigation techniques;

Citi's ability to maintain its various contractual relationships with its partners, including without limitation agreements within its credit card businesses; and

what impact, if any, the national mortgage settlement will have on the behavior of residential mortgage borrowers in general, whether or not their loans are within the scope of the settlement.

Any forward-looking statements made by or on behalf of Citigroup speak only as to the date they are made, and Citi does not undertake to update forward-looking statements to reflect the impact of circumstances or events that arise after the date the forward-looking statements were made.

[THIS PAGE INTENTIONALLY LEFT BLANK]

FINANCIAL STATEMENTS AND NOTES

TABLE OF CONTENTS

CONSOLIDATED FINANCIAL STATEMENTS	
Consolidated Statement of Income (Unaudited) For the Three and Nine Months Ended September 30, 2012 and 2011	103
Consolidated Statement of Comprehensive Income (Unaudited) For the Three and Nine Months Ended September 30, 2012 and 2011	104
Consolidated Balance Sheet September 30, 2012 (Unaudited) and December 31, 2011	105
Consolidated Statement of Changes in Stockholders' Equity (Unaudited) For the Nine Months Ended September 30, 2012 and 2011	107
Consolidated Statement of Cash Flows (Unaudited) For the Nine Months Ended September 30, 2012 and 2011	108
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS	
Note 1 Basis of Presentation	109
Note 2 Discontinued Operations	113
Note 3 Business Segments	115
Note 4 Interest Revenue and Expense	116
Note 5 Commissions and Fees	117
Note 6 Principal Transactions	118
Note 7 Incentive Plans	119
Note 8 Retirement Benefits	121
Note 9 Earnings per Share	123
Note 10 Trading Account Assets and Liabilities	124
Note 11 Investments	125
Note 12 Loans	137
Note 13 Allowance for Credit Losses	150
Note 14 Goodwill and Intangible Assets	151
Note 15 Debt	153
Note 16 Changes in Accumulated Other Comprehensive Income (Loss)	155
Note 17 Securitizations and Variable Interest Entities	158
Note 18 Derivatives Activities	176
Note 19 Fair Value Measurement	186
Note 20 Fair Value Elections	209
Note 21 Guarantees and Commitments	214
Note 22 Contingencies	220
Note 23 Condensed Consolidating Financial Statement Schedules	223
	173

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF INCOME (Unaudited)

Citigroup Inc. and Subsidiaries

<i>In millions of dollars, except per share amounts</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Revenues				
Interest revenue	\$ 16,934	\$ 18,145	\$ 51,360	\$ 54,886
Interest expense	5,021	6,031	15,907	18,522
Net interest revenue	\$ 11,913	\$ 12,114	\$ 35,453	\$ 36,364
Commissions and fees	\$ 3,304	\$ 3,043	\$ 9,521	\$ 9,968
Principal transactions	976	2,103	4,547	7,886
Administration and other fiduciary fees	974	945	2,992	3,110
Realized gains (losses) on sales of investments, net	615	765	2,813	1,928
Other-than-temporary impairment losses on investments				
Gross impairment losses(1)	(3,470)	(148)	(4,969)	(2,071)
Less: Impairments recognized in AOCI		2	66	47
Net impairment losses recognized in earnings	\$ (3,470)	\$ (146)	\$ (4,903)	\$ (2,024)
Insurance premiums	\$ 616	\$ 658	\$ 1,872	\$ 2,014
Other revenue(2)	(977)	1,349	(296)	1,933
Total non-interest revenues	\$ 2,038	\$ 8,717	\$ 16,546	\$ 24,815
Total revenues, net of interest expense	\$ 13,951	\$ 20,831	\$ 51,999	\$ 61,179
Provisions for credit losses and for benefits and claims				
Provision for loan losses	\$ 2,511	\$ 3,049	\$ 7,924	\$ 9,129
Policyholder benefits and claims	225	259	668	738
Provision (release) for unfunded lending commitments	(41)	43	(72)	55
Total provisions for credit losses and for benefits and claims	\$ 2,695	\$ 3,351	\$ 8,520	\$ 9,922
Operating expenses				
Compensation and benefits	\$ 6,132	\$ 6,223	\$ 18,644	\$ 19,301
Premises and equipment	846	860	2,451	2,517
Technology/communication	1,465	1,306	4,328	3,795
Advertising and marketing	605	635	1,699	1,659
Other operating	3,172	3,436	9,551	10,450
Total operating expenses	\$ 12,220	\$ 12,460	\$ 36,673	\$ 37,722
Income (loss) from continuing operations before income taxes	(964)	\$ 5,020	\$ 6,806	\$ 13,535
Provision for income taxes (benefit)	\$ (1,488)	1,278	233	3,430
Income from continuing operations	\$ 524	\$ 3,742	\$ 6,573	\$ 10,105
Discontinued operations				
Income (loss) from discontinued operations	\$ (46)	\$ (5)	\$ (49)	\$ 38
Gain (loss) on sale		16	(1)	146
Provision (benefit) for income taxes	(15)	10	(13)	72

Edgar Filing: CITIGROUP INC - Form 10-Q

Income (loss) from discontinued operations, net of taxes	\$	(31)	\$	1	\$	(37)	\$	112
Net income before attribution of noncontrolling interests	\$	493	\$	3,743	\$	6,536	\$	10,217
Net income attributable to noncontrolling interests		25		(28)		191		106
Citigroup's net income	\$	468	\$	3,771	\$	6,345	\$	10,111
Basic earnings per share(3)(4)								
Income from continuing operations	\$	0.17	\$	1.27	\$	2.13	\$	3.38
Income from discontinued operations, net of taxes		(0.01)				(0.01)		0.04
Net income	\$	0.15	\$	1.27	\$	2.12	\$	3.41
Weighted average common shares outstanding		2,926.8		2,910.8		2,926.5		2,907.9
Diluted earnings per share(3)(4)								
Income from continuing operations	\$	0.16	\$	1.23	\$	2.07	\$	3.28
Income from discontinued operations, net of taxes		(0.01)				(0.01)		0.04
Net income	\$	0.15	\$	1.23	\$	2.06	\$	3.32
Adjusted weighted average common shares outstanding(3)		3,015.3		2,998.6		3,014.9		2,997.4

- (1) Third quarter of 2012 includes the recognition of a \$3,340 million impairment charge related to the carrying value of Citi's remaining 35% interest in the Morgan Stanley Smith Barney joint venture (MSSB). The nine months of 2012 included the recognition of a \$1,181 million impairment charge related to Citi's investment in Akbank. See Note 11 to the Consolidated Financial Statements.
- (2) *Other revenue* for the third quarter of 2012 includes a \$1,344 million loss related to the sale of a 14% interest in MSSB. Additionally, *Other revenue* for the nine months of 2012 included the recognition of a \$424 million loss related to the sale of Citi's 10.1% stake in Akbank.
- (3) Due to rounding, earnings per share on continuing operations and *Discontinued operations* may not sum to earnings per share on net income.
- (4) 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.

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Unaudited)

Citigroup Inc. and Subsidiaries

<i>In millions of dollars</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Net income before attribution of noncontrolling interests	\$ 493	\$ 3,743	\$ 6,536	\$ 10,217
Citigroup's other comprehensive income (loss)				
Net change in unrealized gains and losses on investment securities, net of taxes	\$ 776	\$ 505	\$ 566	\$ 2,297
Net change in cash flow hedges, net of taxes	186	(532)	317	(449)
Net change in foreign currency translation adjustment, net of taxes and hedges	1,245	(4,935)	1,346	(2,795)
Pension liability adjustment, net of taxes(1)	(24)	140	(7)	180
Citigroup's total other comprehensive income (loss)	\$ 2,183	\$ (4,822)	\$ 2,222	\$ (767)
Other comprehensive income (loss) attributable to noncontrolling interests				
Net change in unrealized gains and losses on investment securities, net of taxes	\$ 9	\$ (5)	\$ 18	\$ (2)
Net change in foreign currency translation adjustment, net of taxes	39	(110)	41	(60)
Total other comprehensive income (loss) attributable to noncontrolling interests	\$ 48	\$ (115)	\$ 59	\$ (62)
Total comprehensive income (loss) before attribution of noncontrolling interests	\$ 2,724	\$ (1,194)	\$ 8,817	\$ 9,388
Total comprehensive income (loss) attributable to noncontrolling interests	73	(143)	250	44
Citigroup's comprehensive income (loss)	\$ 2,651	\$ (1,051)	\$ 8,567	\$ 9,344

- (1) Primarily reflects adjustments based on the final year-end actuarial valuations of the Company's pension and postretirement plans and amortization of amounts previously recognized in *Other comprehensive income*.

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

CONSOLIDATED BALANCE SHEET

Citigroup Inc. and Subsidiaries

<i>In millions of dollars</i>	September 30, 2012 (Unaudited)	December 31, 2011
Assets		
Cash and due from banks (including segregated cash and other deposits)	\$ 33,802	\$ 28,701
Deposits with banks	170,028	155,784
Federal funds sold and securities borrowed or purchased under agreements to resell (including \$166,506 and \$142,862 as of September 30, 2012 and December 31, 2011, respectively, at fair value)	277,542	275,849
Brokerage receivables	31,077	27,777
Trading account assets (including \$101,309 and \$119,054 pledged to creditors at September 30, 2012 and December 31, 2011, respectively)	315,201	291,734
Investments (including \$22,238 and \$14,940 pledged to creditors at September 30, 2012 and December 31, 2011, respectively, and \$276,489 and \$274,040 as of September 30, 2012 and December 31, 2011, respectively, at fair value)	295,474	293,413
Loans, net of unearned income		
Consumer (including \$1,256 and \$1,326 as of September 30, 2012 and December 31, 2011, respectively, at fair value)	407,752	423,340
Corporate (including \$4,103 and \$3,939 as of September 30, 2012 and December 31, 2011, respectively, at fair value)	250,671	223,902
Loans, net of unearned income	\$ 658,423	\$ 647,242
Allowance for loan losses	(25,916)	(30,115)
Total loans, net	\$ 632,507	\$ 617,127
Goodwill	25,915	25,413
Intangible assets (other than MSRs)	5,963	6,600
Mortgage servicing rights (MSRs)	1,920	2,569
Other assets (including \$8,426 and \$13,360 as of September 30, 2012 and December 31, 2011, respectively, at fair value)	141,873	148,911
Assets of discontinued operations held for sale	44	
Total assets	\$ 1,931,346	\$ 1,873,878

The following table presents certain assets of consolidated variable interest entities (VIEs), which are included in the Consolidated Balance Sheet above. The assets in the table below include only those assets that can be used to settle obligations of consolidated VIEs on the following page, and are in excess of those obligations. Additionally, the assets in the table below include third-party assets of consolidated VIEs only, and exclude intercompany balances that eliminate in consolidation.

<i>In millions of dollars</i>	September 30, 2012 (Unaudited)	December 31, 2011
Assets of consolidated VIEs that can only be used to settle obligations of consolidated VIEs		
Cash and due from banks	\$ 589	\$ 536
Trading account assets	570	567
Investments	7,429	10,582
Loans, net of unearned income		
Consumer (including \$1,219 and \$1,292 as of September 30, 2012 and December 31, 2011, respectively, at fair value)	91,452	103,275
Corporate (including \$170 and \$198 as of September 30, 2012 and December 31, 2011, respectively, at fair value)	21,839	23,780
Loans, net of unearned income	\$ 113,291	\$ 127,055
Allowance for loan losses	(6,042)	(8,000)
Total loans, net	\$ 107,249	\$ 119,055

Edgar Filing: CITIGROUP INC - Form 10-Q

Other assets		1,252		859
Total assets of consolidated VIEs that can only be used to settle obligations of consolidated VIEs	\$	117,089	\$	131,599

Statement continues on the next page.

CONSOLIDATED BALANCE SHEET
(Continued)

Citigroup Inc. and Subsidiaries

<i>In millions of dollars, except shares and per share amounts</i>	September 30, 2012 (Unaudited)	December 31, 2011
Liabilities		
Non-interest-bearing deposits in U.S. offices	\$ 133,981	\$ 119,437
Interest-bearing deposits in U.S. offices (including \$892 and \$848 as of September 30, 2012 and December 31, 2011, respectively, at fair value)	239,574	223,851
Non-interest-bearing deposits in offices outside the U.S.	63,792	57,357
Interest-bearing deposits in offices outside the U.S. (including \$972 and \$478 as of September 30, 2012 and December 31, 2011, respectively, at fair value)	507,297	465,291
Total deposits	\$ 944,644	\$ 865,936
Federal funds purchased and securities loaned or sold under agreements to repurchase (including \$123,459 and \$97,712 as of September 30, 2012 and December 31, 2011, respectively, at fair value)	224,370	198,373
Brokerage payables	55,376	56,696
Trading account liabilities	129,990	126,082
Short-term borrowings (including \$761 and \$1,354 as of September 30, 2012 and December 31, 2011, respectively, at fair value)	49,164	54,441
Long-term debt (including \$27,336 and \$24,172 as of September 30, 2012 and December 31, 2011, respectively, at fair value)	271,862	323,505
Other liabilities (including \$3,407 and \$3,742 as of September 30, 2012 and December 31, 2011, respectively, at fair value)	67,202	69,272
Liabilities of discontinued operations held for sale		
Total liabilities	\$ 1,742,608	\$ 1,694,305
Stockholders' equity		
Preferred stock (\$1.00 par value; authorized shares: 30 million), issued shares: 12,038 as of September 30, 2012 and December 31, 2011, at aggregate liquidation value	\$ 312	\$ 312
Common stock (\$0.01 par value; authorized shares: 6 billion), issued shares: 2,946,810,798 as of September 30, 2012 and 2,937,755,921 as of December 31, 2011	29	29
Additional paid-in capital	106,203	105,804
Retained earnings	96,650	90,520
Treasury stock, at cost: September 30, 2012 14,290,098 shares and December 31, 2011 13,877,688 shares	(851)	(1,071)
Accumulated other comprehensive income (loss)	(15,566)	(17,788)
Total Citigroup stockholders' equity	\$ 186,777	\$ 177,806
Noncontrolling interest	1,961	1,767
Total equity	\$ 188,738	\$ 179,573
Total liabilities and equity	\$ 1,931,346	\$ 1,873,878

The following table presents certain liabilities of consolidated VIEs, which are included in the Consolidated Balance Sheet above. The liabilities in the table below include third-party liabilities of consolidated VIEs only, and exclude intercompany balances that eliminate in consolidation. The liabilities also exclude amounts where creditors or beneficial interest holders have recourse to the general credit of Citigroup.

<i>In millions of dollars</i>	September 30, 2012 (Unaudited)	December 31, 2011
Liabilities of consolidated VIEs for which creditors or beneficial interest holders do not have recourse to the general credit of Citigroup		

Edgar Filing: CITIGROUP INC - Form 10-Q

Short-term borrowings	\$	16,624	\$	21,009
Long-term debt (including \$1,394 and \$1,558 as of September 30, 2012 and December 31, 2011, respectively, at fair value)		35,641		50,451
Other liabilities		641		587
Total liabilities of consolidated VIEs for which creditors or beneficial interest holders do not have recourse to the general credit of Citigroup	\$	52,906	\$	72,047

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

CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY (Unaudited)

Citigroup Inc. and Subsidiaries

<i>In millions of dollars, except shares in thousands</i>	Nine Months Ended September 30,	
	2012	2011
Preferred stock at aggregate liquidation value		
Balance, beginning of year	\$ 312	\$ 312
Balance, end of period	\$ 312	\$ 312
Common stock and additional paid-in capital		
Balance, beginning of year	\$ 105,833	\$ 101,316
Employee benefit plans	391	526
ADIA Upper DEC's Equity Units Purchase Contract		3,750
Other	8	(1)
Balance, end of period	\$ 106,232	\$ 105,591
Retained earnings		
Balance, beginning of year	\$ 90,520	\$ 79,559
Adjustment to opening balance, net of taxes(1)	(107)	
Adjusted balance, beginning of period	\$ 90,413	\$ 79,559
Citigroup's net income (loss)	6,345	10,111
Common dividends(2)	(91)	(52)
Preferred dividends	(17)	(17)
Other		1
Balance, end of period	\$ 96,650	\$ 89,602
Treasury stock, at cost		
Balance, beginning of year	\$ (1,071)	\$ (1,442)
Issuance of shares pursuant to employee benefit plans	224	354
Treasury stock acquired(3)	(4)	(1)
Balance, end of period	\$ (851)	\$ (1,089)
Citigroup's accumulated other comprehensive income (loss)		
Balance, beginning of year	\$ (17,788)	\$ (16,277)
Net change in Citigroup's <i>accumulated other comprehensive income</i>	2,222	(767)
Balance, end of period	\$ (15,566)	\$ (17,044)
Total Citigroup common stockholders' equity (shares outstanding: 2,932,521 as of September 30, 2012 and 2,923,878 as of December 31, 2011)		
	\$ 186,465	\$ 177,060
Total Citigroup stockholders' equity		
	\$ 186,777	\$ 177,372
Noncontrolling interest		
Balance, beginning of year	\$ 1,767	\$ 2,321
Initial origination of a noncontrolling interest	88	28
Transactions between Citigroup and the noncontrolling-interest shareholders	(41)	(351)
Net income attributable to noncontrolling-interest shareholders	191	106
Dividends paid to noncontrolling-interest shareholders	(32)	(67)
Net change in <i>accumulated other comprehensive income (loss)</i>	59	(62)
Other	(71)	(5)

Net change in noncontrolling interests	\$ 194	\$ (351)
Balance, end of period	\$ 1,961	\$ 1,970
Total equity	\$ 188,738	\$ 179,342

-
- (1) The adjustment to the opening balance for *Retained earnings* in 2012 represents the cumulative effect of adopting ASU 2010-26, *Financial Services Insurance (Topic 944): Accounting for Costs Associated with Acquiring or Renewing Insurance Contracts*. See Note 1 to the Consolidated Financial Statements.
- (2) Common dividends declared were as follows: \$0.01 per share in the first, second and third quarters of 2012; \$0.01 in the second and third quarters of 2011.
- (3) All open market repurchases were transacted under an existing authorized share repurchase plan and relate to customer fails/errors.

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

CONSOLIDATED STATEMENT OF CASH FLOWS (Unaudited)

Citigroup Inc. and Subsidiaries

<i>In millions of dollars</i>	Nine Months Ended September 30,	
	2012	2011
Cash flows from operating activities of continuing operations		
Net income before attribution of noncontrolling interests	\$ 6,536	\$ 10,217
Net income attributable to noncontrolling interests	191	106
Citigroup's net income	\$ 6,345	\$ 10,111
(Loss) income from discontinued operations, net of taxes	(36)	38
(Loss) gain on sale, net of taxes	(1)	74
Income from continuing operations excluding noncontrolling interests	\$ 6,382	\$ 9,999
Adjustments to reconcile net income to net cash provided by (used in) operating activities of continuing operations		
Amortization of deferred policy acquisition costs and present value of future profits	\$ 151	\$ 188
(Additions)/reductions to deferred policy acquisition costs	98	(33)
Depreciation and amortization	2,264	2,135
Provision for credit losses	7,852	9,184
Realized gains from sales of investments	(2,813)	(1,928)
Net impairment losses recognized in earnings	4,903	2,024
Change in trading account assets	(23,467)	(3,365)
Change in trading account liabilities	3,908	19,797
Change in federal funds sold and securities borrowed or purchased under agreements to resell	(1,693)	(43,928)
Change in federal funds purchased and securities loaned or sold under agreements to repurchase	25,997	34,054
Change in brokerage receivables net of brokerage payables	(9,279)	(2,435)
Change in loans held-for-sale	2,192	(406)
Change in other assets	(35)	(7,660)
Change in other liabilities	(2,070)	4,360
Other, net	(6,826)	8,834
Total adjustments	\$ 1,182	\$ 20,821
Net cash provided by operating activities of continuing operations	\$ 7,564	\$ 30,820
Cash flows from investing activities of continuing operations		
Change in deposits with banks	\$ (14,244)	\$ 1,576
Change in loans	(13,555)	(6,389)
Proceeds from sales and securitizations of loans	4,874	8,941
Purchases of investments	(188,566)	(254,411)
Proceeds from sales of investments	114,234	159,154
Proceeds from maturities of investments	80,193	112,409
Capital expenditures on premises and equipment and capitalized software	(1,875)	(2,447)
Proceeds from sales of premises and equipment, subsidiaries and affiliates, and repossessed assets	876	1,063
Net cash (used in) provided by investing activities of continuing operations	\$ (18,063)	\$ 19,896
Cash flows from financing activities of continuing operations		
Dividends paid	\$ (104)	\$ (69)
Issuance of ADIA Upper DECs equity units purchase contract		3,750
Treasury stock acquired	(4)	(1)
Stock tendered for payment of withholding taxes	(194)	(228)
Issuance of long-term debt	23,819	25,225
Payments and redemptions of long-term debt	(81,746)	(75,016)
Change in deposits	78,708	6,326
Change in short-term borrowings	(5,027)	(13,872)

Edgar Filing: CITIGROUP INC - Form 10-Q

Net cash provided by (used in) financing activities of continuing operations	\$	15,452	\$	(53,885)
Effect of exchange rate changes on cash and cash equivalents	\$	148	\$	1,478
Discontinued operations				
Net cash provided by discontinued operations	\$		\$	2,669
Change in cash and due from banks	\$	5,101	\$	978
Cash and due from banks at beginning of period		28,701		27,972
Cash and due from banks at end of period	\$	33,802	\$	28,950
Supplemental disclosure of cash flow information for continuing operations				
Cash paid (received) during the year for income taxes	\$	2,582	\$	2,617
Cash paid during the year for interest		15,185		15,382
Non-cash investing activities				
Transfers to OREO and other repossessed assets	\$	391	\$	1,038
Transfers to trading account assets from investments (held-to-maturity)				12,700

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION

The accompanying unaudited Consolidated Financial Statements as of September 30, 2012 and for the three- and nine-month periods ended September 30, 2012 and 2011 include the accounts of Citigroup Inc. (Citigroup) and its subsidiaries (collectively, the Company, Citi or Citigroup). In the opinion of management, all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation have been reflected. The accompanying unaudited Consolidated Financial Statements should be read in conjunction with the Consolidated Financial Statements and related notes included in Citigroup's Annual Report on Form 10-K for the fiscal year ended December 31, 2011 (2011 Annual Report on Form 10-K) and Citigroup's Quarterly Reports on Form 10-Q for the quarters ended March 31, 2012 and June 30, 2012.

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

Management must make estimates and assumptions that affect the Consolidated Financial Statements and the related footnote disclosures. While management makes its best judgment, actual results could differ from those estimates. Current market conditions increase the risk and complexity of the judgments in these estimates.

Certain reclassifications have been made to the prior-period's financial statements and notes to conform to the current period's presentation.

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

Principles of Consolidation

The Consolidated Financial Statements include the accounts of Citigroup and its subsidiaries. The Company consolidates subsidiaries in which it holds, directly or indirectly, more than 50% of the voting rights or where it exercises control. Entities where the Company holds 20% to 50% of the voting rights and/or has the ability to exercise significant influence, other than investments of designated venture capital subsidiaries or investments accounted for at fair value under the fair value option, are accounted for under the equity method, and the pro rata share of their income (loss) is included in *Other revenue*. Income from investments in less than 20%-owned companies is recognized when dividends are received. As discussed in more detail in Note 17 to the Consolidated Financial Statements, Citigroup consolidates entities deemed to be variable interest entities when Citigroup is determined to be the primary beneficiary. Gains and losses on the disposition of branches, subsidiaries, affiliates, buildings, and other investments are included in *Other revenue*.

Significant Accounting Policies

The Company's accounting policies are fundamental to understanding management's discussion and analysis of results of operations and financial condition. The Company has identified six policies as being significant because they require management to make subjective and/or complex judgments about matters that are inherently uncertain. These policies relate to Valuations of Financial Instruments, Allowance for Credit Losses, Securitizations, Goodwill, Income Taxes and Litigation Accruals. The Company, in consultation with the Audit Committee of the Board of Directors, has reviewed and approved these significant accounting policies, which are further described under "Significant Accounting Policies and Significant Estimates" and Note 1 to the Consolidated Financial Statements in the Company's 2011 Annual Report on Form 10-K.

ACCOUNTING CHANGES

OCC Chapter 7 Bankruptcy Guidance

In the third quarter of 2012, the Office of the Comptroller of the Currency (OCC) issued guidance relating to the accounting for mortgage loans discharged through bankruptcy proceedings pursuant to Chapter 7 of the U.S. Bankruptcy Code (Chapter 7 bankruptcy). Under this new OCC guidance, the discharged loans are accounted for as troubled debt restructurings (TDRs). These TDRs, other than FHA-insured loans, are written down to their collateral value less cost to sell. FHA-insured loans are reserved for based on a discounted cash flow model. As a result of implementing this guidance, Citigroup recorded an incremental \$635 million of charge-offs in the third quarter, the vast majority of which related to loans which were current. These charge-offs were substantially offset by a related loan loss reserve release of approximately \$600 million, with a net reduction in pretax income of \$35 million. Furthermore, as a result of this OCC guidance, as of September 30, 2012, TDRs increased by \$1.7 billion, and non-accrual loans increased by \$1.5 billion (\$1.3 billion of which was current).

Presentation of Comprehensive Income

In June 2011, the FASB issued ASU No. 2011-05, *Comprehensive Income (Topic 220): Presentation of Comprehensive Income*. The ASU requires an entity to present the total of comprehensive income, the components of net income, and the components of other comprehensive income (OCI) either in a single continuous statement of comprehensive income or in two separate but consecutive statements. Citigroup has selected the two-statement approach. Under this approach, Citi is required to present components of net income and total net income in the Statement of Income. The Statement of Comprehensive Income follows the Statement of Income and includes the components of OCI and a total for OCI, along with a total for comprehensive income. The ASU removed the option of reporting other comprehensive income in the statement of changes in stockholders' equity. This ASU became effective for Citigroup on January 1, 2012 and a Statement of Comprehensive Income is included in these Consolidated Financial Statements.

Furthermore, under the ASU, an entity would have been required to present on the face of the financial statements reclassification adjustments for items that are reclassified from OCI to net income in the statement(s) where the components of net income and the components of OCI are presented. However, in December 2011, the FASB issued ASU No. 2011-12, *Comprehensive Income (Topic 220): Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in Accounting Standards Update No. 2011-05*, which deferred this requirement.

In June 2012, the FASB issued an exposure draft that requires new footnote disclosures of items reclassified from accumulated OCI to net income, which adjustments would not be included in either the Statement of Comprehensive Income or the Income Statement. The exposure draft does not propose an effective date. However, the FASB has indicated it intends to make these requirements effective as soon as possible, potentially as early as the fourth quarter of 2012 or the first quarter of 2013.

Credit Quality and Allowance for Credit Losses Disclosures

In July 2010, the FASB issued ASU No. 2010-20, *Receivables (Topic 310): Disclosures about Credit Quality of Financing Receivables and Allowance for Credit Losses*. The ASU required a greater level of disaggregated information about the allowance for credit losses and the credit quality of financing receivables. The period-end balance disclosure requirements for loans and the allowance for loan losses were effective for reporting periods ended on or after December 15, 2010 and were included in the Company's 2010 Annual Report on Form 10-K, while disclosures for activity during a reporting period in the loan and allowance for loan losses accounts were effective for reporting periods beginning on or after December 15, 2010 and were included in the Company's Forms 10-Q beginning with the first quarter of 2011 (see Notes 12 and 13 to the Consolidated Financial Statements). The troubled debt restructuring disclosure requirements that were part of this ASU became effective in the third quarter of 2011 (see below).

Troubled Debt Restructurings (TDRs)

In April 2011, the FASB issued ASU No. 2011-02, *Receivables (Topic 310): A Creditor's Determination of whether a Restructuring is a Troubled Debt Restructuring*, to clarify the guidance for accounting for troubled debt restructurings. The ASU clarified the guidance on a creditor's evaluation of whether it has granted a concession and whether a debtor is experiencing financial difficulties, such as:

Edgar Filing: CITIGROUP INC - Form 10-Q

Any shortfall in contractual loan payments is considered a concession.

Creditors cannot assume that debt extensions at or above a borrower's original contractual rate do not constitute troubled debt restructurings because the new contractual rate could still be below the market rate.

If a borrower doesn't have access to funds at a market rate for debt with characteristics similar to the restructured debt, that may indicate that the creditor has granted a concession.

A borrower that is not currently in default may still be considered to be experiencing financial difficulty when payment default is considered "probable in the foreseeable future."

Effective in the third quarter of 2011, as a result of the Company's adoption of ASU 2011-02, certain loans modified under short-term programs beginning January 1, 2011 that were previously measured for impairment under ASC 450 are now measured for impairment under ASC 310-10-35. At the end of the first interim period of adoption (September 30, 2011), the recorded investment in receivables previously measured under ASC 450 was \$1,170 million and the allowance for credit losses associated with those loans was \$467 million. The effect of adopting the ASU was an approximate \$60 million reduction in pretax income for the quarter ended September 30, 2011.

Repurchase Agreements Assessment of Effective Control

In April 2011, the FASB issued ASU No. 2011-03, *Transfers and Servicing (Topic 860) Reconsideration of Effective Control for Repurchase Agreements*. The amendments in the ASU remove from the assessment of effective control: (1) the criterion requiring the transferor to have the ability to repurchase or redeem the financial assets on substantially the

Edgar Filing: CITIGROUP INC - Form 10-Q

agreed terms, even in the event of default by the transferee, and (2) the collateral maintenance implementation guidance related to that criterion. Other criteria applicable to the assessment of effective control are not changed by the amendments in the ASU.

The ASU became effective for Citigroup on January 1, 2012. The guidance has been applied prospectively to transactions or modifications of existing transactions occurring on or after January 1, 2012. The ASU has not had a material effect on the Company's financial statements. A nominal amount of the Company's repurchase transactions that would previously have been accounted for as sales is now accounted for as financing transactions.

Fair Value Measurement

In May 2011, the FASB issued ASU No. 2011-04, *Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRS*. The ASU created a common definition of fair value for U.S. GAAP and IFRS and aligned the measurement and disclosure requirements. It required significant additional disclosures both of a qualitative and quantitative nature, particularly for those instruments measured at fair value that are classified in Level 3 of the fair value hierarchy. Additionally, the ASU provided guidance on when it is appropriate to measure fair value on a portfolio basis and expanded the prohibition on valuation adjustments where the size of the Company's position is a characteristic of the adjustment from Level 1 to all levels of the fair value hierarchy.

The ASU became effective for Citigroup on January 1, 2012. As a result of implementing the prohibition on valuation adjustments where the size of the Company's position is a characteristic, the Company released reserves of approximately \$125 million, increasing pretax income in the first quarter of 2012.

Deferred Asset Acquisition Costs

In October 2010, the FASB issued ASU No. 2010-26, *Financial Services Insurance (Topic 944): Accounting for Costs Associated with Acquiring or Renewing Insurance Contracts*. The ASU amended the guidance for insurance entities that required deferral and subsequent amortization of certain costs incurred during the acquisition of new or renewed insurance contracts, commonly referred to as deferred acquisition costs (DAC). The new guidance limited DAC to those costs directly related to the successful acquisition of insurance contracts; all other acquisition-related costs must be expensed as incurred. Under prior guidance, DAC consisted of those costs that vary with, and primarily relate to, the acquisition of insurance contracts.

The ASU became effective for Citigroup on January 1, 2012 and was adopted using the retrospective method. As a result of implementing the ASU, DAC was reduced by approximately \$165 million and a \$58 million deferred tax asset was recorded with an offset to opening retained earnings of \$107 million (net of tax).

FUTURE APPLICATION OF ACCOUNTING STANDARDS

Testing Indefinite-Lived Intangible Assets for Impairment

In July 2012, the FASB issued Accounting Standards Update No. 2012-02, *Intangibles Goodwill and Other (Topic 350): Testing Indefinite-Lived Intangible Assets for Impairment*. The ASU is intended to simplify the guidance for testing the decline in the realizable value (impairment) of indefinite-lived intangible assets other than goodwill. Some examples of intangible assets subject to the guidance include indefinite-lived trademarks, licenses and distribution rights. The ASU allows companies to perform a qualitative assessment about the likelihood of impairment of an indefinite-lived intangible asset to determine whether further impairment testing is necessary, similar in approach to the goodwill impairment test.

The ASU will become effective for annual and interim impairment tests performed for fiscal years beginning after September 15, 2012. Early adoption is permitted.

Offsetting

In December 2011, the FASB issued Accounting Standards Update No. 2011-11, *Balance Sheet (Topic 210): Disclosures about Offsetting Assets and Liabilities*. The standard requires new disclosures about certain financial instruments and derivative instruments that are either offset

in the balance sheet (presented on a net basis) or subject to an enforceable master netting arrangement or similar arrangement. The standard requires disclosures that provide both gross and net information in the notes to the financial statements for relevant assets and liabilities. This ASU does not change the existing offsetting eligibility criteria or the permitted balance sheet presentation for those instruments that meet the eligibility criteria. Citi believes the new disclosure requirements should enhance comparability between those companies that prepare their financial statements on the basis of U.S. GAAP and those that prepare their financial statements in accordance with IFRS. For many financial institutions, the differences in the offsetting requirements between U.S. GAAP and IFRS result in a significant difference in the amounts presented in the balance sheets prepared in accordance with U.S. GAAP and IFRS. The disclosure standard will become effective for annual and quarterly periods beginning January 1, 2013. The disclosures are required retrospectively for all comparative periods presented.

Potential Amendments to Current Accounting Standards

The FASB and IASB, either jointly or separately, are currently working on several major projects, including amendments to existing accounting standards governing financial instruments, lease accounting, consolidation and investment companies. As part of the joint financial instruments project, the FASB is proposing sweeping changes to the classification and measurement of financial instruments, impairment and hedging guidance. The FASB is also working on a joint project that would require substantially all leases to be capitalized on the balance sheet. Additionally, the FASB has issued a proposal on principal-agent considerations that would change the way the Company needs to evaluate whether to consolidate VIEs and non-VIE partnerships. Furthermore, the FASB has issued a proposed Accounting Standards Update that would change the criteria used to determine whether an entity is subject to the

Edgar Filing: CITIGROUP INC - Form 10-Q

accounting and reporting requirements of an investment company. The principal-agent consolidation proposal would require all VIEs, including those that are investment companies, to be evaluated for consolidation under the same requirements.

All these projects may have significant impacts for the Company. Upon completion of the standards, the Company will need to re-evaluate its accounting and disclosures. However, due to ongoing deliberations of the standard-setters, the Company is currently unable to determine the effect of future amendments or proposals.

2. DISCONTINUED OPERATIONS

Sale of Certain Citi Capital Advisors Business

During the third quarter of 2012, the Company executed definitive agreements to transition a carve-out of its liquid strategies business within Citi Capital Advisors (CCA), which is part of the *Institutional Clients Group* segment, to certain employees responsible for managing those operations. The transaction will be accounted for as a sale and is currently expected to close in the first quarter of 2013. This sale is reported as discontinued operations for the third quarter of 2012 only. Prior periods were not reclassified due to the immateriality of the impact in those periods.

The following is a summary as of September 30, 2012 of the assets of *Discontinued operations* held for sale on the Consolidated Balance Sheet for the operations related to the CCA business to be sold:

<i>In millions of dollars</i>	September 30, 2012	
Assets		
Deposits at interest with banks	\$	7
Goodwill		17
Intangible assets		20
Total assets	\$	44

Summarized financial information for *Discontinued operations* for the operations related to CCA follows:

<i>In millions of dollars</i>	Three Months Ended September 30, 2012	
Total revenues, net of interest expense	\$	11
Income (loss) from discontinued operations	\$	(45)
Gain on sale		
Benefit for income taxes		(16)
Income (loss) from discontinued operations, net of taxes	\$	(29)

Sale of Egg Banking PLC Credit Card Business

On March 1, 2011, the Company announced that Egg Banking plc (Egg), an indirect subsidiary which was part of the Citi Holdings segment, entered into a definitive agreement to sell its credit card business to Barclays PLC. The sale closed on April 28, 2011. An after-tax gain on sale of \$126 million was recognized in the second quarter of 2011. Egg operations had total assets and total liabilities of approximately \$2.7 billion and \$39 million, respectively, at the time of sale.

Summarized financial information for *Discontinued operations*, including cash flows, for the credit card operations related to Egg follows:

<i>In millions of dollars</i>	Three Months Ended September 30,		Nine Months Ended September 30,					
	2012	2011	2012	2011				
Total revenues, net of interest expense	\$	\$	38	\$	1	\$	331	
Income (loss) from discontinued operations	\$	(1)	\$	(5)	\$	(4)	\$	39
Gain (loss) on sale			15		(1)		141	
Provision for income taxes		(1)	4		(2)		63	
Income from discontinued operations, net of taxes	\$	\$	6	\$	(3)	\$	117	

Edgar Filing: CITIGROUP INC - Form 10-Q

<i>In millions of dollars</i>	Nine Months Ended September 30,	
	2012	2011
Cash flows from operating activities	\$	\$ (146)
Cash flows from investing activities		2,827
Cash flows from financing activities		(12)
Net cash provided by discontinued operations	\$	\$ 2,669

Combined Results for Discontinued Operations

The following is summarized financial information for the CCA business, the Egg credit card business and previous discontinued operations, for which Citi continues to have minimal residual costs associated with the sales.

<i>In millions of dollars</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Total revenues, net of interest expense	\$ 11	\$ 39	\$ 12	\$ 336
Income (loss) from discontinued operations	\$ (46)	\$ (5)	\$ (49)	\$ 38
Gain (loss) on sale		16	(1)	146
Provision (benefit) for income taxes	(15)	10	(13)	72
Income (loss) from discontinued operations, net of taxes	\$ (31)	\$ 1	\$ (37)	\$ 112

Cash flows from discontinued operations

<i>In millions of dollars</i>	Nine Months Ended September 30,	
	2012	2011
Cash flows from operating activities	\$	\$ (146)
Cash flows from investing activities		2,827
Cash flows from financing activities		(12)
Net cash provided by discontinued operations	\$	\$ 2,669

Edgar Filing: CITIGROUP INC - Form 10-Q

3. BUSINESS SEGMENTS

Citigroup is a diversified bank holding company whose businesses provide a broad range of financial services to Consumer and Corporate customers around the world. The Company's activities are conducted through the *Global Consumer Banking (GCB)*, *Institutional Clients Group (ICG)*, *Citi Holdings* and *Corporate/Other* business segments.

The *Global Consumer Banking* segment includes a global, full-service Consumer franchise delivering a wide array of banking, credit card lending, and investment services through a network of local branches, offices and electronic delivery systems and is composed of four *Regional Consumer Banking (RCB)* businesses: *North America*, *EMEA*, *Latin America* and *Asia*.

The Company's *ICG* segment is composed of *Securities and Banking* and *Transaction Services* and provides corporations, governments, institutions and investors in approximately 100 countries with a broad range of banking and financial products and services.

The Citi Holdings segment is composed of *Brokerage and Asset Management*, *Local Consumer Lending* and *Special Asset Pool*.

Corporate/Other includes net treasury results, unallocated corporate expenses, offsets to certain line-item reclassifications (eliminations), the results of discontinued operations and unallocated taxes.

The accounting policies of these reportable segments are the same as those disclosed in Note 1 to the Consolidated Financial Statements in the Company's 2011 Annual Report on Form 10-K.

The prior-period balances reflect reclassifications to conform the presentation in those periods to the current period's presentation. Reclassifications made in the first quarter of 2012 related to the transfer of the substantial majority of the Company's retail partner cards business (which Citi now refers to as "Citi retail services") from Citi Holdings *Local Consumer Lending* to Citicorp *North America Regional Consumer Banking*. Additionally, certain consolidated expenses were re-allocated to the respective businesses receiving the services.

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

	Revenues, net of interest expense(1)		Provision (benefit) for income taxes		Income (loss) from continuing operations(1)(2)		Identifiable assets	
	2012	2011	2012	2011	2012	2011	Sept. 30, 2012	Dec. 31, 2011
<i>In millions of dollars, except identifiable assets in billions</i>								
Three Months Ended September 30,								
<i>Global Consumer Banking</i>	\$ 10,180	\$ 9,963	\$ 1,053	\$ 931	\$ 2,164	\$ 2,013	\$ 394	\$ 385
<i>Institutional Clients Group</i>	7,428	9,441	606	1,208	1,977	3,024	1,064	980
Subtotal Citicorp	\$ 17,608	\$ 19,404	\$ 1,659	\$ 2,139	\$ 4,141	\$ 5,037	\$ 1,458	\$ 1,365
<i>Corporate/Other</i>	33	300	(675)	(147)	(55)	(74)	302	284
Total Citicorp and <i>Corporate/Other</i>	\$ 17,641	\$ 19,704	\$ 984	\$ 1,992	\$ 4,086	\$ 4,963	\$ 1,760	\$ 1,649
Citi Holdings	(3,690)	1,127	(2,472)	(714)	(3,562)	(1,221)	171	225
Total	\$ 13,951	\$ 20,831	\$ (1,488)	\$ 1,278	\$ 524	\$ 3,742	\$ 1,931	\$ 1,874

	Revenues, net of interest expense(1)		Provision (benefit) for income taxes		Income (loss) from continuing operations(1)(2)	
	2012	2011	2012	2011	2012	2011
Nine Months Ended September 30,						
<i>In millions of dollars</i>						
<i>Global Consumer Banking</i>	\$ 29,965	\$ 29,310	\$ 3,090	\$ 2,677	\$ 6,342	\$ 5,952
<i>Institutional Clients Group</i>	23,658	26,184	1,977	2,983	6,530	7,629

Edgar Filing: CITIGROUP INC - Form 10-Q

Subtotal Citicorp	\$ 53,623	\$ 55,494	\$ 5,067	\$ 5,660	\$ 12,872	\$ 13,581
Corporate/Other	268	502	(1,093)	(593)	(794)	(687)
Total Citicorp and Corporate/Other	\$ 53,891	\$ 55,996	\$ 3,974	\$ 5,067	\$ 12,078	\$ 12,894
Citi Holdings	(1,892)	5,183	(3,741)	(1,637)	(5,505)	(2,789)
Total	\$ 51,999	\$ 61,179	\$ 233	\$ 3,430	\$ 6,573	\$ 10,105

(1)

Includes Citicorp total revenues, net of interest expense, in *North America* of \$7.4 billion and \$8.1 billion; in *EMEA* of \$2.8 billion and \$3.6 billion; in *Latin America* of \$3.7 billion and \$3.4 billion; and in *Asia* of \$3.7 billion and \$4.3 billion for the three months ended September 30, 2012 and 2011, respectively. Includes Citicorp total revenues, net of interest expense, in *North America* of \$22.4 billion and \$23.8 billion; in *EMEA* of \$8.9 billion and \$9.8 billion; in *Latin America* of \$10.8 billion and \$10.2 billion; and in *Asia* of \$11.5 billion and \$11.7 billion for the nine months ended September 30, 2012 and 2011, respectively. Regional numbers exclude Citi Holdings and *Corporate/Other*, which largely operate within the U.S.

(2)

Includes pretax provisions (credits) for credit losses and for benefits and claims in the *GCB* results of \$1.6 billion and \$1.6 billion; in the *ICG* results of \$(32) million and \$164 million; and in the Citi Holdings results of \$1.2 billion and \$1.6 billion for the three months ended September 30, 2012 and 2011, respectively. Includes pretax provisions (credits) for credit losses and for benefits and claims in the *GCB* results of \$4.6 billion and \$4.9 billion; in the *ICG* results of \$192 million and \$70 million; and in the Citi Holdings results of \$3.7 billion and \$5.0 billion for the nine months ended September 30, 2012 and 2011, respectively.

4. INTEREST REVENUE AND EXPENSE

For the three- and nine-month periods ended September 30, 2012 and 2011, respectively, *interest revenue* and *expense* consisted of the following:

<i>In millions of dollars</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Interest revenue				
Loan interest, including fees	\$ 12,171	\$ 12,671	\$ 36,628	\$ 37,728
Deposits with banks	296	423	994	1,342
Federal funds sold and securities borrowed or purchased under agreements to resell	825	948	2,670	2,689
Investments, including dividends	1,882	1,924	5,646	6,461
Trading account assets(1)	1,616	2,073	5,008	6,293
Other interest	144	106	414	373
Total interest revenue	\$ 16,934	\$ 18,145	\$ 51,360	\$ 54,886
Interest expense				
Deposits(2)	\$ 1,912	\$ 2,228	\$ 5,820	\$ 6,472
Federal funds purchased and securities loaned or sold under agreements to repurchase	713	796	2,161	2,466
Trading account liabilities(1)	46	91	151	343
Short-term borrowings	173	155	564	493
Long-term debt	2,177	2,761	7,211	8,748
Total interest expense	\$ 5,021	\$ 6,031	\$ 15,907	\$ 18,522
Net interest revenue	\$ 11,913	\$ 12,114	\$ 35,453	\$ 36,364
Provision for loan losses	2,511	3,049	7,924	9,129
Net interest revenue after provision for loan losses	\$ 9,402	\$ 9,065	\$ 27,529	\$ 27,235

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

(2) Includes deposit insurance fees and charges of \$290 million and \$387 million for the three months ended September 30, 2012 and 2011, respectively, and \$959 million and \$974 million for the nine months ended September 30, 2012 and 2011, respectively.

5. COMMISSIONS AND FEES

The table below sets forth Citigroup's *Commissions and fees* revenue for the three and nine months ended September 30, 2012 and 2011, respectively. The primary components of *Commissions and fees* revenue for the three and nine months ended September 30, 2012 were credit card and bank card fees, investment banking fees and trading-related fees.

Credit card and bank card fees are primarily composed of interchange revenue and certain card fees, including annual fees, reduced by reward program costs. Interchange revenue and fees are recognized when earned, except for annual card fees which are deferred and amortized on a straight-line basis over a 12-month period. Reward costs are recognized when points are earned by the customers.

Investment banking fees are substantially composed of underwriting and advisory revenues. Investment banking fees are recognized when Citigroup's performance under the terms of the contractual arrangements is completed, which is typically at the closing of the transaction. Underwriting revenue is recorded in *Commissions and fees* net of both reimbursable and non-reimbursable expenses, consistent with the AICPA Audit and Accounting Guide for Brokers and Dealers in Securities (codified in ASC 940-605-05-1). Expenses associated with advisory transactions are recorded in *Other operating expenses*, net of client reimbursements. Out-of-pocket expenses are deferred and recognized at the time the related revenue is recognized. In general, expenses incurred related to investment banking transactions that fail to close (are not consummated) are recorded gross in *Other operating expenses*.

Trading-related fees primarily include commissions and fees from the following: executing transactions for clients on exchanges and over-the-counter markets; sale of mutual funds, insurance and other annuity products; and assisting clients in clearing transactions, providing brokerage services and other such activities. Trading-related fees are recognized when earned in *Commissions and fees*. Gains or losses, if any, on these transactions are included in *Principal transactions* (see Note 6 to the Consolidated Financial Statements).

The following table presents *Commissions and fees* revenue for the three and nine months ended September 30, 2012 and 2011:

<i>In millions of dollars</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Credit cards and bank cards	\$ 896	\$ 906	\$ 2,589	\$ 2,715
Investment banking	822	476	2,128	1,935
Trading-related	535	679	1,695	2,037
Transaction services	355	387	1,091	1,148
Other Consumer(1)	234	230	658	660
Checking-related	221	225	686	696
Loan servicing	108	30	209	280
Corporate finance(2)	136	106	379	405
Other	(3)	4	86	92
Total commissions and fees	\$ 3,304	\$ 3,043	\$ 9,521	\$ 9,968

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

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

6. PRINCIPAL TRANSACTIONS

Principal transactions revenue consists of realized and unrealized gains and losses from trading activities. Trading activities include revenues from fixed income, equities, credit and commodities products, as well as foreign exchange transactions. Not included in the table below is the impact of net interest revenue related to trading activities, which is an integral part of trading activities' profitability. See Note 4 to the Consolidated Financial Statements for information about net interest revenue related to trading activity. The following table presents principal transactions revenue for the three and nine months ended September 30, 2012 and 2011:

<i>In millions of dollars</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
<i>Global Consumer Banking</i>	\$ 204	\$ 233	\$ 619	\$ 482
<i>Institutional Clients Group</i>	731	1,665	4,081	5,213
Subtotal Citicorp	\$ 935	\$ 1,898	\$ 4,700	\$ 5,695
<i>Local Consumer Lending</i>	(16)	(28)	(56)	(74)
<i>Brokerage and Asset Management</i>	3	(14)	(1)	1
<i>Special Asset Pool</i>	(1)	137	13	1,874
Subtotal Citi Holdings	\$ (14)	\$ 95	\$ (44)	\$ 1,801
<i>Corporate/Other</i>	55	110	(109)	390
Total Citigroup	\$ 976	\$ 2,103	\$ 4,547	\$ 7,886
Interest rate contracts(1)	\$ 427	\$ 1,972	\$ 2,289	\$ 5,318
Foreign exchange contracts(2)	676	576	1,880	1,958
Equity contracts(3)	(43)	(358)	303	217
Commodity and other contracts(4)	8	107	71	131
Credit derivatives(5)	(92)	(194)	4	262
Total	\$ 976	\$ 2,103	\$ 4,547	\$ 7,886

-
- (1) Includes revenues from government securities and corporate debt, municipal securities, preferred stock, mortgage securities, and other debt instruments. Also includes spot and forward trading of currencies and exchange-traded and over-the-counter (OTC) currency options, options on fixed income securities, interest rate swaps, currency swaps, swap options, caps and floors, financial futures, OTC options, and forward contracts on fixed income securities.
- (2) Includes revenues from foreign exchange spot, forward, option and swap contracts, as well as FX translation gains and losses.
- (3) Includes revenues from common, preferred and convertible preferred stock, convertible corporate debt, equity-linked notes, and exchange-traded and OTC equity options and warrants.
- (4) Primarily includes revenues from crude oil, refined oil products, natural gas, and other commodities trades.
- (5) Includes revenues from structured credit products.

7. INCENTIVE PLANS

The Company administers award programs involving grants of stock options, restricted or deferred stock awards, deferred cash awards and stock payments. The award programs are used to attract, retain and motivate officers, employees and non-employee directors, to provide incentives for their contributions to the long-term performance and growth of the Company, and to align their interests with those of stockholders. These programs are administered by the Personnel and Compensation Committee of the Citigroup Board of Directors (the Committee), which is composed entirely of independent non-employee directors. All grants of equity awards since April 19, 2005 have been made pursuant to stockholder-approved stock incentive plans.

The following table shows selected components of compensation expense relating to the Company's compensation programs for the three and nine months ended September 30, 2012 and 2011:

<i>In millions of dollars</i>	Three Months Ended		Nine Months Ended	
	September 30, 2012	September 30, 2011	September 30, 2012	September 30, 2011
Stock award and stock option compensation expense	\$ 324	\$ 326	\$ 1,035	\$ 1,095
Deferred cash compensation expense	39	30	174	163
Profit sharing plan expense	61	49	213	232
Replacement deferred cash award expense	29	66	86	125

Selected programs are described below.

Stock Award, Stock Option and Deferred Cash Award Programs

For stock awards, compensation expense is generally the fair value of the shares on their grant date amortized over the vesting period of the awards. The Company's primary stock award program is the Capital Accumulation Program (CAP), pursuant to which awards of restricted or deferred stock vest over periods of three or four years. Compensation expense for stock awards to retirement-eligible employees is generally accelerated to the date when the retirement rules are met. If the retirement rules will have been met on or before the expected award date, the entire estimated expense is recognized in the year prior to grant in the same manner as cash incentive compensation is accrued. Certain stock awards with performance conditions or that are subject to the EU clawback provision described below may be subject to variable accounting, pursuant to which the associated charges fluctuate with changes in Citigroup's stock price over the applicable vesting periods. As a result, the total amount that will be recognized as expense on these awards cannot be determined in full until the awards vest.

For deferred cash awards, compensation expense is generally the value awarded amortized over the vesting period of the awards. For deferred cash awards to retirement-eligible employees, compensation expense is recognized on an accelerated basis in the same manner as for stock awards. Amortized expenses are subject to adjustment to reflect any amounts that are cancelled as a result of a clawback provision or a performance-based vesting condition. If provided, interest on unvested deferred cash awards accrues during the vesting period and is expensed monthly at the applicable rate.

In a change from prior years, incentive awards in January 2012 to individual employees who are deemed to have influence over the Company's material risks (covered employees) were delivered as a mix of immediate cash bonuses, deferred stock awards under CAP and deferred cash awards. (Previously, annual incentives to these employees were typically awarded as a combination of cash bonus and restricted or deferred stock awards, primarily under CAP.) For covered employees, the minimum percentage of incentive pay required to be deferred was raised from 25% to 40%, with a maximum deferral of 60% for the most highly paid employees. For incentive awards made to covered employees in January 2012 (in respect of 2011 performance), only 50% of the deferred portion was delivered as a stock award under CAP; the other 50% was delivered in the form of a deferred cash award. The 2012 deferred cash awards are subject to performance-based vesting conditions that will result in cancellation of unvested amounts on a formulaic basis if a participant's business experiences losses in any year during the vesting period.

All CAP and deferred cash awards made in January 2012 provide for a clawback of unvested amounts in specified circumstances, including in the case of employee misconduct or where the awards were based on earnings that were misstated. Except as described below, CAP and deferred cash awards generally vest at a rate of 25% per year over a four-year period, subject to the participant's remaining employed during the vesting period or satisfying certain other vesting conditions. Participants in CAP are entitled to receive dividend equivalent payments during the vesting period of their awards. The 2012 deferred cash awards earn notional interest at an annual rate of 3.55%, compounded annually. Accrued interest is paid when the principal award amount vests.

CAP and deferred cash awards made in January 2012 to identified staff in the European Union (EU) have several features that differ from the generally applicable provisions described above. Identified staff are those Citigroup employees whose compensation is subject to various banking regulations on sound incentive compensation policies in the EU. CAP and deferred cash awards to these employees are scheduled to

Edgar Filing: CITIGROUP INC - Form 10-Q

vest ratably over three years of service, but vested awards are subject to a six-month sale restriction (in the case of shares) or an additional six-month waiting period (in the case of deferred cash). Deferred incentive awards to identified staff in the EU are subject to cancellation, in the sole discretion of the Committee, if (a) there is reasonable evidence a participant engaged in misconduct or committed material error in connection with his or her employment, or (b) the Company or the employee's

business unit suffers a material downturn in its financial performance or a material failure of risk management (the EU clawback). For CAP and deferred cash awards to these employees, the EU clawback is in addition to the clawback provision described above.

Other Incentive Compensation

Citigroup may at times issue deferred cash awards to new hires in replacement of prior employer's awards or other forfeited compensation. The vesting schedules and terms and conditions of these deferred cash awards may be structured to match the terms of awards or other compensation from a prior employer that was forfeited to accept employment with the Company.

Additionally, certain subsidiaries or business units of the Company operate and may from time to time introduce other incentive plans for certain employees who have an incentive-based award component.

8. RETIREMENT BENEFITS

Pension and Postretirement Plans

The Company has several non-contributory defined benefit pension plans covering certain U.S. employees and has various defined benefit pension and termination indemnity plans covering employees outside the United States. The U.S. qualified defined benefit plan was frozen effective January 1, 2008, for most employees. Accordingly, no additional compensation-based contributions have been credited to the cash balance portion of the plan for existing plan participants after 2007. However, certain employees covered under the prior final pay plan formula continue to accrue benefits. The Company also offers postretirement health care and life insurance benefits to certain eligible U.S. retired employees, as well as to certain eligible employees outside the United States.

The following tables summarize the components of net (benefit) expense recognized in the Consolidated Statement of Income for the Company's U.S. qualified and nonqualified pension plans, postretirement plans and plans outside the United States.

Net (Benefit) Expense

<i>In millions of dollars</i>	Three Months Ended September 30,							
	Pension plans				Postretirement benefit plans			
	U.S. plans		Non-U.S. plans		U.S. plans		Non-U.S. plans	
	2012	2011	2012	2011	2012	2011	2012	2011
Qualified Plans								
Benefits earned during the period	\$ 3	\$ 3	\$ 50	\$ 51	\$	\$	\$ 7	\$ 7
Interest cost on benefit obligation	141	153	93	97	11	13	29	30
Expected return on plan assets	(224)	(222)	(101)	(108)	(1)	(1)	(27)	(31)
Amortization of unrecognized								
Net transition obligation								
Prior service cost (benefit)			1	1				
Net actuarial loss	24	16	19	18	1		6	6
Curtailment (gain) loss			4	29				
Net qualified plans (benefit) expense	\$ (56)	\$ (50)	\$ 66	\$ 88	\$ 11	\$ 12	\$ 15	\$ 12
Net nonqualified plans expense	\$ 11	\$ 10	\$	\$	\$	\$	\$	\$
Total net (benefit) expense	\$ (45)	\$ (40)	\$ 66	\$ 88	\$ 11	\$ 12	\$ 15	\$ 12

<i>In millions of dollars</i>	Nine Months Ended September 30,							
	Pension plans				Postretirement benefit plans			
	U.S. plans		Non-U.S. plans		U.S. plans		Non-U.S. plans	
	2012	2011	2012	2011	2012	2011	2012	2011
Qualified Plans								
Benefits earned during the period	\$ 9	\$ 11	\$ 150	\$ 152	\$	\$	\$ 21	\$ 22
Interest cost on benefit obligation	423	463	277	292	33	42	87	91
Expected return on plan assets	(672)	(666)	(302)	(324)	(3)	(5)	(81)	(92)
Amortization of unrecognized								
Net transition obligation				(1)				
Prior service cost (benefit)			3	3	(1)	(2)		
Net actuarial loss	72	50	58	55	3	8	19	18
Curtailment (gain) loss			12	29				
Net qualified plans (benefit) expense	\$ (168)	\$ (142)	\$ 198	\$ 206	\$ 32	\$ 43	\$ 46	\$ 39

Edgar Filing: CITIGROUP INC - Form 10-Q

Net nonqualified plans expense	\$ 31	\$ 30	\$	\$	\$	\$	\$	\$
Total net (benefit) expense	\$ (137)	\$ (112)	\$ 198	\$ 206	\$ 32	\$ 43	\$ 46	\$ 39

121

Contributions

The Company's funding policy for U.S. and non-U.S. pension and postretirement plans is generally to fund to minimum funding requirements in accordance with applicable local laws and regulations. The Company may increase its contributions above the minimum required contribution, if appropriate.

The following table summarizes the actual cash contributions (including benefits paid directly by the Company) and the expected contributions for the remainder of 2012 for the Company's U.S. qualified and nonqualified pension plans, postretirement plans and plans outside the United States.

<i>In millions of dollars</i>	Pension plans		Postretirement plans		
	U.S. Plans		Non-U.S.	Non-U.S.	
	Qualified	Non-qualified	plans	plans	
Actual year-to-date cash contributions & benefits paid directly by the employer	\$	\$ 35	\$ 213	\$ 41	\$ 4
Expected 2012 contributions for the remainder of the year	\$	\$ 11	\$ 100	\$ 14	\$ 86

Postemployment Plans

The Company sponsors U.S. postemployment plans that provide income continuation and health and welfare benefits to certain eligible U.S. employees on long-term disability.

The following table summarizes the components of net expense recognized in the Consolidated Statement of Income for the Company's U.S. postemployment plans.

<i>In millions of dollars</i>	Postemployment plans (U.S. only)			
	Three Months Ended		Nine months Ended	
	September 30,		September 30,	
	2012	2011	2012	2011
Service cost	\$ 12	\$ 10	\$ 36	\$ 29
Interest cost	4	3	11	9
Expected return on assets				
Prior service cost	2	2	6	6
Net actuarial loss	3	2	9	6
Net expense recognized	\$ 21	\$ 17	\$ 62	\$ 50

9. EARNINGS PER SHARE

The following is a reconciliation of the income and share data used in the basic and diluted earnings per share (EPS) computations for the three and nine months ended September 30, 2012 and 2011:

<i>In millions, except per-share amounts</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011(1)	2012	2011(1)
Income from continuing operations before attribution of noncontrolling interests	\$ 524	\$ 3,742	\$ 6,573	\$ 10,105
Less: Noncontrolling interests from continuing operations	25	(28)	191	106
Net income from continuing operations (for EPS purposes)	\$ 499	\$ 3,770	\$ 6,382	\$ 9,999
Income (loss) from discontinued operations, net of taxes	(31)	1	(37)	112
Citigroup's net income	\$ 468	\$ 3,771	\$ 6,345	\$ 10,111
Less: Preferred dividends	4	4	17	17
Net income available to common shareholders	\$ 464	\$ 3,767	\$ 6,328	\$ 10,094
Less: Dividends and undistributed earnings allocated to employee restricted and deferred shares with nonforfeitable rights to dividends, applicable to basic EPS	11	70	138	164
Net income allocated to common shareholders for basic EPS	\$ 453	\$ 3,697	\$ 6,190	\$ 9,930
Add: Interest expense, net of tax, on convertible securities and adjustment of undistributed earnings allocated to employee restricted and deferred shares with nonforfeitable rights to dividends, applicable to diluted EPS	2	6	10	12
Net income allocated to common shareholders for diluted EPS	\$ 455	\$ 3,703	\$ 6,200	\$ 9,942
Weighted-average common shares outstanding applicable to basic EPS	2,926.8	2,910.8	2,926.5	2,907.9
Effect of dilutive securities				
T-DECs	87.8	87.6	87.8	87.6
Other employee plans	0.6	0.1	0.5	0.8
Convertible securities	0.1	0.1	0.1	0.1
Options				1.0
Adjusted weighted-average common shares outstanding applicable to diluted EPS	3,015.3	2,998.6	3,014.9	2,997.4
Basic earnings per share(2)				
Income from continuing operations	\$ 0.17	\$ 1.27	\$ 2.13	\$ 3.38
Discontinued operations	(0.01)		(0.01)	0.04
Net income	\$ 0.15	\$ 1.27	\$ 2.12	\$ 3.41
Diluted earnings per share(2)				
Income from continuing operations	\$ 0.16	\$ 1.23	\$ 2.07	\$ 3.28
Discontinued operations	(0.01)		(0.01)	0.04
Net income	\$ 0.15	\$ 1.23	\$ 2.06	\$ 3.32

(1) 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.

(2)

Edgar Filing: CITIGROUP INC - Form 10-Q

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

During the third quarters of 2012 and 2011, weighted-average options to purchase 35.6 million and 38.1 million shares of common stock, respectively, were outstanding but not included in the computation of earnings per share because the weighted-average exercise prices of \$51.97 and \$71.24, respectively, were greater than the average market price of the Company's common stock.

Warrants issued to the U.S. Treasury as part of the Troubled Asset Relief Program (TARP) and the loss-sharing agreement (all of which were subsequently sold to the public in January 2011), with an exercise price of \$178.50 and \$106.10 for approximately 21.0 million and 25.5 million shares of common stock, respectively, were not included in the computation of earnings per share in the third quarters of 2012 and 2011, because they were anti-dilutive.

The final tranche of equity units held by the Abu Dhabi Investment Authority (ADIA) converted into 5.9 million shares of Citigroup common stock during the third quarter of 2011.

10. TRADING ACCOUNT ASSETS AND LIABILITIES

Trading account assets and Trading account liabilities, at fair value, consisted of the following at September 30, 2012 and December 31, 2011:

<i>In millions of dollars</i>	September 30, 2012	December 31, 2011
Trading account assets		
Mortgage-backed securities(1)		
U.S. government-sponsored agency guaranteed	\$ 32,102	\$ 27,535
Prime	1,247	877
Alt-A	802	609
Subprime	753	989
Non-U.S. residential	454	396
Commercial	1,800	2,333
Total mortgage-backed securities	\$ 37,158	\$ 32,739
U.S. Treasury and federal agency securities		
U.S. Treasury	\$ 17,347	\$ 18,227
Agency obligations	3,030	1,172
Total U.S. Treasury and federal agency securities	\$ 20,377	\$ 19,399
State and municipal securities	\$ 5,474	\$ 5,364
Foreign government securities	89,382	79,551
Corporate	34,907	37,026
Derivatives(2)	57,153	62,327
Equity securities	50,569	33,230
Asset-backed securities(1)	6,173	7,071
Other debt securities	14,008	15,027
Total trading account assets	\$ 315,201	\$ 291,734
Trading account liabilities		
Securities sold, not yet purchased	\$ 74,271	\$ 69,809
Derivatives(2)	55,719	56,273
Total trading account liabilities	\$ 129,990	\$ 126,082

(1) The Company invests in mortgage-backed and asset-backed securities. These securitizations are generally considered VIEs. The Company's maximum exposure to loss from these VIEs is equal to the carrying amount of the securities, which is reflected in the table above. For mortgage-backed and asset-backed securitizations in which the Company has other involvement, see Note 17 to the Consolidated Financial Statements.

(2) Presented net, pursuant to enforceable master netting agreements. See Note 18 to the Consolidated Financial Statements for a discussion regarding the accounting and reporting for derivatives.

11. INVESTMENTS

Overview

<i>In millions of dollars</i>	September 30, 2012	December 31, 2011
Securities available-for-sale	\$ 271,261	\$ 265,204
Debt securities held-to-maturity(1)	10,943	11,483
Non-marketable equity securities carried at fair value(2)	5,228	8,836
Non-marketable equity securities carried at cost(3)	8,042	7,890
Total investments	\$ 295,474	\$ 293,413

(1) Recorded at amortized cost less impairment for securities that have credit-related impairment.

(2) Unrealized gains and losses for non-marketable equity securities carried at fair value are recognized in earnings. During the third quarter of 2012, the Company sold EMI Music resulting in a total \$1.5 billion decrease in non-marketable equity securities carried at fair value. During the second quarter of 2012, the Company sold EMI Music Publishing resulting in a total of \$1.3 billion decrease in non-marketable equity securities carried at fair value.

(3) Non-marketable equity securities carried at cost primarily consist of shares issued by the Federal Reserve Bank, Federal Home Loan Banks, foreign central banks and various clearing houses of which Citigroup is a member.

Securities Available-for-Sale

The amortized cost and fair value of securities available-for-sale (AFS) at September 30, 2012 and December 31, 2011 were as follows:

<i>In millions of dollars</i>	September 30, 2012				December 31, 2011			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
Debt securities AFS								
Mortgage-backed securities(1)								
U.S. government-sponsored agency guaranteed	\$ 42,511	\$ 1,768	\$ 62	\$ 44,217	\$ 44,394	\$ 1,438	\$ 51	\$ 45,781
Prime	122	4		126	118	1	6	113
Alt-A	149			149	1			1
Subprime								
Non-U.S. residential	7,122	156		7,278	4,671	9	22	4,658
Commercial	458	20	4	474	465	16	9	472
Total mortgage-backed securities	\$ 50,362	\$ 1,948	\$ 66	\$ 52,244	\$ 49,649	\$ 1,464	\$ 88	\$ 51,025
U.S. Treasury and federal agency securities								
U.S. Treasury	\$ 56,015	\$ 1,425	\$ 18	\$ 57,422	\$ 48,790	\$ 1,439	\$	\$ 50,229
Agency obligations	26,530	456		26,986	34,310	601	2	34,909
Total U.S. Treasury and federal agency securities	\$ 82,545	\$ 1,881	\$ 18	\$ 84,408	\$ 83,100	\$ 2,040	\$ 2	\$ 85,138
State and municipal(2)	\$ 19,775	\$ 134	\$ 1,806	\$ 18,103	\$ 16,819	\$ 134	\$ 2,554	\$ 14,399
Foreign government	90,358	887	181	91,064	84,360	558	404	84,514

Edgar Filing: CITIGROUP INC - Form 10-Q

Corporate	9,401	397	31	9,767	10,005	305	53	10,257
Asset-backed securities(1)	12,090	76	155	12,011	11,053	31	81	11,003
Other debt securities	51	3		54	670	13		683
Total debt securities AFS	\$ 264,582	\$ 5,326	\$ 2,257	\$ 267,651	\$ 255,656	\$ 4,545	\$ 3,182	\$ 257,019
Marketable equity securities AFS	\$ 3,736	\$ 37	\$ 163	\$ 3,610	\$ 6,722	\$ 1,658	\$ 195	\$ 8,185
Total securities AFS	\$ 268,318	\$ 5,363	\$ 2,420	\$ 271,261	\$ 262,378	\$ 6,203	\$ 3,377	\$ 265,204

-
- (1) The Company invests in mortgage-backed and asset-backed securities. These securitizations are generally considered VIEs. The Company's maximum exposure to loss from these VIEs is equal to the carrying amount of the securities, which is reflected in the table above. For mortgage-backed and asset-backed securitizations in which the Company has other involvement, see Note 17 to the Consolidated Financial Statements.
- (2) The unrealized losses on state and municipal debt securities are primarily attributable to the result of yields on taxable fixed income instruments decreasing relatively faster than the general tax-exempt municipal yields and the effects of fair value hedge accounting.

As discussed in more detail below, the Company conducts and documents periodic reviews of all securities with unrealized losses to evaluate whether the impairment is other than temporary. Any credit-related impairment related to debt securities the Company does not plan to sell and is not likely to be required to sell is recognized in the Consolidated Statement of Income, with the non-credit-related impairment recognized in accumulated other comprehensive income (AOCI). For other impaired debt securities, the entire impairment is recognized in the Consolidated Statement of Income.

Edgar Filing: CITIGROUP INC - Form 10-Q

The table below shows the fair value of AFS securities that have been in an unrealized loss position for less than 12 months or for 12 months or longer as of September 30, 2012 and December 31, 2011:

<i>In millions of dollars</i>	Less than 12 months		12 months or longer		Total	
	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses
September 30, 2012						
Securities AFS						
Mortgage-backed securities						
U.S. government-sponsored agency guaranteed	\$ 2,548	\$ 35	\$ 462	\$ 27	\$ 3,010	\$ 62
Prime			16		16	
Alt-A						
Subprime						
Non-U.S. residential	12		18		30	
Commercial	6		32	4	38	4
Total mortgage-backed securities	\$ 2,566	\$ 35	\$ 528	\$ 31	\$ 3,094	\$ 66
U.S. Treasury and federal agency securities						
U.S. Treasury	\$ 4,831	\$ 18	\$	\$	\$ 4,831	\$ 18
Agency obligations	224				224	
Total U.S. Treasury and federal agency securities	\$ 5,055	\$ 18	\$	\$	\$ 5,055	\$ 18
State and municipal	\$ 345	\$ 26	\$ 11,097	\$ 1,780	\$ 11,442	\$ 1,806
Foreign government	21,103	71	5,950	110	27,053	181
Corporate	1,385	8	254	23	1,639	31
Asset-backed securities	962	5	3,248	150	4,210	155
Other debt securities						
Marketable equity securities AFS	1,619	27	1,070	136	2,689	163
Total securities AFS	\$ 33,035	\$ 190	\$ 22,147	\$ 2,230	\$ 55,182	\$ 2,420
December 31, 2011						
Securities AFS						
Mortgage-backed securities						
U.S. government-sponsored agency guaranteed	\$ 5,398	\$ 32	\$ 51	\$ 19	\$ 5,449	\$ 51
Prime	27	1	40	5	67	6
Alt-A						
Subprime						
Non-U.S. residential	3,418	22	57		3,475	22
Commercial	35	1	31	8	66	9
Total mortgage-backed securities	\$ 8,878	\$ 56	\$ 179	\$ 32	\$ 9,057	\$ 88
U.S. Treasury and federal agency securities						
U.S. Treasury	\$ 553	\$	\$	\$	\$ 553	\$
Agency obligations	2,970	2			2,970	2
Total U.S. Treasury and federal agency securities	\$ 3,523	\$ 2	\$	\$	\$ 3,523	\$ 2
State and municipal	\$ 59	\$ 2	\$ 11,591	\$ 2,552	\$ 11,650	\$ 2,554
Foreign government	33,109	211	11,205	193	44,314	404
Corporate	2,104	24	203	29	2,307	53
Asset-backed securities	4,625	68	466	13	5,091	81

Edgar Filing: CITIGROUP INC - Form 10-Q

Other debt securities	164				164		
Marketable equity securities AFS	47	5	1,457	190	1,504	195	
Total securities AFS	\$ 52,509	\$ 368	\$ 25,101	\$ 3,009	\$ 77,610	\$ 3,377	

126

Edgar Filing: CITIGROUP INC - Form 10-Q

The following table presents the amortized cost and fair value of AFS debt securities by contractual maturity dates as of September 30, 2012 and December 31, 2011:

<i>In millions of dollars</i>	September 30, 2012		December 31, 2011	
	Amortized cost	Fair value	Amortized cost	Fair value
Mortgage-backed securities(1)				
Due within 1 year	\$ 21	\$ 22	\$	\$
After 1 but within 5 years	287	289	422	423
After 5 but within 10 years	2,418	2,548	2,757	2,834
After 10 years(2)	47,636	49,385	46,470	47,768
Total	\$ 50,362	\$ 52,244	\$ 49,649	\$ 51,025
U.S. Treasury and federal agency securities				
Due within 1 year	\$ 7,358	\$ 7,359	\$ 14,615	\$ 14,637
After 1 but within 5 years	69,323	70,867	62,241	63,823
After 5 but within 10 years	2,899	3,167	5,862	6,239
After 10 years(2)	2,965	3,015	382	439
Total	\$ 82,545	\$ 84,408	\$ 83,100	\$ 85,138
State and municipal				
Due within 1 year	\$ 201	\$ 201	\$ 142	\$ 142
After 1 but within 5 years	2,888	2,891	455	457
After 5 but within 10 years	249	445	182	188
After 10 years(2)	16,437	14,566	16,040	13,612
Total	\$ 19,775	\$ 18,103	\$ 16,819	\$ 14,399
Foreign government				
Due within 1 year	\$ 37,139	\$ 37,149	\$ 34,924	\$ 34,864
After 1 but within 5 years	45,261	45,627	41,612	41,675
After 5 but within 10 years	7,060	7,191	6,993	6,998
After 10 years(2)	898	1,097	831	977
Total	\$ 90,358	\$ 91,064	\$ 84,360	\$ 84,514
All other(3)				
Due within 1 year	\$ 1,319	\$ 1,327	\$ 4,055	\$ 4,072
After 1 but within 5 years	10,890	10,947	9,843	9,928
After 5 but within 10 years	3,419	3,598	3,009	3,160
After 10 years(2)	5,914	5,960	4,821	4,783
Total	\$ 21,542	\$ 21,832	\$ 21,728	\$ 21,943
Total debt securities AFS	\$ 264,582	\$ 267,651	\$ 255,656	\$ 257,019

(1) Includes mortgage-backed securities of U.S. government-sponsored entities.

(2) Investments with no stated maturities are included as contractual maturities of greater than 10 years. Actual maturities may differ due to call or prepayment rights.

(3) Includes corporate, asset-backed and other debt securities.

Edgar Filing: CITIGROUP INC - Form 10-Q

The following table presents interest and dividends on investments for the three and nine months ended September 30, 2012 and 2011:

<i>In millions of dollars</i>	Three Months Ended		Nine Months Ended	
	September 30,	September 30,	September 30,	September 30,
	2012	2011	2012	2011
Taxable interest	\$ 1,636	\$ 1,694	\$ 4,900	\$ 5,649
Interest exempt from U.S. federal income tax	168	173	508	569
Dividends	78	57	238	243
Total interest and dividends	\$ 1,882	\$ 1,924	\$ 5,646	\$ 6,461

127

Edgar Filing: CITIGROUP INC - Form 10-Q

The following table presents realized gains and losses on all investments for the three and nine months ended September 30, 2012 and 2011. The gross realized investment losses exclude losses from other-than-temporary impairment:

<i>In millions of dollars</i>	Three Months Ended		Nine Months Ended	
	September 30, 2012	September 30, 2011	September 30, 2012	September 30, 2011
Gross realized investment gains	\$ 660	\$ 920	\$ 3,155	\$ 2,224
Gross realized investment losses(1)	(45)	(155)	(342)	(296)
Net realized gains	\$ 615	\$ 765	\$ 2,813	\$ 1,928

(1)

During the periods presented, the Company sold various debt securities that were classified as held-to-maturity. These sales were in response to a significant deterioration in the creditworthiness of the issuers or securities. In addition, certain securities were reclassified to AFS investments in response to significant credit deterioration. The Company intends to sell the securities and recorded other-than-temporary-impairment reflected in the following table. For the three months ended September 30, 2012, the securities sold had a carrying value of \$302 million and the Company recorded a realized loss of \$4 million; the securities reclassified to AFS investments had a carrying value of \$137 million and the Company recorded other-than-temporary-impairment of \$33 million. For the nine months ended September 30, 2012 and 2011, the securities sold had a carrying value of \$1,545 million and \$1,067 million respectively, and the Company recorded a realized loss of \$173 million and \$138 million, respectively. For the nine months ended September 30, 2012, securities reclassified to AFS totaled \$244 million and the Company recorded other-than-temporary impairment of \$59 million.

Debt Securities Held-to-Maturity

The carrying value and fair value of debt securities held-to-maturity (HTM) at September 30, 2012 and December 31, 2011 were as follows:

<i>In millions of dollars</i>	Amortized cost(1)	Net unrealized loss recognized in AOCI	Carrying value(2)	Gross unrealized gains	Gross unrealized losses	Fair value
September 30, 2012						
Debt securities held-to-maturity						
Mortgage-backed securities(3)						
Prime	\$ 298	\$ 55	\$ 243	\$ 24	\$ 13	\$ 254
Alt-A	3,170	934	2,236	508	223	2,521
Subprime	245	42	203	11	24	190
Non-U.S. residential	2,649	418	2,231	53	165	2,119
Commercial	308	1	307		5	302
Total mortgage-backed securities	\$ 6,670	\$ 1,450	\$ 5,220	\$ 596	\$ 430	\$ 5,386
State and municipal	\$ 1,307	\$ 84	\$ 1,223	\$ 176	\$ 34	\$ 1,365
Foreign government(4)	2,849		2,849	7	1	2,855
Corporate	935	117	818	53		871
Asset-backed securities(3)	864	31	833	8	61	780
Total debt securities held-to-maturity	\$ 12,625	\$ 1,682	\$ 10,943	\$ 840	\$ 526	\$ 11,257
December 31, 2011						
Debt securities held-to-maturity						
Mortgage-backed securities(3)						

Edgar Filing: CITIGROUP INC - Form 10-Q

Prime	\$ 360	\$ 73	\$ 287	\$ 21	\$ 20	\$ 288
Alt-A	4,732	1,404	3,328	20	319	3,029
Subprime	383	47	336	1	71	266
Non-U.S. residential	3,487	520	2,967	59	290	2,736
Commercial	513	1	512	4	52	464
Total mortgage-backed securities	\$ 9,475	\$ 2,045	\$ 7,430	\$ 105	\$ 752	\$ 6,783
State and municipal	\$ 1,422	\$ 95	\$ 1,327	\$ 68	\$ 72	\$ 1,323
Foreign government						
Corporate	1,862	113	1,749		254	1,495
Asset-backed securities(3)	1,000	23	977	9	87	899
Total debt securities held-to-maturity	\$ 13,759	\$ 2,276	\$ 11,483	\$ 182	\$ 1,165	\$ 10,500

(1)

For securities transferred to HTM from *Trading account assets*, amortized cost is defined as the fair value of the securities at the date of transfer plus any accretion income and less any impairments recognized in earnings subsequent to transfer. For securities transferred to HTM from AFS, amortized cost is defined as the original purchase cost, plus or minus any accretion or amortization of a purchase discount or premium, less any impairment recognized in earnings.

(2)

HTM securities are carried on the Consolidated Balance Sheet at amortized cost less any unrealized gains and losses recognized in AOCI. The changes in the values of these securities are not reported in the financial statements, except for other-than-temporary impairments. For HTM securities, only the credit loss component of the impairment is recognized in earnings, while the remainder of the impairment is recognized in AOCI.

Edgar Filing: CITIGROUP INC - Form 10-Q

- (3) The Company invests in mortgage-backed and asset-backed securities. These securitizations are generally considered VIEs. The Company's maximum exposure to loss from these VIEs is equal to the carrying amount of the securities, which is reflected in the table above. For mortgage-backed and asset-backed securitizations in which the Company has other involvement, see Note 17 to the Consolidated Financial Statements.
- (4) During the second quarter of 2012, the Company (via its Banamex entity) purchased Mexican government bonds with a par value \$2.6 billion and classified them as held-to-maturity.

The Company has the positive intent and ability to hold these securities to maturity absent any unforeseen further significant changes in circumstances, including deterioration in credit or with regard to regulatory capital requirements.

The net unrealized losses classified in AOCI relate to debt securities reclassified from AFS investments to HTM investments in a prior year. Additionally, for HTM securities that have suffered credit impairment, declines in fair value for reasons other than credit losses are recorded in AOCI. The AOCI balance was \$1.7 billion as of September 30, 2012, compared to \$2.3 billion as of December 31, 2011. The AOCI balance for HTM securities is amortized over the remaining life of the related securities as an adjustment of yield in a manner consistent with the accretion of discount on the same debt securities. This will have no impact on the Company's net income because the amortization of the unrealized holding loss reported in equity will offset the effect on interest income of the accretion of the discount on these securities.

For any credit-related impairment on HTM securities, the credit loss component is recognized in earnings.

The table below shows the fair value of debt securities in HTM that have been in an unrecognized loss position for less than 12 months or for 12 months or longer as of September 30, 2012 and December 31, 2011:

	Less than 12 months		12 months or longer		Total	
	Fair value	Gross unrecognized losses	Fair value	Gross unrecognized losses	Fair value	Gross unrecognized losses
<i>In millions of dollars</i>						
September 30, 2012						
Debt securities held-to-maturity						
Mortgage-backed securities	\$ 203	\$ 11	\$ 1,755	\$ 419	\$ 1,958	\$ 430
State and municipal			368	34	368	34
Foreign government	552	1			552	1
Corporate						
Asset-backed securities	228	28	404	33	632	61
Total debt securities held-to-maturity	\$ 983	\$ 40	\$ 2,527	\$ 486	\$ 3,510	\$ 526
December 31, 2011						
Debt securities held-to-maturity						
Mortgage-backed securities	\$ 735	\$ 63	\$ 4,827	\$ 689	\$ 5,562	\$ 752
State and municipal			682	72	682	72
Foreign government						
Corporate			1,427	254	1,427	254
Asset-backed securities	480	71	306	16	786	87
Total debt securities held-to-maturity	\$ 1,215	\$ 134	\$ 7,242	\$ 1,031	\$ 8,457	\$ 1,165

Excluded from the gross unrecognized losses presented in the above table are the \$1.7 billion and \$2.3 billion of gross unrealized losses recorded in AOCI as of September 30, 2012 and December 31, 2011, respectively, mainly related to the HTM securities that were reclassified from AFS investments. Virtually all of these unrecognized losses relate to securities that have been in a loss position for 12 months or longer at September 30, 2012 and December 31, 2011.

Edgar Filing: CITIGROUP INC - Form 10-Q

The following table presents the carrying value and fair value of HTM debt securities by contractual maturity dates as of September 30, 2012 and December 31, 2011:

In millions of dollars	September 30, 2012		December 31, 2011	
	Carrying value	Fair value	Carrying value	Fair value
Mortgage-backed securities				
Due within 1 year	\$	\$	\$	\$
After 1 but within 5 years	252	249	275	239
After 5 but within 10 years	55	54	238	224
After 10 years(1)	4,913	5,083	6,917	6,320
Total	\$ 5,220	\$ 5,386	\$ 7,430	\$ 6,783
State and municipal				
Due within 1 year	\$ 15	\$ 16	\$ 4	\$ 4
After 1 but within 5 years	34	36	43	46
After 5 but within 10 years	62	66	31	30
After 10 years(1)	1,112	1,247	1,249	1,243
Total	\$ 1,223	\$ 1,365	\$ 1,327	\$ 1,323
Foreign government				
Due within 1 year	\$	\$	\$	\$
After 1 but within 5 years	2,849	2,855		
After 5 but within 10 years				
After 10 years(1)				
Total	\$ 2,849	\$ 2,855	\$	\$
All other(2)				
Due within 1 year	\$	\$	\$ 21	\$ 21
After 1 but within 5 years	843	897	470	438
After 5 but within 10 years	40	41	1,404	1,182
After 10 years(1)	768	713	831	753
Total	\$ 1,651	\$ 1,651	\$ 2,726	\$ 2,394
Total debt securities held-to-maturity	\$ 10,943	\$ 11,257	\$ 11,483	\$ 10,500

(1) Investments with no stated maturities are included as contractual maturities of greater than 10 years. Actual maturities may differ due to call or prepayment rights.

(2) Includes corporate and asset-backed securities.

Evaluating Investments for Other-Than-Temporary Impairment

Overview

The Company conducts and documents periodic reviews of all securities with unrealized losses to evaluate whether the impairment is other than temporary.

An unrealized loss exists when the current fair value of an individual security is less than its amortized cost basis. Unrealized losses that are determined to be temporary in nature are recorded, net of tax, in AOCI for AFS securities, while such losses related to HTM securities are not recorded, as these investments are carried at their amortized cost. For securities transferred to HTM from *Trading account assets*, amortized cost is defined as the fair value of the securities at the date of transfer, plus any accretion income and less any impairment recognized in earnings subsequent to transfer. For securities transferred to HTM from AFS, amortized cost is defined as the original purchase cost, plus or minus any accretion or amortization of a purchase discount or premium, less any impairment recognized in earnings.

Regardless of the classification of the securities as AFS or HTM, the Company has assessed each position with an unrealized loss for other-than-temporary impairment (OTTI). Factors considered in determining whether a loss is temporary include:

the length of time and the extent to which fair value has been below cost;

the severity of the impairment;

the cause of the impairment and the financial condition and near-term prospects of the issuer;

activity in the market of the issuer that may indicate adverse credit conditions; and

the Company's ability and intent to hold the investment for a period of time sufficient to allow for any anticipated recovery.

The Company's review for impairment generally entails:

identification and evaluation of investments that have indications of possible impairment;

analysis of individual investments that have fair values less than amortized cost, including consideration of the length of time the investment has been in an unrealized loss position and the expected recovery period;

discussion of evidential matter, including an evaluation of factors or triggers that could cause individual investments to qualify as having other-than-temporary impairment and those that would not support other-than-temporary impairment; and

documentation of the results of these analyses, as required under business policies.

Debt

Under the guidance for debt securities, OTTI is recognized in earnings for debt securities that the Company has an intent to sell or that the Company believes it is more-likely-than-not that it will be required to sell prior to recovery of the amortized cost basis. For those securities that the Company does not intend to sell or expect to be required to sell, credit-related impairment is recognized in earnings, with the non-credit-related impairment recorded in AOCI.

For debt securities that are not deemed to be credit impaired, management assesses whether it intends to sell or whether it is more-likely-than-not that it would be required to sell the investment before the expected recovery of the amortized cost basis. In most cases,

Edgar Filing: CITIGROUP INC - Form 10-Q

management has asserted that it has no intent to sell and that it believes it is not likely to be required to sell the investment before recovery of its amortized cost basis. Where such an assertion cannot be made, the security's decline in fair value is deemed to be other than temporary and is recorded in earnings.

For debt securities, a critical component of the evaluation for OTTI is the identification of credit impaired securities, where management does not expect to receive cash flows sufficient to recover the entire amortized cost basis of the security. For securities purchased and classified as AFS with the expectation of receiving full principal and interest cash flows as of the date of purchase, this analysis considers the likelihood of receiving all contractual principal and interest. For securities reclassified out of the trading category in the fourth quarter of 2008, the analysis considers the likelihood of receiving the expected principal and interest cash flows anticipated as of the date of reclassification in the fourth quarter of 2008. The extent of the Company's analysis regarding credit quality and the stress on assumptions used in the analysis have been refined for securities where the current fair value or other characteristics of the security warrant.

Equity

For equity securities, management considers the various factors described above, including its intent and ability to hold the equity security for a period of time sufficient for recovery to cost or whether it is more-likely-than-not that the Company will be required to sell the security prior to recovery of its cost basis. Where management lacks that intent or ability, the security's decline in fair value is deemed to be other-than-temporary and is recorded in earnings. AFS equity securities deemed other-than-temporarily impaired are written down to fair value, with the full difference between fair value and cost recognized in earnings.

Management assesses equity method investments with fair value less than carrying value for OTTI. Fair value is measured as price multiplied by quantity if the investee has publicly listed securities. If the investee is not publicly listed, other methods are used (see Note 19 to the Consolidated Financial Statements).

For impaired equity method investments that Citi plans to sell prior to recovery of value, or would likely be required to sell and there is no expectation that the fair value will recover prior to the expected sale date, the full impairment is recognized in the Consolidated Statement of Income as OTTI regardless of severity and duration. The measurement of the OTTI does not include partial projected recoveries subsequent to the balance sheet date.

Edgar Filing: CITIGROUP INC - Form 10-Q

For impaired equity method investments that management does not plan to sell prior to recovery of value and is not likely to be required to sell, the evaluation of whether an impairment is other-than-temporary is based on (i) whether and when an equity method investment will recover in value and (ii) whether the investor has the intent and ability to hold that investment for a period of time sufficient to recover the value. The determination of whether the impairment is considered other-than-temporary is based on all of the following indicators, regardless of the time and extent of impairment:

Cause of the impairment and the financial condition and near-term prospects of the issuer, including any specific events that may influence the operations of the issuer;

Intent and ability to hold the investment for a period of time sufficient to allow for any anticipated recovery in market value; and

Length of time and extent to which fair value has been less than the carrying value.

The sections below describe current circumstances related to certain of the Company's significant equity method investments, specific impairments and the Company's process for identifying credit-related impairments in its security types with the most significant unrealized losses as of September 30, 2012.

Akbank

As previously announced on March 23, 2012, Citi decided to reduce its ownership interest in Akbank T.A.S., an equity investment in Turkey (Akbank), to below 10%. As of March 31, 2012, Citi held a 20% equity interest in Akbank, which it purchased in January 2007, accounted for as an equity method investment. As a result of its decision to sell its share holdings in Akbank, in the first quarter of 2012 Citi recorded an impairment charge related to its total investment in Akbank amounting to approximately \$1.2 billion pretax (\$763 million after-tax). This impairment charge was primarily driven by the recognition of all respective net investment foreign currency hedging and translation losses previously reflected in AOCI as well as a reduction in carrying value of the investment to reflect the market price of Akbank's shares. The impairment charge was recorded in other-than-temporary impairment losses on investments in the Consolidated Statement of Income. During the second quarter of 2012, Citi sold a 10.1% stake in Akbank, resulting in a loss on sale of \$424 million (\$274 million after tax), recorded within other revenue. The remaining 9.9% stake in Akbank is recorded within marketable equity securities available-for-sale.

MSSB

On September 17, 2012, Citi sold to Morgan Stanley a 14% interest (the "14% Interest") in MSSB as to which Morgan Stanley exercised its purchase option on June 1, 2012. Morgan Stanley paid to Citi \$1.89 billion in cash as the purchase price of the 14% Interest. The purchase price was based on an implied 100% valuation of MSSB of \$13.5 billion, as agreed between Morgan Stanley and Citi pursuant to an agreement dated September 11, 2012 (for additional information, see Citi's Form 8-K filed with the U.S. Securities and Exchange Commission on September 11, 2012). The related approximately \$5.5 billion deposits were transferred to Morgan Stanley at no premium, as agreed between the parties.

In addition, Morgan Stanley has agreed, subject to obtaining regulatory approval, to purchase Citi's remaining 35% interest in MSSB no later than June 1, 2015 at a purchase price of \$4.725 billion which is based on the same implied 100% valuation of MSSB of \$13.5 billion.

Citi's carrying value of its 49% interest in MSSB was approximately \$11.3 billion. As a result of the agreement entered into with Morgan Stanley on September 11, 2012, Citi recorded a charge to net income in the third quarter of 2012 of approximately \$2.9 billion after-tax (\$4.7 billion pre-tax), consisting of (1) a charge to net income of approximately \$800 million after-tax (\$1.3 billion pre-tax), representing a loss on sale of the 14% interest, and (2) an other-than-temporary impairment of the carrying value of its remaining 35% interest in MSSB of approximately \$2.1 billion after-tax (\$3.4 billion pre-tax).

After the sale, Citi continues to account for its remaining 35% interest in MSSB under the equity method, with the carrying value capped at the agreed selling price of \$4.725 billion.

Mortgage-backed securities

For U.S. mortgage-backed securities (and in particular for Alt-A and other mortgage-backed securities that have significant unrealized losses as a percentage of amortized cost), credit impairment is assessed using a cash flow model that estimates the cash flows on the underlying mortgages, using the security-specific collateral and transaction structure. The model estimates cash flows from the underlying mortgage loans and distributes those cash flows to various tranches of securities, considering the transaction structure and any subordination and credit

Edgar Filing: CITIGROUP INC - Form 10-Q

enhancements that exist in that structure. The cash flow model incorporates actual cash flows on the mortgage-backed securities through the current period and then projects the remaining cash flows using a number of assumptions, including default rates, prepayment rates and recovery rates (on foreclosed properties).

Management develops specific assumptions using as much market data as possible and includes internal estimates as well as estimates published by rating agencies and other third-party sources. Default rates are projected by considering current underlying mortgage loan performance, generally assuming the default of (1) 10% of current loans, (2) 25% of 30-59 day delinquent loans, (3) 70% of 60-90 day delinquent loans and (4) 100% of 91+ day delinquent loans. These estimates are extrapolated along a default timing curve to estimate the total lifetime pool default rate. Other assumptions used contemplate the actual collateral attributes, including geographic concentrations, rating agency loss projections, rating actions and current market prices.

Edgar Filing: CITIGROUP INC - Form 10-Q

The key assumptions for mortgage-backed securities as of September 30, 2012 are in the table below:

	September 30, 2012
Prepayment rate(1)	1%-8% CRR
Loss severity(2)	45%-95%

- (1) Conditional repayment rate (CRR) represents the annualized expected rate of voluntary prepayment of principal for mortgage-backed securities over a certain period of time.
- (2) Loss severity rates are estimated considering collateral characteristics and generally range from 45%-60% for prime bonds, 50%-95% for Alt-A bonds and 65%-90% for subprime bonds.

In addition, cash flow projections are developed using more stressful parameters. Management assesses the results of those stress tests (including the severity of any cash shortfall indicated and the likelihood of the stress scenarios actually occurring based on the underlying pool's characteristics and performance) to assess whether management expects to recover the amortized cost basis of the security. If cash flow projections indicate that the Company does not expect to recover its amortized cost basis, the Company recognizes the estimated credit loss in earnings.

State and municipal securities

Citigroup's AFS state and municipal bonds consist mainly of bonds that are financed through Tender Option Bond programs or were previously financed in this program. The process for identifying credit impairments for these bonds is largely based on third-party credit ratings. Individual bond positions that are financed through Tender Option Bonds are required to meet minimum ratings requirements, which vary based on the sector of the bond issuer.

Citigroup monitors the bond issuer and insurer ratings on a daily basis. The average portfolio rating, ignoring any insurance, is Aa3/AA-. In the event of a rating downgrade, the subject bond is specifically reviewed for potential shortfall in contractual principal and interest. The remainder of Citigroup's AFS and HTM state and municipal bonds are specifically reviewed for credit impairment based on instrument-specific estimates of cash flows, probability of default and loss given default.

For impaired AFS state and municipal bonds that Citi plans to sell, or would likely be required to sell and there is no expectation that the fair value will recover prior to the expected sale date, the full impairment is recognized in earnings.

Recognition and Measurement of OTTI

The following table presents the total OTTI recognized in earnings during the three and nine months ended September 30, 2012:

OTTI on Investments and Other Assets <i>In millions of dollars</i>	Three Months Ended September 30, 2012				Nine Months Ended September 30, 2012			
	AFS	HTM	Other Assets	Total	AFS	HTM	Other Assets	Total
Impairment losses related to securities that the Company does not intend to sell nor will likely be required to sell:								
Total OTTI losses recognized during the period ended September 30, 2012	\$ 2	\$ 73	\$	\$ 75	\$ 12	\$ 328	\$	\$ 340
Less: portion of OTTI loss recognized in AOCI (before taxes)					1	65		66
Net impairment losses recognized in earnings for securities that the Company does not intend to sell nor will likely be required to sell	\$ 2	\$ 73	\$	\$ 75	\$ 11	\$ 263	\$	\$ 274
OTTI losses recognized in earnings for securities that the Company intends to sell or more-likely-than-not will be required to sell before recovery(1)								
	55		3,340	3,395	108		4,521	4,629

Total impairment losses recognized in earnings	\$ 57	\$ 73	\$ 3,340	\$ 3,470	\$ 119	\$ 263	\$ 4,521	\$ 4,903
---	--------------	--------------	-----------------	-----------------	---------------	---------------	-----------------	-----------------

(1)

As described under "MSSB" above, third quarter of 2012 includes the recognition of a \$3,340 million impairment charge related to the carrying value of Citi's remaining 35% interest in the Morgan Stanley Smith Barney joint venture (MSSB). Additionally, as described under "Akbank" above, in the first quarter of 2012, the Company recorded an impairment charge relating to its total investment in Akbank amounting to \$1.2 billion pretax (\$763 million after-tax).

Edgar Filing: CITIGROUP INC - Form 10-Q

The following is a three month roll-forward of the credit-related impairments recognized in earnings for AFS and HTM debt securities held as of September 30, 2012 that the Company does not intend to sell nor will likely be required to sell:

	Cumulative OTTI credit losses recognized in earnings				
	June 30, 2012 balance	Credit impairments recognized in earnings on securities not previously impaired	Credit impairments recognized in earnings on securities that have been previously impaired	Reductions due to credit-impaired securities sold, transferred or matured	Sept. 30, 2012 balance
<i>In millions of dollars</i>					
AFS debt securities					
Mortgage-backed securities					
Prime	\$ 292	\$	\$	\$	\$ 292
Alt-A	2				2
Commercial real estate	2				2
Total mortgage-backed securities	\$ 296	\$	\$	\$	\$ 296
State and municipal securities	7				7
U.S. Treasury securities	67				67
Foreign government securities	168	2			170
Corporate	147			(28)	119
Asset-backed securities	10				10
Other debt securities	52				52
Total OTTI credit losses recognized for AFS debt securities	\$ 747	\$ 2	\$	\$ (28)	\$ 721
HTM debt securities					
Mortgage-backed securities					
Prime	\$ 98	\$ 1	\$	\$ (1)	\$ 98
Alt-A	2,376	7	65	(11)	2,437
Subprime	254			(2)	252
Non-U.S. residential	80				80
Commercial real estate	10				10
Total mortgage-backed securities	\$ 2,818	\$ 8	\$ 65	\$ (14)	\$ 2,877
State and municipal securities	11				11
Corporate	403				403
Asset-backed securities	113				113
Other debt securities	11				11
Total OTTI credit losses recognized for HTM debt securities	\$ 3,356	\$ 8	\$ 65	\$ (14)	\$ 3,415

Edgar Filing: CITIGROUP INC - Form 10-Q

The following is a nine month roll-forward of the credit-related impairments recognized in earnings for AFS and HTM debt securities held as of September 30, 2012 that the Company does not intend to sell nor will likely be required to sell:

<i>In millions of dollars</i>	Cumulative OTTI credit losses recognized in earnings				
	Dec. 31, 2011 balance	Credit impairments recognized in earnings on securities not previously impaired	Credit impairments recognized in earnings on securities that have been previously impaired	Reductions due to credit-impaired securities sold, transferred or matured	Sept. 30, 2012 balance
AFS debt securities					
Mortgage-backed securities					
Prime	\$ 292	\$	\$	\$	\$ 292
Alt-A	2				2
Commercial real estate	2				2
Total mortgage-backed securities	\$ 296	\$	\$	\$	\$ 296
State and municipal securities	3	4			7
U.S. Treasury securities	67				67
Foreign government securities	168	2			170
Corporate	151	1	4	(37)	119
Asset-backed securities	10				10
Other debt securities	52				52
Total OTTI credit losses recognized for AFS debt securities	\$ 747	\$ 7	\$ 4	\$ (37)	\$ 721
HTM debt securities					
Mortgage-backed securities					
Prime	\$ 84	\$ 6	\$ 9	\$ (1)	\$ 98
Alt-A	2,218	18	212	(11)	2,437
Subprime	252		2	(2)	252
Non-U.S. residential	96			(16)	80
Commercial real estate	10				10
Total mortgage-backed securities	\$ 2,660	\$ 24	\$ 223	\$ (30)	\$ 2,877
State and municipal securities	9	1	1		11
Foreign Government					
Corporate	391	3	9		403
Asset-backed securities	113				113
Other debt securities	9	2			11
Total OTTI credit losses recognized for HTM debt securities	\$ 3,182	\$ 30	\$ 233	\$ (30)	\$ 3,415

Investments in Alternative Investment Funds that Calculate Net Asset Value per Share

The Company holds investments in certain alternative investment funds that calculate net asset value (NAV) per share, including hedge funds, private equity funds, funds of funds and real estate funds. The Company's investments include co-investments in funds that are managed by the Company and investments in funds that are managed by third parties. Investments in funds are generally classified as non-marketable equity securities carried at fair value.

The fair values of these investments are estimated using the NAV per share of the Company's ownership interest in the funds, where it is not probable that the Company will sell an investment at a price other than NAV.

<i>In millions of dollars at September 30, 2012</i>	Fair value	Unfunded commitments	Redemption frequency (if currently eligible) monthly, quarterly, annually	Redemption notice period
Hedge funds	\$ 835	\$	Generally quarterly	10-95 days
Private equity funds(1)(2)	876	374		
Real estate funds(3)(4)	243	77		
Total	\$ 1,954(5)	\$ 451		

-
- (1) Includes investments in private equity funds carried at cost with a carrying value of \$7 million.
- (2) Private equity funds include funds that invest in infrastructure, leveraged buyout transactions, emerging markets and venture capital.
- (3) Includes several real estate funds that invest primarily in commercial real estate in the U.S., Europe and Asia. Real estate funds include investments to be sold carried at their estimated sales price of \$29 million.
- (4) With respect to the Company's investments that it holds in private equity funds and real estate funds, distributions from each fund will be received as the underlying assets held by these funds are liquidated. It is estimated that the underlying assets of these funds will be liquidated over a period of several years as market conditions allow. While certain investments within the portfolio may be sold, no specific assets have been identified for sale. Because it is not probable that any individual investment will be sold, the fair value of each individual investment has been estimated using the NAV of the Company's ownership interest in the partners' capital. Private equity and real estate funds do not allow redemption of investments by their investors. Investors are permitted to sell or transfer their investments, subject to the approval of the general partner or investment manager of these funds, which generally may not be unreasonably withheld.
- (5) Included in the total fair value of investments above is \$0.5 billion of fund assets that are valued using NAVs provided by third-party asset managers. Amounts exclude investments in funds that are consolidated by Citi.

Under The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (Dodd-Frank Act), the Company will be required to limit its investments in and arrangements with "private equity funds" and "hedge funds" as defined under the statute and impending regulations. Citi does not believe the implementation of the fund provisions of the Dodd-Frank Act will have a material negative impact on its overall results of operations.

12. LOANS

Citigroup loans are reported in two categories Consumer and Corporate. These categories are classified primarily according to the segment and subsegment that manages the loans.

Consumer Loans

Consumer loans represent loans and leases managed primarily by the *Global Consumer Banking* and *Local Consumer Lending* businesses. The following table provides information by loan type:

<i>In millions of dollars</i>	September 30, 2012	December 31, 2011
Consumer loans		
In U.S. offices		
Mortgage and real estate(1)	\$ 128,737	\$ 139,177
Installment, revolving credit, and other	14,210	15,616
Cards	108,819	117,908
Commercial and industrial	5,042	4,766
Lease financing		1
	\$ 256,808	\$ 277,468
In offices outside the U.S.		
Mortgage and real estate(1)	\$ 54,529	\$ 52,052
Installment, revolving credit, and other	36,290	34,613
Cards	39,671	38,926
Commercial and industrial	20,070	19,975
Lease financing	742	711
	\$ 151,302	\$ 146,277
Total Consumer loans	\$ 408,110	\$ 423,745
Net unearned income	(358)	(405)
Consumer loans, net of unearned income	\$ 407,752	\$ 423,340

(1) Loans secured primarily by real estate.

Included in the loan table above are lending products whose terms may give rise to additional credit issues. Credit cards with below-market introductory interest rates and interest-only loans are examples of such products. However, these products are closely managed using appropriate credit techniques that are intended to mitigate their additional inherent risk.

During the three and nine months ended September 30, 2012 and 2011, the Company sold and/or reclassified (to held-for-sale) \$1.3 billion and \$3.1 billion, and \$2.7 billion and \$14.0 billion, respectively, of Consumer loans. The Company did not have significant purchases of Consumer loans during the nine months ended September 30, 2012 or September 30, 2011.

Citigroup has established a risk management process to monitor, evaluate and manage the principal risks associated with its Consumer loan portfolio. Credit quality indicators that are actively monitored include delinquency status, consumer credit scores (FICO), and loan to value (LTV) ratios, each as discussed in more detail below.

Delinquency Status

Delinquency status is carefully monitored and considered a key indicator of credit quality. Substantially all of the U.S. residential first mortgage loans use the MBA method of reporting delinquencies, which considers a loan delinquent if a monthly payment has not been received

Edgar Filing: CITIGROUP INC - Form 10-Q

by the end of the day immediately preceding the loan's next due date. All other loans use the OTS method of reporting delinquencies, which considers a loan delinquent if a monthly payment has not been received by the close of business on the loan's next due date.

As a general rule, residential first mortgages, home equity loans and installment loans are classified as non-accrual when loan payments are 90 days contractually past due. Credit cards and unsecured revolving loans generally accrue interest until payments are 180 days past due. Commercial market loans are placed on a cash (non-accrual) basis when it is determined, based on actual experience and a forward-looking assessment of the collectability of the loan in full, that the payment of interest or principal is doubtful or when interest or principal is 90 days past due.

The policy for re-aging modified U.S. Consumer loans to current status varies by product. Generally, one of the conditions to qualify for these modifications is that a minimum number of payments (typically ranging from one to three) be made. Upon modification, the loan is re-aged to current status. However, re-aging practices for certain open-ended Consumer loans, such as credit cards, are governed by Federal Financial Institutions Examination Council (FFIEC) guidelines. For open-ended Consumer loans subject to FFIEC guidelines, one of the conditions for the loan to be re-aged to current status is that at least three consecutive minimum monthly payments, or the equivalent amount, must be received. In addition, under FFIEC guidelines, the number of times that such a loan can be re-aged is subject to limitations (generally once in 12 months and twice in five years). Furthermore, Federal Housing Administration (FHA) and Department of Veterans Affairs (VA) loans are modified under those respective agencies' guidelines, and payments are not always required in order to re-age a modified loan to current.

Edgar Filing: CITIGROUP INC - Form 10-Q

The following tables provide details on Citigroup's Consumer loan delinquency and non-accrual loans as of September 30, 2012 and December 31, 2011:

Consumer Loan Delinquency and Non-Accrual Details at September 30, 2012

<i>In millions of dollars</i>	Total current(1)(2)	30-89 days past due(3)	≥ 90 days past due(3)	Past due Government guaranteed(4)	Total loans(2)	Total non-accrual(5)	90 days past due and accruing
<i>In North America</i>							
<i>offices</i>							
Residential first mortgages	\$ 76,311	\$ 3,495	\$ 3,684	\$ 6,235	\$ 89,725	\$ 5,295	\$ 4,842
Home equity loans(6)	37,071	703	853		38,627	1,889	
Credit cards	106,261	1,590	1,496		109,347		1,496
Installment and other	13,656	297	327		14,280	318	10
Commercial market loans	7,379	29	15		7,423	149	9
Total	\$ 240,678	\$ 6,114	\$ 6,375	\$ 6,235	\$ 259,402	\$ 7,651	\$ 6,357
<i>In offices outside North America</i>							
Residential first mortgages	\$ 45,305	\$ 606	\$ 479	\$	\$ 46,390	\$ 778	\$
Home equity loans(6)	4		2		6	2	
Credit cards	37,967	959	778		39,704	513	487
Installment and other	29,180	508	197		29,885	260	
Commercial market loans	31,435	105	167		31,707	466	
Total	\$ 143,891	\$ 2,178	\$ 1,623	\$	\$ 147,692	\$ 2,019	\$ 487
Total GCB and LCL	\$ 384,569	\$ 8,292	\$ 7,998	\$ 6,235	\$ 407,094	\$ 9,670	\$ 6,844
Special Asset Pool (SAP)	\$ 594	\$ 31	\$ 33	\$	\$ 658	\$ 91	\$
Total Citigroup	\$ 385,163	\$ 8,323	\$ 8,031	\$ 6,235	\$ 407,752	\$ 9,761	\$ 6,844

-
- (1) Loans less than 30 days past due are presented as current.
- (2) Includes \$1.3 billion of residential first mortgages recorded at fair value.
- (3) Excludes loans guaranteed by U.S. government entities.
- (4) Consists of residential first mortgages that are guaranteed by U.S. government entities that are 30-89 days past due of \$1.4 billion and ≥ 90 days past due of \$4.8 billion.
- (5) Includes \$1.5 billion of loans (\$1.2 billion of residential first mortgages and \$0.3 billion of home equity loans) in *North America* that were reclassified to non-accrual as a result of new OCC guidance with respect to the treatment of mortgage loans where the borrower has gone through Chapter 7 bankruptcy. (See Note 1 to the Consolidated Financial Statements.) Of the \$1.5 billion of such non-accrual loans, \$1.3 billion was current as of September 30, 2012.
- (6) Fixed rate home equity loans and loans extended under home equity lines of credit which are typically in junior lien positions.

Consumer Loan Delinquency and Non-Accrual Details at December 31, 2011

<i>In millions of dollars</i>	Total current(1)(2)	30-89 days past due(3)	≥ 90 days past due(3)	Past due Government guaranteed(4)	Total loans(2)	Total non-accrual	90 days past due and accruing
<i>In North America offices</i>							
Residential first mortgages	\$ 81,081	\$ 3,550	\$ 4,121	\$ 6,686	\$ 95,438	\$ 4,176	\$ 5,054
Home equity loans(5)	41,585	868	1,022		43,475	982	
Credit cards	114,022	2,344	2,058		118,424		2,058
Installment and other	15,215	340	222		15,777	438	10
Commercial market loans	6,643	15	207		6,865	220	14
Total	\$ 258,546	\$ 7,117	\$ 7,630	\$ 6,686	\$ 279,979	\$ 5,816	\$ 7,136
<i>In offices outside North America</i>							
Residential first mortgages	\$ 43,310	\$ 566	\$ 482	\$	\$ 44,358	\$ 744	\$
Home equity loans(5)	6		2		8	2	
Credit cards	38,289	930	785		40,004	496	490
Installment and other	26,300	528	197		27,025	258	
Commercial market loans	30,491	79	127		30,697	401	
Total	\$ 138,396	\$ 2,103	\$ 1,593	\$	\$ 142,092	\$ 1,901	\$ 490
Total GCB and LCL	\$ 396,942	\$ 9,220	\$ 9,223	\$ 6,686	\$ 422,071	\$ 7,717	\$ 7,626
Special Asset Pool (SAP)	1,193	29	47		1,269	115	
Total Citigroup	\$ 398,135	\$ 9,249	\$ 9,270	\$ 6,686	\$ 423,340	\$ 7,832	\$ 7,626

-
- (1) Loans less than 30 days past due are presented as current.
- (2) Includes \$1.3 billion of residential first mortgages recorded at fair value.
- (3) Excludes loans guaranteed by U.S. government entities.
- (4) Consists of residential first mortgages that are guaranteed by U.S. government entities that are 30-89 days past due of \$1.6 billion and ≥ 90 days past due of \$5.1 billion.
- (5) Fixed rate home equity loans and loans extended under home equity lines of credit which are typically in junior lien positions.

Edgar Filing: CITIGROUP INC - Form 10-Q

Consumer Credit Scores (FICO)

In the U.S., independent credit agencies rate an individual's risk for assuming debt based on the individual's credit history and assign every consumer a "FICO" credit score. These scores are continually updated by the agencies based upon an individual's credit actions (e.g., taking out a loan or missed or late payments).

The following table provides details on the FICO scores attributable to Citi's U.S. Consumer loan portfolio as of September 30, 2012 and December 31, 2011 (commercial market loans are not included in the table since they are business-based and FICO scores are not a primary driver in their credit evaluation). FICO scores are updated monthly for substantially all of the portfolio or, otherwise, on a quarterly basis.

FICO score distribution in U.S. portfolio(1)(2) <i>In millions of dollars</i>	September 30, 2012		
	Less than 620	≥ 620 but less than 660	Equal to or greater than 660
Residential first mortgages	\$ 17,497	\$ 8,270	\$ 51,322
Home equity loans	5,646	3,295	27,820
Credit cards	7,790	10,128	87,334
Installment and other	4,422	2,459	5,457
Total	\$ 35,355	\$ 24,152	\$ 171,933

(1) Excludes loans guaranteed by U.S. government entities, loans subject to LTSCs with U.S. government-sponsored entities and loans recorded at fair value.

(2) Excludes balances where FICO was not available. Such amounts are not material.

FICO score distribution in U.S. portfolio(1)(2) <i>In millions of dollars</i>	December 31, 2011		
	Less than 620	≥ 620 but less than 660	Equal to or greater than 660
Residential first mortgages	\$ 20,370	\$ 8,815	\$ 52,839
Home equity loans	6,783	3,703	30,884
Credit cards	9,621	10,905	93,234
Installment and other	3,789	2,858	6,704
Total	\$ 40,563	\$ 26,281	\$ 183,661

(1) Excludes loans guaranteed by U.S. government entities, loans subject to LTSCs with U.S. government-sponsored entities and loans recorded at fair value.

(2) Excludes balances where FICO was not available. Such amounts are not material.

Loan to Value Ratios (LTV)

LTV ratios (loan balance divided by appraised value) are calculated at origination and updated by applying market price data.

The following tables provide details on the LTV ratios attributable to Citi's U.S. Consumer mortgage portfolios as of September 30, 2012 and December 31, 2011. LTV ratios are updated monthly using the most recent Core Logic HPI data available for substantially all of the portfolio applied at the Metropolitan Statistical Area level, if available; otherwise, at the state level. The remainder of the portfolio is updated in a similar manner using the Office of Federal Housing Enterprise Oversight indices.

Edgar Filing: CITIGROUP INC - Form 10-Q

LTV distribution in U.S. portfolio(1)(2) <i>In millions of dollars</i>	September 30, 2012		
	Less than or equal to 80%	> 80% but less than or equal to 100%	Greater than 100%
Residential first mortgages	\$ 41,550	\$ 19,298	\$ 16,243
Home equity loans	13,020	9,939	13,621
Total	\$ 54,570	\$ 29,237	\$ 29,864

(1) Excludes loans guaranteed by U.S. government entities, loans subject to LTSCs with U.S. government-sponsored entities and loans recorded at fair value.

(2) Excludes balances where LTV was not available. Such amounts are not material.

LTV distribution in U.S. portfolio(1)(2) <i>In millions of dollars</i>	December 31, 2011		
	Less than or equal to 80%	> 80% but less than or equal to 100%	Greater than 100%
Residential first mortgages	\$ 36,422	\$ 21,146	\$ 24,425
Home equity loans	12,724	10,232	18,226
Total	\$ 49,146	\$ 31,378	\$ 42,651

(1) Excludes loans guaranteed by U.S. government entities, loans subject to LTSCs with U.S. government-sponsored entities and loans recorded at fair value.

(2) Excludes balances where LTV was not available. Such amounts are not material.

Impaired Consumer Loans

Impaired loans are those for which Citigroup believes it is probable that it will not collect all amounts due according to the original contractual terms of the loan. Impaired Consumer loans include non-accrual commercial market loans as well as smaller-balance homogeneous loans whose terms have been modified due to the borrower's financial difficulties and Citigroup has granted a concession to the borrower. These modifications may include interest rate reductions and/or principal forgiveness. Impaired Consumer loans exclude smaller-balance homogeneous loans that have not been modified and are carried on a non-accrual basis. In addition, impaired Consumer loans exclude substantially all loans modified pursuant to Citi's short-term modification programs (i.e., for periods of 12 months or less) that were modified prior to January 1, 2011.

Effective in the third quarter of 2012, as a result of new OCC guidance, mortgage loans to borrowers that have gone through Chapter 7 bankruptcy are classified as TDRs. These TDRs, other than FHA-insured loans, are written down to collateral value less cost to sell. FHA-insured loans are reserved based on a discounted cash flow model. (See Note 1 to the Consolidated Financial Statements.) Approximately \$635 million of incremental charge-offs was recorded in the third quarter as a result of this new guidance, the vast majority of which related to current loans, and was substantially offset by a related reserve release of approximately \$600 million. As of September 30, 2012, the recorded investment in receivables reclassified to TDRs as a result of this new OCC guidance approximated \$1,714 million, composed of \$1,327 million of residential first mortgages and \$387 million of home equity loans.

The following tables present information about total impaired Consumer loans at September 30, 2012 and December 31, 2011, respectively, and for the three- and nine-month periods ended September 30, 2012 and September 30, 2011 for interest income recognized on impaired Consumer loans:

Impaired Consumer Loans

<i>In millions of dollars</i>	Sept. 30, 2012				Three Months Ended Sept. 30, 2012	Three Months Ended Sept. 30, 2011	Nine Months Ended Sept. 30, 2012	Nine Months Ended Sept. 30, 2011
	Recorded investment(1)	Unpaid principal balance(2)	Related specific allowance(3)	Average carrying value(4)	Interest income recognized(5)	Interest income recognized(5)	Interest income recognized(5)	Interest income recognized(5)
Mortgage and real estate								
Residential first mortgages	\$ 21,169	\$ 22,444	\$ 2,809	\$ 19,643	\$ 251	\$ 220	\$ 674	\$ 674
Home equity loans	2,134	2,319	1,248	1,820	31	21	64	51
Credit cards	5,014	5,071	2,032	5,800	75	98	240	296
Installment and other								
Individual installment and other	2,013	2,018	858	2,121	88	75	218	228
Commercial market loans	519	700	74	514	5	3	18	19
Total(7)	\$ 30,849	\$ 32,552	\$ 7,021	\$ 29,898	\$ 450	\$ 417	\$ 1,214	\$ 1,268

- (1) Recorded investment in a loan includes net deferred loan fees and costs, unamortized premium or discount and direct write-downs and includes accrued interest only on credit card loans.
- (2) \$2,517 million of residential first mortgages, \$438 million of home equity loans and \$186 million of commercial market loans do not have a specific allowance.
- (3) Included in the *Allowance for loan losses*.
- (4) Average carrying value represents the average recorded investment ending balance for last four quarters and does not include related specific allowance.

Edgar Filing: CITIGROUP INC - Form 10-Q

- (5) Includes amounts recognized on both an accrual and cash basis.
- (6) Cash interest receipts on smaller-balance homogeneous loans are generally recorded as revenue. The interest recognition policy for commercial market loans is identical to that for Corporate loans, as described below.
- (7) Prior to 2008, the Company's financial accounting systems did not separately track impaired smaller-balance, homogeneous Consumer loans whose terms were modified due to the borrowers' financial difficulties and it was determined that a concession was granted to the borrower. Smaller-balance consumer loans modified since January 1, 2008 amounted to \$30.3 billion at September 30, 2012. However, information derived from Citi's risk management systems indicates that the amounts of outstanding modified loans, including those modified prior to 2008, approximated \$31.3 billion at September 30, 2012.

Edgar Filing: CITIGROUP INC - Form 10-Q

<i>In millions of dollars</i>	December 31, 2011			
	Recorded investment(1)(2)	Unpaid principal balance	Related specific allowance(3)	Average carrying value(4)
Mortgage and real estate				
Residential first mortgages	\$ 19,616	\$ 20,803	\$ 3,404	\$ 18,642
Home equity loans	1,771	1,823	1,252	1,680
Credit cards	6,695	6,743	3,122	6,542
Installment and other				
Individual installment and other	2,264	2,267	1,032	2,644
Commercial market loans	517	782	75	572
Total(5)	\$ 30,863	\$ 32,418	\$ 8,885	\$ 30,080

-
- (1) Recorded investment in a loan includes net deferred loan fees and costs, unamortized premium or discount and direct write-downs and includes accrued interest only on credit card loans.
- (2) \$858 million of residential first mortgages, \$16 million of home equity loans and \$182 million of commercial market loans do not have a specific allowance.
- (3) Included in the *Allowance for loan losses*.
- (4) Average carrying value represents the average recorded investment ending balance for last four quarters and does not include related specific allowance.
- (5) Prior to 2008, the Company's financial accounting systems did not separately track impaired smaller-balance, homogeneous Consumer loans whose terms were modified due to the borrowers' financial difficulties and it was determined that a concession was granted to the borrower. Smaller-balance consumer loans modified since January 1, 2008 amounted to \$30.3 billion at December 31, 2011. However, information derived from Citi's risk management systems indicates that the amounts of outstanding modified loans, including those modified prior to 2008, approximated \$31.5 billion at December 31, 2011.

Consumer Troubled Debt Restructurings

The following tables present Consumer TDRs occurring during the three- and nine-month periods ended September 30, 2012 and 2011:

Three months ended September 30, 2012:

<i>In millions of dollars except number of loans modified</i>	Number of loans modified	Post-modification recorded investment(1)(2)	Chapter 7 bankruptcy(2)	Deferred principal(3)	Contingent principal forgiveness(4)	Principal forgiveness	Average interest rate reduction
North America							
Residential first mortgages	33,751	\$ 3,905	\$ 181	\$ 2	\$	\$ 66	1%
Home equity loans	23,728	507	454	1		8	
Credit cards	46,178	229					16
Installment and other revolving	14,759	106					6
Commercial markets(5)	42	7					
Total	118,458	\$ 4,754	\$ 635	\$ 3	\$	\$ 74	
International							
Residential first mortgages	1,078	\$ 55	\$	\$	\$	\$ 1	1%
Home equity loans	9	1					
Credit cards	51,149	162					28
Installment and other revolving	10,807	61					34
Commercial markets(5)	58	73					
Total	63,101	\$ 352				\$ 1	

Three months ended September 30, 2011:

<i>In millions of dollars except number of loans modified</i>	Number of loans modified	Post-modification recorded investment(1)	Deferred principal(3)	Contingent principal forgiveness(4)	Principal forgiveness	Average interest rate reduction
North America						
Residential first mortgages	7,448	\$ 1,187	\$	\$ 10	\$	2%
Home equity loans	3,770	195				4
Credit cards	146,783	853				19
Installment and other revolving	23,289	173				4
Commercial markets(5)	54	6				
Total	181,344	\$ 2,414	\$	\$ 10	\$	
International						
Residential first mortgages	2,283	\$ 78	\$	\$	\$ 1	1%
Home equity loans	10	1				
Credit cards	48,800	142				26
Installment and other revolving	32,716	128			1	12
Commercial markets(5)	34	30				
Total	83,843	\$ 379	\$	\$	\$ 2	

(1) Post-modification balances include past due amounts that are capitalized at modification date.

Edgar Filing: CITIGROUP INC - Form 10-Q

- (2) Post-modification balances in *North America* include \$2,797 million of residential first mortgages and \$473 million of home equity loans to borrowers that have gone through Chapter 7 bankruptcy. These amounts include \$1,327 million of residential first mortgages and \$387 million of home equity loans that are now classified as TDRs as a result of new OCC guidance. Chapter 7 bankruptcy column amounts are the incremental charge-offs that were recorded in the third quarter of 2012 as a result of this new OCC guidance.
- (3) Represents portion of loan principal that is non-interest bearing but still due from borrower. Effective in the first quarter of 2012, such deferred principal is charged-off at the time of modification to the extent that the related loan balance exceeds the underlying collateral value. A significant amount of the reported balances have been charged-off.
- (4) Represents portion of loan principal that is non-interest bearing and, depending upon borrower performance, eligible for forgiveness.
- (5) Commercial markets loans are generally borrower-specific modifications and incorporate changes in the amount and/or timing of principal and/or interest.

Edgar Filing: CITIGROUP INC - Form 10-Q

Nine months ended September 30, 2012:

<i>In millions of dollars except number of loans modified</i>	Number of loans modified	Post-modification recorded investment(1)(2)	Chapter 7 bankruptcy(2)	Deferred principal(3)	Contingent principal forgiveness(4)	Principal forgiveness	Average interest rate reduction
North America							
Residential first mortgages	47,567	\$ 6,365	\$ 181	\$ 8	\$ 2	\$ 405	2%
Home equity loans	28,584	689	454	4		34	2
Credit cards	161,577	841					17
Installment and other revolving	49,991	365					6
Commercial markets(5)	138	13					
Total	287,857	\$ 8,273	\$ 635	\$ 12	\$ 2	\$ 439	
International							
Residential first mortgages	4,113	\$ 176	\$	\$	\$	\$ 2	1%
Home equity loans	39	3					
Credit cards	156,477	465				1	29
Installment and other revolving	34,042	202				1	23
Commercial markets(5)	281	129			1	2	
Total	194,952	\$ 975	\$	\$	\$ 1	\$ 6	

Nine months ended September 30, 2011:

<i>In millions of dollars except number of loans modified</i>	Number of loans modified	Post-modification recorded investment(1)	Deferred principal(3)	Contingent principal forgiveness(4)	Principal forgiveness	Average interest rate reduction
North America						
Residential first mortgages	26,823	\$ 4,224	\$ 57	\$ 45		2%
Home equity loans	14,521	759	16	1		4
Credit cards	509,214	2,976				19
Installment and other revolving	77,858	586				4
Commercial markets(5)	491	49			1	
Total	628,907	\$ 8,594	\$ 73	\$ 46	\$ 1	
International						
Residential first mortgages	5,987	\$ 242	\$	\$	\$ 5	1%
Home equity loans	49	3				
Credit cards	172,582	475			2	23
Installment and other revolving	115,034	459			8	11
Commercial markets(5)	43	48				
Total	293,695	\$ 1,227	\$	\$	\$ 15	

(1) Post-modification balances include past due amounts that are capitalized at modification date.

(2) Post-modification balances in *North America* include \$2,797 million of residential first mortgages and \$473 million of home equity loans to borrowers that have gone through Chapter 7 bankruptcy. These amounts include \$1,327 million of residential first mortgages and \$387 million of home equity loans that are now classified as TDRs as a result of new OCC guidance. Chapter 7 bankruptcy column amounts are the incremental charge-offs that were recorded in the third quarter of 2012 as a result of this new OCC guidance.

Edgar Filing: CITIGROUP INC - Form 10-Q

- (3) Represents portion of loan principal that is non-interest bearing but still due from borrower. Effective in the first quarter of 2012, such deferred principal is charged-off at the time of modification to the extent that the related loan balance exceeds the underlying collateral value. A significant amount of the reported balances have been charged-off.
- (4) Represents portion of loan principal that is non-interest bearing and, depending upon borrower performance, eligible for forgiveness.
- (5) Commercial markets loans are generally borrower-specific modifications and incorporate changes in the amount and/or timing of principal and/or interest.

Edgar Filing: CITIGROUP INC - Form 10-Q

The following table presents Consumer TDRs that defaulted during the three- and nine-month periods ended September 30, 2012 and 2011, respectively, and for which the payment default occurred within one year of the modification:

<i>In millions of dollars</i>	Three Months Ended Sept. 30, 2012(1)	Three Months Ended Sept. 30, 2011(1)	Nine Months Ended Sept. 30, 2012(1)	Nine Months Ended Sept.30, 2011(1)
North America				
Residential first mortgages	\$ 240	\$ 448	\$ 893	\$ 1,303
Home equity loans	21	30	73	82
Credit cards	82	284	362	1,077
Installment and other revolving	31	35	94	75
Commercial markets		1		2
Total	\$ 374	\$ 798	\$ 1,422	\$ 2,539
International				
Residential first mortgages	\$ 12	\$ 27	\$ 42	\$ 96
Home equity loans				2
Credit cards	52	70	155	265
Installment and other revolving	25	47	90	193
Commercial markets	2	8	3	11
Total	\$ 91	\$ 152	\$ 290	\$ 567

- (1) Default is defined as 60 days past due, except for classifiably managed commercial markets loans, where default is defined as 90+ days past due.

Corporate Loans

Corporate loans represent loans and leases managed by the *Institutional Clients Group* or the *Special Asset Pool* in Citi Holdings. The following table presents information by Corporate loan type as of September 30, 2012 and December 31, 2011:

<i>In millions of dollars</i>	September 30, 2012	December 31, 2011
Corporate		
In U.S. offices		
Commercial and industrial	\$ 30,056	\$ 20,830
Loans to financial institutions	17,376	15,113
Mortgage and real estate(1)	24,221	21,516
Installment, revolving credit and other	32,987	33,182
Lease financing	1,394	1,270
	\$ 106,034	\$ 91,911
In offices outside the U.S.		
Commercial and industrial	\$ 85,854	\$ 79,764
Installment, revolving credit and other	16,758	14,114
Mortgage and real estate(1)	6,214	6,885
Loans to financial institutions	35,014	29,794
Lease financing	574	568
Governments and official institutions	984	1,576
	\$ 145,398	\$ 132,701
Total Corporate loans	\$ 251,432	\$ 224,612

Edgar Filing: CITIGROUP INC - Form 10-Q

Net unearned income (loss) (761) (710)

Corporate loans, net of unearned income \$ 250,671 \$ 223,902

(1) Loans secured primarily by real estate.

The Company sold and/or reclassified (to held-for-sale) \$2,384 million and \$745 million of Corporate loans during the nine and three months ended September 30, 2012, respectively, and \$4,736 million and \$1,067 million during the nine and three months ended September 30, 2011, respectively. The Company did not have significant purchases of Corporate loans classified as held-for-investment during the nine and three months ended September 30, 2012 and September 30, 2011.

Corporate loans are identified as impaired and placed on a cash (non-accrual) basis when it is determined, based on actual experience and a forward-looking assessment of the collectability of the loan in full, that the payment of interest or principal is doubtful or when interest or principal is 90 days past due, except when the loan is well collateralized and in the process of collection. Any interest accrued on impaired Corporate loans and leases is reversed at 90 days and charged against current earnings, and interest is thereafter included in earnings only to the extent actually received in cash. When there is doubt regarding the ultimate collectability of principal, all cash receipts are thereafter applied to reduce the recorded investment in the loan. While Corporate loans are generally managed based on their internally assigned risk rating (see further discussion below), the following tables present delinquency information by Corporate loan type as of September 30, 2012 and December 31, 2011:

Corporate Loan Delinquency and Non-Accrual Details at September 30, 2012

<i>In millions of dollars</i>	30-89 days past due and accruing(1)	≥ 90 days past due and accruing(1)	Total past due and accruing	Total non-accrual(2)	Total current(3)	Total loans
Commercial and industrial	\$ 48	\$ 16	\$ 64	\$ 974	\$ 113,854	\$ 114,892
Financial institutions				465	50,111	50,576
Mortgage and real estate	207	109	316	841	29,167	30,324
Leases	4		4	6	1,958	1,968
Other	96	6	102	143	48,563	48,808
Loans at fair value						4,103
Total	\$ 355	\$ 131	\$ 486	\$ 2,429	\$ 243,653	\$ 250,671

- (1) Corporate loans that are greater than 90 days past due are generally classified as non-accrual. Corporate loans are considered past due when principal or interest is contractually due but unpaid.
- (2) Citi generally does not manage Corporate loans on a delinquency basis. Non-accrual loans generally include those loans that are ≥ 90 days past due or those loans for which Citi believes, based on actual experience and a forward-looking assessment of the collectability of the loan in full, that the payment of interest or principal is doubtful.
- (3) Corporate loans are past due when principal or interest is contractually due but unpaid. Loans less than 30 days past due are presented as current.

Corporate Loan Delinquency and Non-Accrual Details at December 31, 2011

<i>In millions of dollars</i>	30-89 days past due and accruing(1)	≥ 90 days past due and accruing(1)	Total past due and accruing	Total non-accrual(2)	Total current(3)	Total loans
Commercial and industrial	\$ 93	\$ 30	\$ 123	\$ 1,134	\$ 98,157	\$ 99,414
Financial institutions		2	2	763	42,642	43,407
Mortgage and real estate	224	125	349	1,039	26,908	28,296
Leases	3	11	14	13	1,811	1,838
Other	225	15	240	287	46,481	47,008
Loans at fair value						3,939
Total	\$ 545	\$ 183	\$ 728	\$ 3,236	\$ 215,999	\$ 223,902

- (1) Corporate loans that are greater than 90 days past due are generally classified as non-accrual. Corporate loans are considered past due when principal or interest is contractually due but unpaid.
- (2) Citi generally does not manage Corporate loans on a delinquency basis. Non-accrual loans generally include those loans that are ≥ 90 days past due or those loans for which Citi believes, based on actual experience and a forward-looking assessment of the

collectability of the loan in full, that the payment of interest or principal is doubtful.

(3)

Corporate loans are past due when principal or interest is contractually due but unpaid. Loans less than 30 days past due are presented as current.

Citigroup has established a risk management process to monitor, evaluate and manage the principal risks associated with its Corporate loan portfolio. As part of its risk management process, Citi assigns numeric risk ratings to its Corporate loan facilities based on quantitative and qualitative assessments of the obligor and facility. These risk ratings are reviewed at least annually or more often if material events related to the obligor or facility warrant. Factors considered in assigning the risk ratings include: financial condition of the obligor, qualitative assessment of management and strategy, amount and sources of repayment, amount and type of collateral and guarantee arrangements, amount and type of any contingencies associated with the obligor, and the obligor's industry and geography.

The obligor risk ratings are defined by ranges of default probabilities. The facility risk ratings are defined by ranges of loss norms, which are the product of the probability of default and the loss given default. The investment grade rating categories are similar to the category BBB-/Baa3 and above as defined by S&P and Moody's. Loans classified according to the bank regulatory definitions as special mention, substandard and doubtful will have risk ratings within the non-investment grade categories.

Corporate Loans Credit Quality Indicators at September 30, 2012 and December 31, 2011

<i>In millions of dollars</i>	Recorded investment in loans(1)	
	September 30, 2012	December 31, 2011
Investment grade(2)		
Commercial and industrial	\$ 78,820	\$ 67,282
Financial institutions	39,973	35,159
Mortgage and real estate	12,176	10,729
Leases	1,293	1,161
Other	43,903	42,428
Total investment grade	\$ 176,165	\$ 156,759
Non-investment grade(2)		
Accrual		
Commercial and industrial	\$ 35,098	\$ 30,998
Financial institutions	10,138	7,485
Mortgage and real estate	3,085	3,812
Leases	669	664
Other	4,762	4,293
Non-accrual		
Commercial and industrial	974	1,134
Financial institutions	465	763
Mortgage and real estate	841	1,039
Leases	6	13
Other	143	287
Total non-investment grade	\$ 56,181	\$ 50,488
Private Banking loans managed on a delinquency basis(2)	\$ 14,222	\$ 12,716
Loans at fair value	4,103	3,939
Corporate loans, net of unearned income	\$ 250,671	\$ 223,902

(1) Recorded investment in a loan includes net deferred loan fees and costs, unamortized premium or discount, less any direct write-downs.

(2) Held-for-investment loans accounted for on an amortized cost basis.

Corporate loans and leases identified as impaired and placed on non-accrual status are written down to the extent that principal is judged to be uncollectible. Impaired collateral-dependent loans and leases, where repayment is expected to be provided solely by the sale of the underlying collateral and there are no other available and reliable sources of repayment, are written down to the lower of cost or collateral value, less cost to sell. Cash-basis loans are returned to an accrual status when all contractual principal and interest amounts are reasonably assured of repayment and there is a sustained period of repayment performance, generally six months, in accordance with the contractual terms of the loan.

Edgar Filing: CITIGROUP INC - Form 10-Q

The following tables present non-accrual loan information by Corporate loan type at September 30, 2012 and December 31, 2011, respectively, and interest income recognized on non-accrual Corporate loans for the three- and nine-month periods ended September 30, 2012 and 2011:

Non-Accrual Corporate Loans

<i>In millions of dollars</i>	Recorded investment(1)	September 30, 2012		Average carrying value(2)	Three Months Ended	Nine Months Ended
		Unpaid principal balance	Related specific allowance		September 30, 2012	September 30, 2012
					Interest income recognized	Interest income recognized
Non-accrual corporate loans						
Commercial and industrial	\$ 974	\$ 1,314	\$ 152	\$ 1,090	\$ 22	\$ 57
Loans to financial institutions	465	509	14	595		
Mortgage and real estate	841	1,118	73	900	1	22
Lease financing	6	14		9	1	2
Other	143	478	15	208	1	7
Total non-accrual Corporate loans	\$ 2,429	\$ 3,433	\$ 254	\$ 2,802	\$ 25	\$ 88

<i>In millions of dollars</i>	Recorded investment(1)	December 31, 2011		
		Unpaid principal balance	Related specific allowance	Average carrying value(3)
Non-accrual Corporate loans				
Commercial and industrial	\$ 1,134	\$ 1,455	\$ 186	\$ 1,446
Loans to financial institutions	763	1,127	28	1,056
Mortgage and real estate	1,039	1,245	151	1,487
Lease financing	13	21		25
Other	287	640	55	420
Total non-accrual Corporate loans	\$ 3,236	\$ 4,488	\$ 420	\$ 4,434

<i>In millions of dollars</i>	Three Months Ended	Nine Months Ended
	September 30, 2011	September 30, 2011
Interest income recognized	\$ 31	\$ 77

<i>In millions of dollars</i>	September 30, 2012		December 31, 2011	
	Recorded investment(1)	Related specific allowance	Recorded investment(1)	Related specific allowance
Non-accrual Corporate loans with valuation allowances				
Commercial and industrial	\$ 398	\$ 152	\$ 501	\$ 186
Loans to financial institutions	41	14	78	28
Mortgage and real estate	369	73	540	151
Other	40	15	120	55
Total non-accrual Corporate loans with specific allowance	\$ 848	\$ 254	\$ 1,239	\$ 420
Non-accrual Corporate loans without specific allowance				
Commercial and industrial	\$ 576		\$ 633	
Loans to financial institutions	424		685	

Edgar Filing: CITIGROUP INC - Form 10-Q

Mortgage and real estate	472		499	
Lease financing	6		13	
Other	103		167	
Total non-accrual Corporate loans without specific allowance	\$ 1,581	N/A	\$ 1,997	N/A

-
- (1) Recorded investment in a loan includes net deferred loan fees and costs, unamortized premium or discount, less any direct write-downs.
- (2) Average carrying value represents the average recorded investment balance and does not include related specific allowance.
- (3) Average carrying value does not include related specific allowance.

N/A Not Applicable

Corporate Troubled Debt Restructurings

The following tables provide details on Corporate TDR activity and default information as of and for the three- and nine-month periods ended September 30, 2012 and 2011.

The following table presents Corporate TDRs occurring during the three-month period ended September 30, 2012:

<i>In millions of dollars</i>	Carrying Value	TDRs involving changes in the amount and/or timing of principal payments(1)	TDRs involving changes in the amount and/or timing of interest payments(2)	TDRs involving changes in the amount and/or timing of both principal and interest payments	Balance of principal forgiven or deferred	Net P&L impact(3)
Commercial and industrial	\$ 47	\$ 47	\$	\$	\$	\$
Loans to financial institutions						
Mortgage and real estate	1			1		
Other						
Total	\$ 48	\$ 47	\$	\$ 1	\$	\$

- (1) TDRs involving changes in the amount or timing of principal payments may involve principal forgiveness or deferral of periodic and/or final principal payments.
- (2) TDRs involving changes in the amount or timing of interest payments may involve a below-market interest rate.
- (3) Balances reflect charge-offs and reserves recorded during the three months ended September 30, 2012 on loans subject to a TDR during the period then ended.

The following table presents Corporate TDRs occurring during the three-month period ended September 30, 2011:

<i>In millions of dollars</i>	Carrying Value	TDRs involving changes in the amount and/or timing of principal payments(1)	TDRs involving changes in the amount and/or timing of interest payments(2)	TDRs involving changes in the amount and/or timing of both principal and interest payments	Balance of principal forgiven or deferred	Net P&L impact(3)
Commercial and industrial	\$ 70	\$	\$	\$ 70	\$	\$ 15
Loans to financial institutions						
Mortgage and real estate	16		14	2		
Other	74		67	7		
Total	\$ 160	\$	\$ 81	\$ 79	\$	\$ 15

Edgar Filing: CITIGROUP INC - Form 10-Q

- (1) TDRs involving changes in the amount or timing of principal payments may involve principal forgiveness or deferral of periodic and/or final principal payments.
- (2) TDRs involving changes in the amount or timing of interest payments may involve a below-market interest rate.
- (3) Balances reflect charge-offs and reserves recorded during the three months ended September 30, 2011 on loans subject to a TDR during the period then ended.

The following table presents Corporate TDRs occurring during the nine-month period ended September 30, 2012:

<i>In millions of dollars</i>	Carrying Value	TDRs involving changes in the amount and/or timing of principal payments(1)	TDRs involving changes in the amount and/or timing of interest payments(2)	TDRs involving changes in the amount and/or timing of both principal and interest payments	Balance of principal forgiven or deferred	Net P&L impact(3)
Commercial and industrial	\$ 86	\$ 71	\$ 4	\$ 11		\$ 1
Loans to financial institutions						
Mortgage and real estate	94	60		34		
Other						
Total	\$ 180	\$ 131	\$ 4	\$ 45		\$ 1

- (1) TDRs involving changes in the amount or timing of principal payments may involve principal forgiveness or deferral of periodic and/or final principal payments.
- (2) TDRs involving changes in the amount or timing of interest payments may involve a below-market interest rate.
- (3) Balances reflect charge-offs and reserves recorded during the nine months ended September 30, 2012 on loans subject to a TDR during the period then ended.

Edgar Filing: CITIGROUP INC - Form 10-Q

The following table presents Corporate TDRs occurring during the nine-month period ended September 30, 2011:

<i>In millions of dollars</i>	Carrying Value	TDRs involving changes in the amount and/or timing of principal payments(1)	TDRs involving changes in the amount and/or timing of interest payments(2)	TDRs involving changes in the amount and/or timing of both principal and interest payments	Balance of principal forgiven or deferred	Net P&L impact(3)
Commercial and industrial	\$ 110	\$	\$	\$ 110	\$	\$ 16
Loans to financial institutions						
Mortgage and real estate	244	3	14	227	4	37
Other	74		67	7		
Total	\$ 428	\$ 3	\$ 81	\$ 344	\$ 4	\$ 53

- (1) TDRs involving changes in the amount or timing of principal payments may involve principal forgiveness or deferral of periodic and/or final principal payments.
- (2) TDRs involving changes in the amount or timing of interest payments may involve a below-market interest rate.
- (3) Balances reflect charge-offs and reserves recorded during the nine months ended September 30, 2011 on loans subject to a TDR during the period then ended.

The following table presents total Corporate loans modified in a TDR at September 30, 2012 and 2011, as well as those TDRs that defaulted during the three and nine months of 2012 and 2011, and for which the payment default occurred within one year of the modification:

<i>In millions of dollars</i>	TDR Balances at Sept. 30, 2012	TDRs in payment default Three Months Ended Sept. 30, 2012	TDRs in payment default Nine Months Ended Sept. 30, 2012	TDR Balances at Sept. 30, 2011	TDRs in payment default Three Months Ended Sept. 30, 2011	TDRs in payment default Nine Months Ended Sept. 30, 2011
Commercial and industrial	\$ 395	\$ 45	\$ 52	\$ 419	\$ 6	\$ 7
Loans to financial institutions	21			579		
Mortgage and real estate	127			263		
Other	557			100		
Total	\$ 1,100	\$ 45	\$ 52	\$ 1,361	\$ 6	\$ 7

- (1) Payment default constitutes failure to pay principal or interest when due per the contractual terms of the loan.

13. ALLOWANCE FOR CREDIT LOSSES

<i>In millions of dollars</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Allowance for loan losses at beginning of period	\$ 27,611	\$ 34,362	\$ 30,115	\$ 40,655
Gross credit losses(1)(2)	(4,638)	(5,217)	(13,726)	(18,254)
Gross recoveries	659	703	2,216	2,324
Net credit losses (NCLs)	\$ (3,979)	\$ (4,514)	\$ (11,510)	\$ (15,930)
NCLs replenishments	\$ 3,979	\$ 4,514	\$ 11,510	\$ 15,930
Net reserve builds (releases)(1)	(868)	(1,591)	(1,678)	(7,023)
Net specific reserve builds (releases)(2)	(600)	126	(1,908)	222
Total provision for credit losses	\$ 2,511	\$ 3,049	\$ 7,924	\$ 9,129
Other, net(3)	(227)	(845)	(613)	(1,802)
Allowance for loan losses at end of period	\$ 25,916	\$ 32,052	\$ 25,916	\$ 32,052
Allowance for credit losses on unfunded lending commitments at beginning of period(4)	\$ 1,104	\$ 1,097	\$ 1,136	\$ 1,066
Provision for unfunded lending commitments	(41)	43	(72)	55
Other, net		(1)	(1)	18
Allowance for credit losses on unfunded lending commitments at end of period(2)	\$ 1,063	\$ 1,139	\$ 1,063	\$ 1,139
Total allowance for loans, leases, and unfunded lending commitments	\$ 26,979	\$ 33,191	\$ 26,979	\$ 33,191

(1) The third quarter of 2012 includes approximately \$635 million of incremental charge-offs related to new OCC guidance with respect to the treatment of mortgage loans where the borrower has gone through Chapter 7 bankruptcy. There was a corresponding approximately \$600 million release in the third quarter of 2012 allowance for loan losses previously established related to these charge-offs. See Note 1 to the Consolidated Financial Statements.

(2) The first quarter of 2012 included approximately \$370 million of incremental charge-offs related to previously deferred principal balances on modified mortgages. These charge-offs were related to anticipated forgiveness of principal, largely in connection with the national mortgage settlement. There was a corresponding approximate \$350 million reserve release in the first quarter of 2012 specific to these charge-offs.

(3) The nine months ended September 30, 2012 primarily included reductions of approximately \$620 million related to the sale or transfer to held-for-sale of various U.S. loan portfolios. The nine months ended September 30, 2011 included a reduction of approximately \$1,230 million related to the sale or transfer to held-for-sale of various U.S. loan portfolios and a reduction of \$240 million related to the sale of the Egg Banking PLC credit card business. See Note 2 to the Consolidated Financial Statements.

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

Allowance for Credit Losses and Investment in Loans

Three Months Ended
September 30, 2012Nine Months Ended
September 30, 2012

Edgar Filing: CITIGROUP INC - Form 10-Q

<i>In millions of dollars</i>	Corporate	Consumer	Total	Corporate	Consumer	Total
Allowance for loan losses at beginning of period	\$ 2,972	\$ 24,639	\$ 27,611	\$ 2,879	\$ 27,236	\$ 30,115
Charge-offs	(196)	(4,442)	(4,638)	(508)	(13,218)	(13,726)
Recoveries	79	580	659	320	1,896	2,216
Replenishment of net charge-offs	117	3,862	3,979	188	11,322	11,510
Net reserve releases	1	(869)	(868)	78	(1,756)	(1,678)
Net specific reserve builds (releases)	(175)	(425)	(600)	(170)	(1,738)	(1,908)
Other	19	(246)	(227)	30	(643)	(613)
Ending balance	\$ 2,817	\$ 23,099	\$ 25,916	\$ 2,817	\$ 23,099	\$ 25,916

<i>In millions of dollars</i>	September 30, 2012			December 31, 2011		
	Corporate	Consumer	Total	Corporate	Consumer	Total
Allowance for loan losses						
Determined in accordance with ASC 450-20	\$ 2,502	\$ 16,048	\$ 18,550	\$ 2,408	\$ 18,334	\$ 20,742
Determined in accordance with ASC 310-10-35	254	7,021	7,275	420	8,885	9,305
Determined in accordance with ASC 310-30	61	30	91	51	17	68
Total allowance for loan losses	\$ 2,817	\$ 23,099	\$ 25,916	\$ 2,879	\$ 27,236	\$ 30,115
Loans, net of unearned income						
Loans collectively evaluated for impairment in accordance with ASC 450-20	\$ 243,510	\$ 375,226	\$ 618,736	\$ 215,778	\$ 390,831	\$ 606,609
Loans evaluated for impairment in accordance with ASC 310-10-35	2,946	30,849	33,795	3,994	30,863	34,857
Loans acquired with deteriorated credit quality in accordance with ASC 310-30	112	421	533	191	320	511
Loans held at fair value	4,103	1,256	5,359	3,939	1,326	5,265
Total loans, net of unearned income	\$ 250,671	\$ 407,752	\$ 658,423	\$ 223,902	\$ 423,340	\$ 647,242

14. GOODWILL AND INTANGIBLE ASSETS

Goodwill

The changes in *Goodwill* during the first nine months of 2012 were as follows:

In millions of dollars

Balance at December 31, 2011	\$ 25,413
Foreign exchange translation	397
Balance at March 31, 2012	\$ 25,810
Foreign exchange translation	\$ (306)
Smaller acquisitions/divestitures	(8)
Purchase accounting adjustments and other	(13)
Balance at June 30, 2012	\$ 25,483
Foreign exchange translation	449
Discontinued operations	(17)
Balance at September 30, 2012	\$ 25,915

During the first nine months of 2012, no goodwill was written off due to impairment. The Company performed its annual goodwill impairment test during the third quarter of 2012 resulting in no impairment for any of the reporting units.

As per ASC 350, *Intangibles Goodwill and Other*, management performed a qualitative assessment for the *Transaction Services* reporting unit. Through consideration of various factors including excess of fair value over the carrying value in prior year, projected growth via positive cash flows, and no adverse changes anticipated in the business and macroeconomic environment, management determined that it is not more likely than not that the fair value of this reporting unit is less than its carrying amount and therefore the two step impairment test was not required.

While there was no indication of impairment for the *Brokerage and Asset Management (BAM)* and *Local Consumer Lending Cards (LCL Cards)* reporting units, goodwill present in these reporting units may be particularly sensitive to further deterioration in economic conditions. If the future were to differ adversely from management's best estimate of key economic assumptions and associated cash flows were to decrease by a small margin, the Company could potentially experience future impairment charges with respect to the \$42 million and \$109 million of goodwill remaining in the *BAM* and *LCL Cards* reporting units, respectively. The fair value as a percentage of allocated book value as of the July 1, 2012 test for *BAM* and *LCL Cards* was 121% and 110%, respectively.

The following table shows reporting units with goodwill balances as of September 30, 2012:

In millions of dollars

Reporting unit(1)	Goodwill
<i>North America Regional Consumer Banking</i>	\$ 6,808
<i>EMEA Regional Consumer Banking</i>	365
<i>Asia Regional Consumer Banking</i>	5,695
<i>Latin America Regional Consumer Banking</i>	1,889
<i>Securities and Banking</i>	9,411
<i>Transaction Services</i>	1,596
<i>Brokerage and Asset Management</i>	42
<i>Local Consumer Lending Cards</i>	109
Total	\$ 25,915

(1)

Edgar Filing: CITIGROUP INC - Form 10-Q

Local Consumer Lending Other is excluded from the table as there is no goodwill allocated to it.

Intangible Assets

As of September 30, 2012 and December 31, 2011, the components of intangible assets were as follows:

<i>In millions of dollars</i>	September 30, 2012			December 31, 2011		
	Gross carrying amount	Accumulated amortization	Net carrying amount	Gross carrying amount	Accumulated amortization	Net carrying amount
Purchased credit card relationships	\$ 7,633	\$ 5,628	\$ 2,005	\$ 7,616	\$ 5,309	\$ 2,307
Core deposit intangibles	1,314	997	317	1,337	965	372
Other customer relationships	821	382	439	830	356	474
Present value of future profits	239	133	106	235	123	112
Indefinite-lived intangible assets	499		499	492		492
Other(1)	4,825	2,228	2,597	4,866	2,023	2,843
Intangible assets (excluding MSR)	\$ 15,331	\$ 9,368	\$ 5,963	\$ 15,376	\$ 8,776	\$ 6,600
Mortgage servicing rights (MSRs)	1,920		1,920	2,569		2,569
Total intangible assets	\$ 17,251	\$ 9,368	\$ 7,883	\$ 17,945	\$ 8,776	\$ 9,169

- (1) Includes contract-related intangible assets.

The changes in intangible assets during the first nine months of 2012 were as follows:

<i>In millions of dollars</i>	Net carrying amount at December 31, 2011	Acquisitions/ divestitures	Amortization	Impairments	FX and other(1)	Discontinued Operations	Net carrying amount at September 30, 2012
Purchased credit card relationships	\$ 2,307	\$	\$ (303)	\$	\$ 1	\$	\$ 2,005
Core deposit intangibles	372		(63)		8		317
Other customer relationships	474		(34)		(1)		439
Present value of future profits	112		(7)		1		106
Indefinite-lived intangible assets	492				7		499
Other	2,843	2	(241)	(1)	14	(20)	2,597
Intangible assets (excluding MSR)	\$ 6,600	\$ 2	\$ (648)	\$ (1)	\$ 30	\$ (20)	\$ 5,963
Mortgage servicing rights (MSRs)(2)	2,569						1,920
Total intangible assets	\$ 9,169						\$ 7,883

- (1) Includes foreign exchange translation and purchase accounting adjustments.

- (2) See Note 17 to the Consolidated Financial Statements for the roll-forward of MSRs.

15. DEBT**Short-Term Borrowings**

Short-term borrowings consist of commercial paper and other borrowings at September 30, 2012 and December 31, 2011 as follows:

<i>In millions of dollars</i>	September 30, 2012	December 31, 2011
Commercial paper		
Bank	\$ 11,837	\$ 14,872
Non-bank	560	6,414
	\$ 12,397	\$ 21,286
Other borrowings(1)	36,767	33,155
Total	\$ 49,164	\$ 54,441

- (1) At September 30, 2012 and December 31, 2011, collateralized short-term advances from the Federal Home Loan Banks were \$6 billion and \$5 billion, respectively.

Borrowings under bank lines of credit may be at interest rates based on LIBOR, CD rates, the prime rate, or bids submitted by the banks. Citigroup pays commitment fees for its lines of credit.

Some of Citigroup's non-bank subsidiaries have credit facilities with Citigroup's subsidiary depository institutions, including Citibank, N.A. Borrowings under these facilities are secured in accordance with Section 23A of the Federal Reserve Act.

Citigroup Global Markets Holdings Inc. (CGMHI) has borrowing agreements consisting of facilities that CGMHI has been advised are available, but where no contractual lending obligation exists. These arrangements are reviewed on an ongoing basis to ensure flexibility in meeting CGMHI's short-term requirements.

Long-Term Debt

<i>In millions of dollars</i>	September 30, 2012	December 31, 2011
Citigroup parent company	\$ 154,333	\$ 181,702
Bank(1)	61,887	77,895
Other non-bank	55,642	63,908
Total(2)(3)	\$ 271,862	\$ 323,505

- (1) Represents Citibank, N.A., as well as subsidiaries of Citibank and Banamex. At September 30, 2012 and December 31, 2011, collateralized long-term advances from the Federal Home Loan Banks were \$17.3 billion and \$11.0 billion, respectively.
- (2) Of this amount, approximately \$13.5 billion consisted of Temporary Liquidity Guarantee Program (TLGP) debt that will mature in full by the end of 2012.
- (3) Includes senior notes with carrying values of \$170 million issued to Safety First Trust Series 2007-4, 2008-1, 2008-2, 2008-3, 2008-4, 2008-5, 2008-6, 2009-1, 2009-2, and 2009-3 at September 30, 2012 and \$215 million issued to Safety First Trust Series 2007-3,

Edgar Filing: CITIGROUP INC - Form 10-Q

2007-4, 2008-1, 2008-2, 2008-3, 2008-4, 2008-5, 2008-6, 2009-1, 2009-2, and 2009-3 at December 31, 2011. Citigroup Funding Inc. (CFI) owns all of the voting securities of the Safety First Trusts. The Safety First Trusts have no assets, operations, revenues or cash flows other than those related to the issuance, administration and repayment of the Safety First Trust securities and the Safety First Trusts' common securities. The Safety First Trusts' obligations under the Safety First Trust securities are fully and unconditionally guaranteed by CFI, and CFI's guarantee obligations are fully and unconditionally guaranteed by Citigroup.

CGMHI has committed long-term financing facilities with unaffiliated banks. At September 30, 2012, CGMHI had drawn down \$300 million available under these facilities. Generally, a bank can terminate these facilities by giving CGMHI one-year prior notice.

Long-term debt outstanding includes trust preferred securities with a balance sheet carrying value of \$10,560 million and \$16,057 million at September 30, 2012 and December 31, 2011, respectively. In issuing these trust preferred securities, Citi formed statutory business trusts under the laws of the State of Delaware. The trusts exist for the exclusive purposes of (i) issuing trust preferred securities representing undivided beneficial interests in the assets of the trust; (ii) investing the gross proceeds of the trust preferred securities in junior subordinated deferrable interest debentures (subordinated debentures) of its parent; and (iii) engaging in only those activities necessary or incidental thereto. Generally, upon receipt of certain regulatory approvals, Citigroup has the right to redeem these securities.

As previously disclosed, during the third quarter of 2012, Citi redeemed three series of its trust preferred securities resulting in a pretax gain of \$198 million. The redemptions under Citigroup Capital XII and XXI closed on July 18, 2012, while Citigroup Capital XIX closed on August 15, 2012.

Edgar Filing: CITIGROUP INC - Form 10-Q

The following table summarizes the financial structure of each of the subsidiary trusts issuing these trust preferred securities as of September 30, 2012:

Trust preferred securities with distributions guaranteed by Citigroup	Issuance date	Securities issued	Liquidation value(1)	Coupon rate	Common shares issued to parent	Junior subordinated debentures owned by trust		
						Amount	Maturity	Redeemable by issuer beginning
<i>In millions of dollars, except share amounts</i>								
Citigroup Capital III	Dec. 1996	194,053	\$ 194	7.625%	6,003	\$ 200	Dec. 1, 2036	Not redeemable
Citigroup Capital VII	July 2001	35,885,898	897	7.125%	1,109,874	925	July 31, 2031	July 31, 2006
Citigroup Capital VIII	Sept. 2001	43,651,597	1,091	6.950%	1,350,050	1,125	Sept. 15, 2031	Sept. 17, 2006
Citigroup Capital IX	Feb. 2003	33,874,813	847	6.000%	1,047,675	873	Feb. 14, 2033	Feb. 13, 2008
Citigroup Capital X	Sept. 2003	14,757,823	369	6.100%	456,428	380	Sept. 30, 2033	Sept. 30, 2008
Citigroup Capital XI	Sept. 2004	18,387,128	460	6.000%	568,675	474	Sept. 27, 2034	Sept. 27, 2009
Citigroup Capital XIII	Sept. 2010	89,840,000	2,246	7.875%	1,000	2,246	Oct. 30, 2040	Oct. 30, 2015
Citigroup Capital XIV	June 2006	12,227,281	306	6.875%	40,000	307	June 30, 2066	June 30, 2011
Citigroup Capital XV	Sept. 2006	25,210,733	630	6.500%	40,000	631	Sept. 15, 2066	Sept. 15, 2011
Citigroup Capital XVI	Nov. 2006	38,148,947	954	6.450%	20,000	954	Dec. 31, 2066	Dec. 31, 2011
Citigroup Capital XVII	Mar. 2007	28,047,927	701	6.350%	20,000	702	Mar. 15, 2067	Mar. 15, 2012
Citigroup Capital XVIII	June 2007	99,901	161	6.829%	50	161	June 28, 2067	June 28, 2017
Citigroup Capital XX	Nov. 2007	17,709,814	443	7.875%	20,000	443	Dec. 15, 2067	Dec. 15, 2012
Citigroup Capital XXXIII	July 2009	3,025,000	3,025	8.000%	100	3,025	July 30, 2039	July 30, 2014
Adam Capital Trust III	Dec. 2002	17,500	18	3 mo. LIB +335 bp.	542	18	Jan. 7, 2033	Jan. 7, 2008
Adam Statutory Trust III	Dec. 2002	25,000	25	3 mo. LIB +325 bp.	774	26	Dec. 26, 2032	Dec. 26, 2007
Adam Statutory Trust IV	Sept. 2003	40,000	40	3 mo. LIB +295 bp.	1,238	41	Sept. 17, 2033	Sept. 17, 2008
Adam Statutory Trust V	Mar. 2004	35,000	35	3 mo. LIB +279 bp.	1,083	36	Mar. 17, 2034	Mar. 17, 2009
Total obligated			\$ 12,442			\$ 12,567		

(1)

Represents the proceeds received from the trust at the date of issuance.

In each case, the coupon rate on the debentures is the same as that on the trust securities. Distributions on the trust securities and interest on the debentures are payable quarterly, except for Citigroup Capital III and Citigroup Capital XVIII on which distributions are payable

semiannually.

16. CHANGES IN ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

Changes in each component of *Accumulated other comprehensive income (loss)* for the nine months ended September 30, 2012 and 2011 are as follows:

Nine months ended September 30, 2012:	Net unrealized gains (losses) on investment securities	Foreign currency translation adjustment, net of hedges	Cash flow hedges	Pension liability adjustments	Accumulated other comprehensive income (loss)
<i>In millions of dollars</i>					
Balance, December 31, 2011	\$ (35)	\$ (10,651)	\$ (2,820)	\$ (4,282)	\$ (17,788)
Change, net of taxes(1)(2)(3)(4)(5)(6)	(774)	1,697	220	(90)	1,053
Balance, March 31, 2012	\$ (809)	\$ (8,954)	\$ (2,600)	\$ (4,372)	\$ (16,735)
Change, net of taxes(1)(3)(4)(5)(6)	564	(1,596)	(89)	107	(1,014)
Balance, June 30, 2012	\$ (245)	\$ (10,550)	\$ (2,689)	\$ (4,265)	\$ (17,749)
Change, net of taxes(1)(3)(5)(6)	776	1,245	186	(24)	2,183
Balance, September 30, 2012	\$ 531	\$ (9,305)	\$ (2,503)	\$ (4,289)	\$ (15,566)
Nine months ended September 30, 2011:	Net unrealized gains (losses) on investment securities	Foreign currency translation adjustment, net of hedges	Cash flow hedges	Pension liability adjustments	Accumulated other comprehensive income (loss)
<i>In millions of dollars</i>					
Balance, December 31, 2010	\$ (2,395)	\$ (7,127)	\$ (2,650)	\$ (4,105)	\$ (16,277)
Change, net of taxes(1)(3)(5)(6)	740	1,364	152	37	2,293
Balance, March 31, 2011	\$ (1,655)	\$ (5,763)	\$ (2,498)	\$ (4,068)	\$ (13,984)
Change, net of taxes(1)(3)(5)(6)	1,052	776	(69)	3	1,762
Balance, June 30, 2011	\$ (603)	\$ (4,987)	\$ (2,567)	\$ (4,065)	\$ (12,222)
Change, net of taxes(1)(3)(5)(6)	505	(4,935)	(532)	140	(4,822)
Balance, September 30, 2011	\$ (98)	\$ (9,922)	\$ (3,099)	\$ (3,925)	\$ (17,044)

(1) The after-tax realized gains (losses) on sales and impairments of securities during the nine months ended September 30, 2012 and 2011 were \$(1,255) million and \$(26) million, respectively. For details of the realized gains (losses) on sales and impairments on Citigroup's investment securities included in income, see Note 11 to the Consolidated Financial Statements.

(2) For net unrealized gains (losses) on investment securities, includes the after-tax impact of realized gains from the sales of minority investments: \$672 million from the Company's entire interest in Housing Development Finance Corporation Ltd. (HDFC); and \$421 million from the Company's entire interest in Shanghai Pudong Development Bank (SPDB).

(3) For the third quarter of 2012, the foreign currency translation adjustment primarily reflected the movements in (by order of impact) the Mexican peso, Pound sterling, Chilean peso and Korean won against the U.S. dollar, and changes in related tax effects and hedges. For the second quarter of 2012, the foreign currency translation adjustment primarily reflected the movements in (by order of impact) the Mexican peso, Brazilian real, Indian rupee, Russian ruble and Polish zloty against the U.S. dollar, and changes in related tax effects and hedges. For the first quarter of 2012, primarily reflected the movements in (by order of impact) the Mexican peso, Turkish lira,

Edgar Filing: CITIGROUP INC - Form 10-Q

Japanese yen, Euro and Polish zloty against the U.S. dollar, and changes in related tax effects and hedges. For the nine months ended September 30, 2011, primarily reflected the movements in (by order of impact) the Mexican peso, Turkish lira, Brazilian real, Indian rupee and Polish zloty against the U.S. dollar, and changes in related tax effects and hedges.

- (4) The after-tax impact due to impairment charges and the loss related to Akbank, included within the foreign currency translation adjustment, during the six months ended June 30, 2012 was \$667 million. See Note 11 to the Consolidated Financial Statements.
- (5) For cash flow hedges, primarily driven by Citigroup's pay fixed/receive floating interest rate swap programs that are hedging the floating rates on deposits and long-term debt.
- (6) For the pension liability adjustment, primarily reflects adjustments based on the final year-end actuarial valuations of the Company's pension and postretirement plans and amortization of amounts previously recognized in other comprehensive income.

Edgar Filing: CITIGROUP INC - Form 10-Q

The pretax and after-tax changes in each component of *Accumulated other comprehensive income (loss)* for the nine months ended September 30, 2012 and 2011 are as follows:

Nine months ended September 30, 2012:

<i>In millions of dollars</i>	Pretax	Tax effect	After-tax
Balance, December 31, 2011	\$ (25,454)	\$ 7,666	\$ (17,788)
Change in net unrealized gains (losses) on investment securities	(1,204)	430	(774)
Foreign currency translation adjustment	1,499	198	1,697
Cash flow hedges	359	(139)	220
Pension liability adjustment	31	(121)	(90)
Change	\$ 685	\$ 368	\$ 1,053
Balance, March 31, 2012	\$ (24,769)	\$ 8,034	\$ (16,735)
Change in net unrealized gains (losses) on investment securities	945	(381)	564
Foreign currency translation adjustment	(1,728)	132	(1,596)
Cash flow hedges	(141)	52	(89)
Pension liability adjustment	127	(20)	107
Change	\$ (797)	\$ (217)	\$ (1,014)
Balance, June 30, 2012	\$ (25,566)	\$ 7,817	\$ (17,749)
Change in net unrealized gains (losses) on investment securities	1,189	(413)	776
Foreign currency translation adjustment	1,068	177	1,245
Cash flow hedges	294	(108)	186
Pension liability adjustment	(33)	9	(24)
Change	\$ 2,518	\$ (335)	\$ 2,183
Balance, September 30, 2012	\$ (23,048)	\$ 7,482	\$ (15,566)

Nine months ended September 30, 2011:

<i>In millions of dollars</i>	Pretax	Tax effect	After-tax
Balance, December 31, 2010	\$ (24,607)	\$ 8,330	\$ (16,277)
Change in net unrealized gains (losses) on investment securities	1,262	(522)	740
Foreign currency translation adjustment	1,280	84	1,364
Cash flow hedges	267	(115)	152
Pension liability adjustment	57	(20)	37
Change	\$ 2,866	\$ (573)	\$ 2,293
Balance, March 31, 2011	\$ (21,741)	\$ 7,757	\$ (13,984)
Change in net unrealized gains (losses) on investment securities	1,600	(548)	1,052
Foreign currency translation adjustment	745	31	776
Cash flow hedges	(118)	49	(69)
Pension liability adjustment	(12)	15	3
Change	\$ 2,215	\$ (453)	\$ 1,762
Balance, June 30, 2011	\$ (19,526)	\$ 7,304	\$ (12,222)
Change in net unrealized gains (losses) on investment securities	893	(388)	505
Foreign currency translation adjustment	(5,228)	293	(4,935)
Cash flow hedges	(857)	325	(532)
Pension liability adjustment	221	(81)	140
Change	\$ (4,971)	\$ 149	\$ (4,822)

Edgar Filing: CITIGROUP INC - Form 10-Q

Balance, September 30, 2011	\$ (24,497)	\$ 7,453	\$ (17,044)
------------------------------------	--------------------	-----------------	--------------------

156

THIS PAGE INTENTIONALLY LEFT BLANK

17. SECURITIZATIONS AND VARIABLE INTEREST ENTITIES*Uses of SPEs*

A special purpose entity (SPE) is an entity designed to fulfill a specific limited need of the company that organized it. The principal uses of SPEs are to obtain liquidity and favorable capital treatment by securitizing certain of Citigroup's financial assets, to assist clients in securitizing their financial assets and to create investment products for clients. SPEs may be organized in many legal forms including trusts, partnerships or corporations. In a securitization, the company transferring assets to an SPE converts all (or a portion) of those assets into cash before they would have been realized in the normal course of business through the SPE's issuance of debt and equity instruments, certificates, commercial paper and other notes of indebtedness, which are recorded on the balance sheet of the SPE and not reflected in the transferring company's balance sheet, assuming applicable accounting requirements are satisfied.

Investors usually only have recourse to the assets in the SPE and often benefit from other credit enhancements, such as a collateral account or over-collateralization in the form of excess assets in the SPE, a line of credit, or from a liquidity facility, such as a liquidity put option or asset purchase agreement. The SPE can typically obtain a more favorable credit rating from rating agencies than the transferor could obtain for its own debt issuances, resulting in less expensive financing costs than unsecured debt. The SPE may also enter into derivative contracts in order to convert the yield or currency of the underlying assets to match the needs of the SPE investors or to limit or change the credit risk of the SPE. Citigroup may be the provider of certain credit enhancements as well as the counterparty to any related derivative contracts.

Most of Citigroup's SPEs are variable interest entities (VIEs), as described below.

Variable Interest Entities

VIEs are entities that have either a total equity investment that is insufficient to permit the entity to finance its activities without additional subordinated financial support, or whose equity investors lack the characteristics of a controlling financial interest (i.e., ability to make significant decisions through voting rights, and right to receive the expected residual returns of the entity or obligation to absorb the expected losses of the entity). Investors that finance the VIE through debt or equity interests or other counterparties that provide other forms of support, such as guarantees, subordinated fee arrangements, or certain types of derivative contracts, are variable interest holders in the entity.

The variable interest holder, if any, that has a controlling financial interest in a VIE is deemed to be the primary beneficiary and must consolidate the VIE. Citigroup would be deemed to have a controlling financial interest and be the primary beneficiary if it has both of the following characteristics:

power to direct activities of a VIE that most significantly impact the entity's economic performance; and

obligation to absorb losses of the entity that could potentially be significant to the VIE or right to receive benefits from the entity that could potentially be significant to the VIE.

The Company must evaluate its involvement in each VIE and understand the purpose and design of the entity, the role the Company had in the entity's design, and its involvement in the VIE's ongoing activities. The Company then must evaluate which activities most significantly impact the economic performance of the VIE and who has the power to direct such activities.

For those VIEs where the Company determines that it has the power to direct the activities that most significantly impact the VIE's economic performance, the Company then must evaluate its economic interests, if any, and determine whether it could absorb losses or receive benefits that could potentially be significant to the VIE. When evaluating whether the Company has an obligation to absorb losses that could potentially be significant, it considers the maximum exposure to such loss without consideration of probability. Such obligations could be in various forms, including but not limited to, debt and equity investments, guarantees, liquidity agreements, and certain derivative contracts.

In various other transactions, the Company may: (i) act as a derivative counterparty (for example, interest rate swap, cross-currency swap, or purchaser of credit protection under a credit default swap or total return swap where the Company pays the total return on certain assets to the SPE); (ii) act as underwriter or placement agent; (iii) provide administrative, trustee or other services; or (iv) make a market in debt securities or other instruments issued by VIEs. The Company generally considers such involvement, by itself, not to be variable interests and thus not an indicator of power or potentially significant benefits or losses.

Edgar Filing: CITIGROUP INC - Form 10-Q

Citigroup's involvement with consolidated and unconsolidated VIEs with which the Company holds significant variable interests or has continuing involvement through servicing a majority of the assets in a VIE as of September 30, 2012 and December 31, 2011 is presented below:

<i>In millions of dollars</i>	As of September 30, 2012							
	Maximum exposure to loss in significant unconsolidated VIEs(1)							
	Total involvement with SPE assets	Consolidated VIE / SPE assets	Significant unconsolidated VIE assets(4)	Funded exposures(2)		Unfunded exposures(3)		Total
			Debt investments	Equity investments	Funding commitments	Guarantees and derivatives		
Citicorp								
Credit card securitizations	\$ 75,694	\$ 75,694	\$	\$	\$	\$	\$	\$
Mortgage securitizations(5)								
U.S. agency-sponsored	234,332		234,332	2,606			23	2,629
Non-agency-sponsored	9,416	1,320	8,096	398				398
Citi-administered asset-backed commercial paper conduits (ABCP)	28,231	20,325	7,906			7,906		7,906
Third-party commercial paper conduits								
Collateralized debt obligations (CDOs)	5,563		5,563	25				25
Collateralized loan obligations (CLOs)	10,565		10,565	398	20			418
Asset-based financing	27,004	1,163	25,841	11,914	81	2,883	117	14,995
Municipal securities tender option bond trusts (TOBs)	15,512	7,726	7,786	304		4,785		5,089
Municipal investments	19,030	275	18,755	1,949	2,998	1,454		6,401
Client intermediation	2,369	170	2,199	337				337
Investment funds	2,108	21	2,087		29			29
Trust preferred securities	12,699		12,699		127			127
Other	2,478	130	2,348	323	278	162	92	855
Total	\$ 445,001	\$ 106,824	\$ 338,177	\$ 18,254	\$ 3,533	\$ 17,190	\$ 232	\$ 39,209
Citi Holdings								
Credit card securitizations	\$ 781	\$ 399	\$ 382	\$	\$	\$	\$	\$
Mortgage securitizations								
U.S. agency-sponsored	118,940		118,940	695			143	838
Non-agency-sponsored	17,623	1,670	15,953	47			2	49
Student loan securitizations	1,723	1,723						
Collateralized debt obligations (CDOs)	5,028		5,028	125			151	276
Collateralized loan obligations (CLOs)	4,884		4,884	438			101	539
Asset-based financing	7,945	3	7,942	3,048	11	328		3,387
Municipal investments	7,758		7,758	124	237	1,002		1,363
Client intermediation	33	33						
Investment funds	1,151		1,151		46			46
Other	6,587	6,437	150		3			3
Total	\$ 172,453	\$ 10,265	\$ 162,188	\$ 4,477	\$ 297	\$ 1,330	\$ 397	\$ 6,501
Total Citigroup	\$ 617,454	\$ 117,089	\$ 500,365	\$ 22,731	\$ 3,830	\$ 18,520	\$ 629	\$ 45,710

(1) The definition of maximum exposure to loss is included in the text that follows this table.

(2) Included in Citigroup's September 30, 2012 Consolidated Balance Sheet.

(3) Not included in Citigroup's September 30, 2012 Consolidated Balance Sheet.

(4) A significant unconsolidated VIE is an entity where the Company has any variable interest considered to be significant, regardless of the likelihood of loss or the notional amount of exposure.

(5)

Citicorp mortgage securitizations also include agency and non-agency (private-label) re-securitization activities. These SPEs are not consolidated. See "Re-Securitizations" below for further discussion.

Edgar Filing: CITIGROUP INC - Form 10-Q

As of December 31, 2011

Maximum exposure to loss in significant unconsolidated VIEs(1)

<i>In millions of dollars</i>	Total involvement with SPE assets	Consolidated VIE / SPE assets	Significant unconsolidated VIE assets(4)	Funded exposures(2)		Unfunded exposures(3)		Total
				Debt investments	Equity investments	Funding commitments	Guarantees and derivatives	
Citicorp								
Credit card securitizations	\$ 87,083	\$ 87,083	\$	\$	\$	\$	\$	\$
Mortgage securitizations(5)								
U.S. agency-sponsored	232,179		232,179	3,769			26	3,795
Non-agency-sponsored	9,743	1,622	8,121	348				348
Citi-administered asset-backed commercial paper conduits (ABCP)								
Third-party commercial paper conduits	34,987	21,971	13,016			13,016		13,016
Collateralized debt obligations (CDOs)	7,507		7,507				298	298
Collateralized loan obligations (CLOs)	3,334		3,334	20				20
Asset-based financing	8,127		8,127	64				64
Municipal securities tender option bond trusts (TOBs)	19,034	1,303	17,731	7,892	2	2,891	121	10,906
Municipal investments	16,849	8,224	8,625	708		5,413		6,121
Client intermediation	20,331	299	20,032	2,345	3,535	1,586		7,466
Investment funds	2,110	24	2,086	468				468
Trust preferred securities	3,415	30	3,385		171	63		234
Other	17,882		17,882		128			128
Total	\$ 468,791	\$ 120,653	\$ 348,138	\$ 15,968	\$ 4,008	\$ 23,546	\$ 226	\$ 43,748
Citi Holdings								
Credit card securitizations	\$ 780	\$ 581	\$ 199	\$	\$	\$	\$	\$
Mortgage securitizations								
U.S. agency-sponsored	152,265		152,265	1,159			120	1,279
Non-agency-sponsored	20,821	1,764	19,057	61			2	63
Student loan securitizations	1,822	1,822						
Collateralized debt obligations (CDOs)	6,581		6,581	117			120	237
Collateralized loan obligations (CLOs)	7,479		7,479	1,125		6	90	1,221
Asset-based financing	10,490	73	10,417	5,004	3	250		5,257
Municipal investments	7,820		7,820	206	265	1,049		1,520
Client intermediation	111	111						
Investment funds	1,114	14	1,100		43			43
Other	6,762	6,581	181	3	36	15		54
Total	\$ 216,045	\$ 10,946	\$ 205,099	\$ 7,675	\$ 347	\$ 1,320	\$ 332	\$ 9,674
Total Citigroup	\$ 684,836	\$ 131,599	\$ 553,237	\$ 23,643	\$ 4,355	\$ 24,866	\$ 558	\$ 53,422

- (1) The definition of maximum exposure to loss is included in the text that follows this table.
- (2) Included in Citigroup's December 31, 2011 Consolidated Balance Sheet.
- (3) Not included in Citigroup's December 31, 2011 Consolidated Balance Sheet.
- (4) A significant unconsolidated VIE is an entity where the Company has any variable interest considered to be significant, regardless of the likelihood of loss or the notional amount of exposure.
- (5) Citicorp mortgage securitizations also include agency and non-agency (private-label) re-securitization activities. These SPEs are not consolidated. See "Re-Securitizations" below for further discussion.

Reclassified to conform to the current year's presentation.

Edgar Filing: CITIGROUP INC - Form 10-Q

The previous tables do not include:

certain venture capital investments made by some of the Company's private equity subsidiaries, as the Company accounts for these investments in accordance with the Investment Company Audit Guide;

certain limited partnerships that are investment funds that qualify for the deferral from the requirements of ASC 810 where the Company is the general partner and the limited partners have the right to replace the general partner or liquidate the funds;

certain investment funds for which the Company provides investment management services and personal estate trusts for which the Company provides administrative, trustee and/or investment management services;

VIEs structured by third parties where the Company holds securities in inventory, as these investments are made on arm's-length terms;

certain positions in mortgage-backed and asset-backed securities held by the Company, which are classified as *Trading account assets* or *Investments*, where the Company has no other involvement with the related securitization entity deemed to be significant (for more information on these positions, see Notes 10 and 11 to the Consolidated Financial Statements);

certain representations and warranties exposures in legacy *Securities and Banking*-sponsored mortgage-backed and asset-backed securitizations, where the Company has no variable interest or continuing involvement as servicer. The outstanding balance of mortgage loans securitized during 2005 to 2008 where the Company has no variable interest or continuing involvement as servicer was approximately \$19 billion at September 30, 2012; and

certain representations and warranties exposures in Citigroup residential mortgage securitizations, where the original mortgage loan balances are no longer outstanding.

The asset balances for consolidated VIEs represent the carrying amounts of the assets consolidated by the Company. The carrying amount may represent the amortized cost or the current fair value of the assets depending on the legal form of the asset (e.g., security or loan) and the Company's standard accounting policies for the asset type and line of business.

The asset balances for unconsolidated VIEs where the Company has significant involvement represent the most current information available to the Company. In most cases, the asset balances represent an amortized cost basis without regard to impairments in fair value, unless fair value information is readily available to the Company. For VIEs that obtain asset exposures synthetically through derivative instruments (for example, synthetic CDOs), the tables generally include the full original notional amount of the derivative as an asset balance.

The maximum funded exposure represents the balance sheet carrying amount of the Company's investment in the VIE. It reflects the initial amount of cash invested in the VIE adjusted for any accrued interest and cash principal payments received. The carrying amount may also be adjusted for increases or declines in fair value or any impairment in value recognized in earnings. The maximum exposure of unfunded positions represents the remaining undrawn committed amount, including liquidity and credit facilities provided by the Company, or the notional amount of a derivative instrument considered to be a variable interest. In certain transactions, the Company has entered into derivative instruments or other arrangements that are not considered variable interests in the VIE (e.g., interest rate swaps, cross-currency swaps, or where the Company is the purchaser of credit protection under a credit default swap or total return swap where the Company pays the total return on certain assets to the SPE). Receivables under such arrangements are not included in the maximum exposure amounts.

Edgar Filing: CITIGROUP INC - Form 10-Q

Funding Commitments for Significant Unconsolidated VIEs Liquidity Facilities and Loan Commitments

The following table presents the notional amount of liquidity facilities and loan commitments that are classified as funding commitments in the VIE tables above as of September 30, 2012:

<i>In millions of dollars</i>	Liquidity facilities		Loan commitments	
Citicorp				
Citi-administered asset-backed commercial paper conduits (ABCP)	\$	7,906	\$	
Asset-based financing		6		2,877
Municipal securities tender option bond trusts (TOBs)		4,785		
Municipal investments				1,454
Other				162
Total Citicorp	\$	12,697	\$	4,493
Citi Holdings				
Asset-based financing	\$		\$	328
Municipal investments				1,002
Total Citi Holdings	\$		\$	1,330
Total Citigroup funding commitments	\$	12,697	\$	5,823

Citicorp and Citi Holdings Consolidated VIEs

The Company engages in on-balance-sheet securitizations which are securitizations that do not qualify for sales treatment; thus, the assets remain on the Company's balance sheet. The consolidated VIEs included in the tables below represent hundreds of separate entities with which the Company is involved. In general, the third-party investors in the obligations of consolidated VIEs have legal recourse only to the assets of the VIEs and do not have such recourse to the Company, except where the Company has provided a guarantee to the investors or is the counterparty to certain derivative transactions involving the VIE. In addition, the assets are generally restricted only to pay such liabilities.

Thus, the Company's maximum legal exposure to loss related to consolidated VIEs is significantly less than the carrying value of the consolidated VIE assets due to outstanding third-party financing. Intercompany assets and liabilities are excluded from the table. All assets are restricted from being sold or pledged as collateral. The cash flows from these assets are the only source used to pay down the associated liabilities, which are non-recourse to the Company's general assets.

The following table presents the carrying amounts and classifications of consolidated assets that are collateral for consolidated VIE and SPE obligations as of September 30, 2012 and December 31, 2011:

<i>In billions of dollars</i>	September 30, 2012			December 31, 2011		
	Citi			Citi		
	Citicorp	Holdings	Citigroup	Citicorp	Citi Holdings	Citigroup
Cash	\$ 0.2	\$ 0.4	\$ 0.6	\$ 0.2	\$ 0.4	\$ 0.6
Trading account assets	0.5		0.5	0.4	0.1	0.5
Investments	7.4		7.4	10.6		10.6
Total loans, net	97.7	9.6	107.3	109.0	10.1	119.1
Other	1.0	0.2	1.2	0.5	0.3	0.8
Total assets	\$ 106.8	\$ 10.2	\$ 117.0	\$ 120.7	\$ 10.9	\$ 131.6
Short-term borrowings	\$ 18.7	\$	\$ 18.7	\$ 22.5	\$ 0.8	\$ 23.3
Long-term debt	29.7	6.0	35.7	44.8	5.6	50.4
Other liabilities	0.5	0.1	0.6	0.4	0.2	0.6
Total liabilities	\$ 48.9	\$ 6.1	\$ 55.0	\$ 67.7	\$ 6.6	\$ 74.3

Edgar Filing: CITIGROUP INC - Form 10-Q

Citicorp and Citi Holdings Significant Variable Interests in Unconsolidated VIEs Balance Sheet Classification

The following table presents the carrying amounts and classification of significant variable interests in unconsolidated VIEs as of September 30, 2012 and December 31, 2011:

<i>In billions of dollars</i>	September 30, 2012			December 31, 2011		
	Citicorp	Citi Holdings	Citigroup	Citicorp	Citi Holdings	Citigroup
Trading account assets	\$ 3.4	\$ 0.5	\$ 3.9	\$ 5.5	\$ 1.0	\$ 6.5
Investments	3.3	2.8	6.1	3.9	4.4	8.3
Loans	13.7	1.0	14.7	9.0	1.6	10.6
Other	1.4	0.5	1.9	1.6	1.0	2.6
Total assets	\$ 21.8	\$ 4.8	\$ 26.6	\$ 20.0	\$ 8.0	\$ 28.0
Long-term debt	\$ 0.2		\$ 0.2	\$ 0.2		\$ 0.2
Other liabilities						
Total liabilities	\$ 0.2	\$	\$ 0.2	\$ 0.2	\$	\$ 0.2

Credit Card Securitizations

The Company securitizes credit card receivables through trusts that are established to purchase the receivables. Citigroup transfers receivables into the trusts on a non-recourse basis. Credit card securitizations are revolving securitizations; that is, as customers pay their credit card balances, the cash proceeds are used to purchase new receivables and replenish the receivables in the trust.

Substantially all of the Company's credit card securitization activity is through two trusts Citibank Credit Card Master Trust (Master Trust) and the Citibank Omni Master Trust (Omni Trust). Since the adoption of SFAS 167 (ASC 810) on January 1, 2010, these trusts are treated as consolidated entities because, as servicer, Citigroup has the power to direct the activities that most significantly impact the economic performance of the trusts and also holds a seller's interest and certain securities issued by the trusts, and provides liquidity facilities to the trusts, which could result in potentially significant losses or benefits from the trusts. Accordingly, the transferred credit card receivables remain on the Consolidated Balance Sheet with no gain or loss recognized. The debt issued by the trusts to third parties is included in the Consolidated Balance Sheet.

The Company relies on securitizations to fund a significant portion of its credit card businesses in *North America*. The following table reflects amounts related to the Company's securitized credit card receivables as of September 30, 2012 and December 31, 2011:

<i>In billions of dollars</i>	Citicorp		Citi Holdings	
	September 30, 2012	December 31, 2011	September 30, 2012	December 31, 2011
Principal amount of credit card receivables in trusts	\$ 78.4	\$ 89.8	\$ 0.4	\$ 0.6
Ownership interests in principal amount of trust credit card receivables				
Sold to investors via trust-issued securities	\$ 28.8	\$ 42.7	\$ 0.1	\$ 0.3
Retained by Citigroup as trust-issued securities	13.0	14.7	0.1	0.1
Retained by Citigroup via non-certificated interests	36.6	32.4	0.2	0.2
Total ownership interests in principal amount of trust credit card receivables	\$ 78.4	\$ 89.8	\$ 0.4	\$ 0.6

Credit Card Securitizations Citicorp

The following table summarizes selected cash flow information related to Citicorp's credit card securitizations for the three and nine months ended September 30, 2012 and 2011:

<i>In billions of dollars</i>	Three months ended	
	September 30,	
	2012	2011
Proceeds from new securitizations	\$ 0.5	\$
Pay down of maturing notes	(3.0)	(0.6)

<i>In billions of dollars</i>	Nine months ended	
	September 30,	
	2012	2011
Proceeds from new securitizations	\$ 0.5	\$
Pay down of maturing notes	(14.4)	(11.5)

Credit Card Securitizations Citi Holdings

The following table summarizes selected cash flow information related to Citi Holdings' credit card securitizations for the three and nine months ended September 30, 2012 and 2011:

<i>In billions of dollars</i>	Three months ended	
	September 30,	
	2012	2011
Proceeds from new securitizations	\$ 0.3	\$
Pay down of maturing notes		

<i>In billions of dollars</i>	Nine months ended	
	September 30,	
	2012	2011
Proceeds from new securitizations	\$ 0.3	\$ 3.9
Pay down of maturing notes	(0.1)	(7.2)

Managed Loans

After securitization of credit card receivables, the Company continues to maintain credit card customer account relationships and provides servicing for receivables transferred to the trusts. As a result, the Company considers the securitized credit card receivables to be part of the business it manages. As Citigroup consolidates the credit card trusts, all managed securitized card receivables are on-balance sheet.

Funding, Liquidity Facilities and Subordinated Interests

As noted above, Citigroup securitizes credit card receivables through two securitization trusts Master Trust, which is part of Citicorp, and Omni Trust, which is also substantially part of Citicorp. The liabilities of the trusts are included in the Consolidated Balance Sheet, excluding those retained by Citigroup.

Master Trust issues fixed- and floating-rate term notes. Some of the term notes are issued to multi-seller commercial paper conduits. The weighted average maturity of the term notes issued by the Master Trust was 3.4 years as of September 30, 2012 and 3.1 years as of December 31, 2011.

Master Trust Liabilities (at par value)

Edgar Filing: CITIGROUP INC - Form 10-Q

<i>In billions of dollars</i>	Sept. 30, 2012	Dec. 31, 2011
Term notes issued to multi-seller commercial paper conduits	\$	\$
Term notes issued to third parties	22.9	30.4
Term notes retained by Citigroup affiliates	5.9	7.7
Total Master Trust liabilities	\$ 28.8	\$ 38.1

The Omni Trust issues fixed- and floating-rate term notes, some of which are purchased by multi-seller commercial paper conduits. The weighted average maturity of the third-party term notes issued by the Omni Trust was 1.7 years as of September 30, 2012 and 1.5 years as of December 31, 2011.

Omni Trust Liabilities (at par value)

<i>In billions of dollars</i>	Sept. 30, 2012	Dec. 31, 2011
Term notes issued to multi-seller commercial paper conduits	\$ 1.7	\$ 3.4
Term notes issued to third parties	4.4	9.2
Term notes retained by Citigroup affiliates	7.1	7.1
Total Omni Trust liabilities	\$ 13.2	\$ 19.7

Mortgage Securitizations

The Company provides a wide range of mortgage loan products to a diverse customer base. Once originated, the Company often securitizes these loans through the use of SPEs. These SPEs are funded through the issuance of trust certificates backed solely by the transferred assets. These certificates have the same average life as the transferred assets. In addition to providing a source of liquidity and less expensive funding, securitizing these assets also reduces the Company's credit exposure to the borrowers. These mortgage loan securitizations are primarily non-recourse, thereby effectively transferring the risk of future credit losses to the purchasers of the securities issued by the trust. However, the Company's Consumer business generally retains the servicing rights and in certain instances retains investment securities, interest-only strips and residual interests in future cash flows from the trusts and also provides servicing for a limited number of *Securities and Banking* securitizations. *Securities and Banking* and *Special Asset Pool* do not retain servicing for their mortgage securitizations.

The Company securitizes mortgage loans generally through either a government-sponsored agency, such as Ginnie Mae, Fannie Mae or Freddie Mac (U.S. agency-sponsored mortgages), or private label (non-agency-sponsored mortgages) securitization. The Company is not the primary beneficiary of its U.S. agency-sponsored mortgage securitizations because Citigroup does not have the power to direct the activities of the SPE that most significantly impact the entity's economic performance. Therefore, Citi does not consolidate these U.S. agency-sponsored mortgage securitizations.

The Company does not consolidate certain non-agency-sponsored mortgage securitizations because Citi is either not the servicer with the power to direct the significant activities of the entity or Citi is the servicer but the servicing relationship is deemed to be a fiduciary relationship and, therefore, Citi is not deemed to be the primary beneficiary of the entity.

In certain instances, the Company has (1) the power to direct the activities and (2) the obligation to either absorb losses or right to receive benefits that could be potentially significant to its non-agency-sponsored mortgage securitizations and, therefore, is the primary beneficiary and consolidates the SPE.

Mortgage Securitizations Citicorp

The following tables summarize selected cash flow information related to Citicorp mortgage securitizations for the three and nine months ended September 30, 2012 and 2011:

<i>In billions of dollars</i>	Three months ended September 30,		
	2012		2011
	U.S. agency-sponsored mortgages	Non-agency-sponsored mortgages	Agency- and non-agency-sponsored mortgages
Proceeds from new securitizations	\$ 13.8	\$ 1.5	\$ 12.8
Contractual servicing fees received	0.1		0.1
Cash flows received on retained interests and other net cash flows			

<i>In billions of dollars</i>	Nine months ended September 30,		
	2012		2011
	U.S. agency-sponsored mortgages	Non-agency-sponsored mortgages	Agency- and non-agency-sponsored mortgages
Proceeds from new securitizations	\$ 40.7	\$ 2.0	\$ 38.7
Contractual servicing fees received	0.4		0.4
Cash flows received on retained interests and other net cash flows	0.1		0.1

Gains (losses) recognized on the securitization of U.S. agency-sponsored mortgages were \$2.5 million and \$8.4 million for the three and nine months ended September 30, 2012, respectively. For the three and nine months ended September 30, 2012, gains (losses) recognized on the securitization of non-agency-sponsored mortgages were \$21.9 million and \$20.4 million, respectively.

Agency and non-agency mortgage securitization gains (losses) for the three and nine months ended September 30, 2011 were \$(1.6) million and \$(9.3) million, respectively.

Edgar Filing: CITIGROUP INC - Form 10-Q

Key assumptions used in measuring the fair value of retained interests at the date of sale or securitization of mortgage receivables for the three and nine months ended September 30, 2012 and 2011 were as follows:

	Three months ended September 30, 2012		
	U.S. agency- sponsored mortgages	Non-agency-sponsored mortgages(1)	
		Senior interests	Subordinated interests
Discount rate	0.2% to 12.9%		4.6% to 17.2%
Weighted average discount rate	12.0%		9.0%
Constant prepayment rate	9.4% to 36.4%		3.8% to 8.4%
Weighted average constant prepayment rate	10.8%		6.6%
Anticipated net credit losses(2)	NM		35.0% to 60.0%
Weighted average anticipated net credit losses	NM		44.0%

	Three months ended September 30, 2011		
	U.S. agency- sponsored mortgages	Non-agency-sponsored mortgages(1)	
		Senior interests	Subordinated interests
Discount rate	3.0% to 17.5%		
Weighted average discount rate	10.9%		
Constant prepayment rate	5.0% to 23.1%		
Weighted average constant prepayment rate	9.6%		
Anticipated net credit losses(2)	NM		
Weighted average anticipated net credit losses	NM		

	Nine months ended September 30, 2012		
	U.S. agency- sponsored mortgages	Non-agency-sponsored mortgages(1)	
		Senior interests	Subordinated interests
Discount rate	0.2% to 14.4%	13.4%	4.6% to 19.3%
Weighted average discount rate	11.4%	13.4%	13.2%
Constant prepayment rate	7.3% to 36.4%	8.1%	2.2% to 8.4%
Weighted average constant prepayment rate	10.2%	8.1%	4.7%
Anticipated net credit losses(2)	NM	50.5%	35.0% to 62.9%
Weighted average anticipated net credit losses	NM	50.5%	54.3%

	Nine months ended September 30, 2011		
	U.S. agency- sponsored mortgages	Non-agency-sponsored mortgages(1)	
		Senior interests	Subordinated interests
Discount rate	0.6% to 28.3%	2.4% to 10.0%	8.4%
Weighted average discount rate	11.4%	4.5%	8.4%
Constant prepayment rate	2.2% to 23.1%	1.0% to 2.2%	22.1%
Weighted average constant prepayment rate	7.2%	1.9%	22.1%
Anticipated net credit losses(2)	NM	35.0% to 72.0%	11.4%
Weighted average anticipated net credit losses	NM	45.3%	11.4%

(1)

Edgar Filing: CITIGROUP INC - Form 10-Q

Disclosure of non-agency-sponsored mortgages as senior and subordinated interests is indicative of the interests' position in the capital structure of the securitization.

(2)

Anticipated net credit losses represent estimated loss severity associated with defaulted mortgage loans underlying the mortgage securitizations disclosed above. Anticipated net credit losses, in this instance, do not represent total credit losses incurred to date, nor do they represent credit losses expected on retained interests in mortgage securitizations.

NM

Not meaningful. Anticipated net credit losses are not meaningful due to U.S. agency guarantees.

Edgar Filing: CITIGROUP INC - Form 10-Q

The range in the key assumptions is due to the different characteristics of the interests retained by the Company. The interests retained range from highly rated and/or senior in the capital structure to unrated and/or residual interests.

The effect of adverse changes of 10% and 20% in each of the key assumptions used to determine the fair value of retained interests and the sensitivity of the fair value to such adverse changes, each as of September 30, 2012, is set forth in the tables below. The negative effect of each change is calculated independently, holding all other assumptions constant. Because the key assumptions may not in fact be independent, the net effect of simultaneous adverse changes in the key assumptions may be less than the sum of the individual effects shown below.

	September 30, 2012		
	U.S. agency-sponsored mortgages	Non-agency-sponsored mortgages(1)	
		Senior interests	Subordinated interests
Discount rate	0.2% to 15.9%	1.5% to 32.6%	7.2% to 28.3%
Weighted average discount rate	6.4%	12.7%	14.1%
Constant prepayment rate	17.2% to 52.6%	2.3% to 23.5%	0.5% to 30.0%
Weighted average constant prepayment rate	31.1%	16.7%	9.9%
Anticipated net credit losses(2)	NM	0.0% to 28.8%	29.4%
Weighted average anticipated net credit losses	NM	3.1%	29.4%

	September 30, 2011		
	U.S. agency-sponsored mortgages	Non-agency-sponsored mortgages(1)	
		Senior interests	Subordinated interests
Discount rate	2.4% to 22.7%	3.6% to 27.6%	1.5% to 32.7%
Weighted average discount rate	8.3%	8.4%	15.4%
Constant prepayment rate	16.2% to 30.6%	2.2% to 54.7%	1.0% to 30.3%
Weighted average constant prepayment rate	27.2%	11.6%	11.0%
Anticipated net credit losses(2)	NM	0.0% to 79.3%	31.8% to 90.0%
Weighted average anticipated net credit losses	NM	41.7%	48.3%

(1) Disclosure of non-agency-sponsored mortgages as senior and subordinated interests is indicative of the interests' position in the capital structure of the securitization.

(2) Anticipated net credit losses represent estimated loss severity associated with defaulted mortgage loans underlying the mortgage securitizations disclosed above. Anticipated net credit losses, in this instance, do not represent total credit losses incurred to date, nor do they represent credit losses expected on retained interests in mortgage securitizations.

NM Not meaningful. Anticipated net credit losses are not meaningful due to U.S. agency guarantees.

<i>In millions of dollars</i>	Non-agency-sponsored mortgages(1)		
	U.S. agency-sponsored mortgages	Senior interests	Subordinated interests
Carrying value of retained interests	\$ 1,745	\$ 95	\$ 498
Discount rates			
Adverse change of 10%	\$ (45)	\$ (3)	\$ (30)
Adverse change of 20%	(87)	(5)	(57)
Constant prepayment rate			
Adverse change of 10%	\$ (120)	\$ (2)	\$ (11)
Adverse change of 20%	(221)	(3)	(23)
Anticipated net credit losses			
Adverse change of 10%	\$ (11)	\$ (1)	\$ (10)

Adverse change of 20%

(23)

(2)

(20)

(1)

Disclosure of non-agency-sponsored mortgages as senior and subordinated interests is indicative of the interests' position in the capital structure of the securitization.

Edgar Filing: CITIGROUP INC - Form 10-Q

Mortgage Securitizations Citi Holdings

The following tables summarize selected cash flow information related to Citi Holdings mortgage securitizations for the three and nine months ended September 30, 2012 and 2011:

<i>In billions of dollars</i>	Three months ended September 30,		
	2012		2011
	U.S. agency-sponsored mortgages	Non-agency-sponsored mortgages	Agency- and Non-agency-sponsored mortgages
Proceeds from new securitizations	\$ 0.1	\$	\$ 0.3
Contractual servicing fees received	0.1		0.1
Cash flows received on retained interests and other net cash flows			

<i>In billions of dollars</i>	Nine months ended September 30,		
	2012		2011
	U.S. agency-sponsored mortgages	Non-agency-sponsored mortgages	Agency- and Non-agency-sponsored mortgages
Proceeds from new securitizations	\$ 0.3	\$	\$ 0.9
Contractual servicing fees received	0.3		0.5
Cash flows received on retained interests and other net cash flows			0.1

Gains recognized on the securitization of U.S. agency-sponsored mortgages were \$8.9 million and \$39.7 million for the three and nine months ended September 30, 2012, respectively. Gains recognized on securitizations of U.S. agency-sponsored mortgages were \$28.6 million and \$55.7 million for the three and nine months ended September 30, 2011, respectively. The Company did not securitize non-agency-sponsored mortgages during the three and nine months ended September 30, 2012 and 2011.

Similar to Citicorp mortgage securitizations discussed above, the range in the key assumptions is due to the different characteristics of the interests retained by the Company. The interests retained range from highly rated and/or senior in the capital structure to unrated and/or residual interests.

The effect of adverse changes of 10% and 20% in each of the key assumptions used to determine the fair value of retained interests, and the sensitivity of the fair value to such adverse changes, each as of September 30, 2012, is set forth in the tables below. The negative effect of each change is calculated independently, holding all other assumptions constant. Because the key assumptions may not in fact be independent, the net effect of simultaneous adverse changes in the key assumptions may be less than the sum of the individual effects shown below.

	September 30, 2012		
	U.S. agency-sponsored mortgages	Non-agency-sponsored mortgages(1)	
		Senior interests	Subordinated interests
Discount rate	7.2%	9.3% to 10.0%	3.3% to 8.1%
Weighted average discount rate	7.2%	9.3%	5.7%
Constant prepayment rate	29.3%	22.2%	6.6% to 9.8%
Weighted average constant prepayment rate	29.3%	22.2%	8.2%
Anticipated net credit losses	NM	0.2%	37.0% to 48.0%
Weighted average anticipated net credit losses	NM	0.2%	42.4%
Weighted average life	3.8 years	4.2 years	9.7 to 11.5 years

September 30, 2011

	U.S. agency-sponsored mortgages	Non-agency-sponsored mortgages(1)	
		Senior interests	Subordinated interests

Edgar Filing: CITIGROUP INC - Form 10-Q

Discount rate	7.2%	1.9% to 16.0%	8.6% to 29.9%
Weighted average discount rate	7.2%	0.3%	13.5%
Constant prepayment rate	29.1%	39.7%	2.0% to 25.6%
Weighted average constant prepayment rate	29.1%	37.7%	10.0%
Anticipated net credit losses	NM	0.3% to 40.0%	40.0% to 95.0%
Weighted average anticipated net credit losses	NM	1.6%	50.7%
Weighted average life	4.0 years	3.0 to 4.9 years	0.3 to 7.5 years

(1) Disclosure of non-agency-sponsored mortgages as senior and subordinated interests is indicative of the interests' position in the capital structure of the securitization.

NM Not meaningful. Anticipated net credit losses are not meaningful due to U.S. agency guarantees.

Edgar Filing: CITIGROUP INC - Form 10-Q

<i>In millions of dollars</i>	U.S. agency-sponsored mortgages		Non-agency-sponsored mortgages(1)			
			Senior interests	Subordinated interests		
Carrying value of retained interests	\$	603	\$	102	\$	19
Discount rates						
Adverse change of 10%	\$	(17)	\$	(2)	\$	(1)
Adverse change of 20%		(34)		(5)		(2)
Constant prepayment rate						
Adverse change of 10%	\$	(57)	\$	(6)	\$	
Adverse change of 20%		(109)		(12)		(1)
Anticipated net credit losses						
Adverse change of 10%	\$	(40)	\$	(7)	\$	(2)
Adverse change of 20%		(79)		(14)		(5)

(1) Disclosure of non-agency-sponsored mortgages as senior and subordinated interests is indicative of the interests' position in the capital structure of the securitization.

Mortgage Servicing Rights

In connection with the securitization of mortgage loans, the Company's U.S. Consumer mortgage business generally retains the servicing rights, which entitle the Company to a future stream of cash flows based on the outstanding principal balances of the loans and the contractual servicing fee. Failure to service the loans in accordance with contractual requirements may lead to a termination of the servicing rights and the loss of future servicing fees.

The fair value of capitalized mortgage servicing rights (MSRs) was \$1.9 billion and \$2.9 billion at September 30, 2012 and 2011, respectively. The MSRs correspond to principal loan balances of \$347 billion and \$421 billion as of September 30, 2012 and 2011, respectively. The following table summarizes the changes in capitalized MSRs for the three and nine months ended September 30, 2012 and 2011:

<i>In millions of dollars</i>	Three months ended September 30,	
	2012	2011
Balance, as of June 30	\$ 2,117	\$ 4,258
Originations	101	126
Changes in fair value of MSRs due to changes in inputs and assumptions	(118)	(1,196)
Other changes(1)	(180)	(336)
Balance, as of September 30	\$ 1,920	\$ 2,852

<i>In millions of dollars</i>	Nine months ended September 30,	
	2012	2011
Balance, as of the beginning of year	\$ 2,569	\$ 4,554
Originations	324	425
Changes in fair value of MSRs due to changes in inputs and assumptions	(289)	(1,301)
Other changes(1)	(684)	(826)
Balance, as of September 30	\$ 1,920	\$ 2,852

Edgar Filing: CITIGROUP INC - Form 10-Q

(1)

Represents changes due to customer payments and passage of time.

The fair value of the MSR is primarily affected by changes in prepayments that result from shifts in mortgage interest rates. In managing this risk, the Company economically hedges a significant portion of the value of its MSR through the use of interest rate derivative contracts, forward purchase and sale commitments of mortgage-backed securities and purchased securities classified as *Trading account assets*.

The Company receives fees during the course of servicing previously securitized mortgages. The amounts of these fees for the three and nine months ended September 30, 2012 and 2011 were as follows:

<i>In millions of dollars</i>	Three months ended September 30,		Nine months ended September 30,	
	2012	2011	2012	2011
Servicing fees	\$ 236	\$ 292	\$ 757	\$ 897
Late fees	16	19	49	58
Ancillary fees	37	39	90	92
Total MSR fees	\$ 289	\$ 350	\$ 896	\$ 1,047

These fees are classified in the Consolidated Statement of Income as *Other revenue*.

Re-securitizations

The Company engages in re-securitization transactions in which debt securities are transferred to a VIE in exchange for new beneficial interests. During the quarter ended September 30, 2012, Citi transferred non-agency (private-label) securities with an original par value of approximately \$541 million to re-securitization entities. These securities are backed by either residential or commercial mortgages and are often structured on behalf of clients. As of September 30, 2012, the fair value of Citi-retained interests in private-label re-securitization transactions structured by Citi totaled approximately \$394 million (\$102 million of which relates to re-securitization transactions executed in 2012) and are recorded in *Trading account assets*. Of this amount, approximately \$10 million and \$384 million related to senior and subordinated beneficial interests, respectively. The original par value of private-label re-securitization transactions in which Citi holds a retained interest as of September 30, 2012 was approximately \$7.3 billion.

The Company also re-securitizes U.S. government-agency guaranteed mortgage-backed (agency) securities. During the quarter ended September 30, 2012, Citi transferred agency securities with a fair value of approximately \$7.5 billion to re-securitization entities. As of September 30, 2012, the fair value of Citi-retained interests in agency re-securitization transactions structured by Citi totaled approximately \$1.4 billion (\$0.6 billion of which related to re-securitization transactions executed in 2012) and are recorded in *Trading account assets*. The original fair value of agency re-securitization transactions in which Citi holds a retained interest as of September 30, 2012 was approximately \$65.9 billion.

As of September 30, 2012, the Company did not consolidate any private-label or agency re-securitization entities.

Citi-Administered Asset-Backed Commercial Paper Conduits

The Company is active in the asset-backed commercial paper conduit business as administrator of several multi-seller commercial paper conduits and also as a service provider to single-seller and other commercial paper conduits sponsored by third parties.

Citi's multi-seller commercial paper conduits are designed to provide the Company's clients access to low-cost funding in the commercial paper markets. The conduits purchase assets from or provide financing facilities to clients and are funded by issuing commercial paper to third-party investors. The conduits generally do not purchase assets originated by the Company. The funding of the conduits is facilitated by the liquidity support and credit enhancements provided by the Company.

As administrator to Citi's conduits, the Company is generally responsible for selecting and structuring assets purchased or financed by the conduits, making decisions regarding the funding of the conduits, including determining the tenor and other features of the commercial paper issued, monitoring the quality and performance of the conduits' assets, and facilitating the operations and cash flows of the conduits. In return, the Company earns structuring fees from customers for individual transactions and earns an administration fee from the conduit, which is equal to the income from the client program and liquidity fees of the conduit after payment of conduit expenses. This administration fee is fairly stable, since most risks and rewards of the underlying assets are passed back to the clients and, once the asset pricing is negotiated, most ongoing income, costs and fees are relatively stable as a percentage of the conduit's size.

The conduits administered by the Company do not generally invest in liquid securities that are formally rated by third parties. The assets are privately negotiated and structured transactions that are designed to be held by the conduit, rather than actively traded and sold. The yield earned by the conduit on each asset is generally tied to the rate on the commercial paper issued by the conduit, thus passing interest rate risk to the client. Each asset purchased by the conduit is structured with transaction-specific credit enhancement features provided by the third-party client seller, including over collateralization, cash and excess spread collateral accounts, direct recourse or third-party guarantees. These credit enhancements are sized with the objective of approximating a credit rating of A or above, based on the Company's internal risk ratings.

Substantially all of the funding of the conduits is in the form of short-term commercial paper, with a weighted average life generally ranging from 30 to 45 days. At the respective period ends September 30, 2012 and December 31, 2011, the weighted average lives of the commercial paper issued by consolidated and unconsolidated conduits were approximately 45 and 37 days, respectively.

The primary credit enhancement provided to the conduit investors is in the form of transaction-specific credit enhancement described above. In addition, each consolidated conduit has obtained a letter of credit from the Company, which needs to be sized to be at least 8-10% of the conduit's assets with a floor of \$200 million. The letters of credit provided by the Company to the consolidated conduits total approximately \$1.9 billion. The net result across all multi-seller conduits administered by the Company is that, in the event defaulted assets exceed the transaction-specific credit enhancements described above, any losses in each conduit are allocated first to the Company and then the commercial paper investors.

The Company also provides the conduits with two forms of liquidity agreements that are used to provide funding to the conduits in the event of a market disruption, among other events. Each asset of the conduits is supported by a transaction-specific liquidity facility in the form of an asset purchase agreement (APA). Under the APA, the Company has generally agreed to purchase non-defaulted eligible receivables from

Edgar Filing: CITIGROUP INC - Form 10-Q

the conduit at par. The APA is not generally designed to provide credit support to the conduit, as it generally does not permit the purchase of defaulted or impaired assets. Any funding under the APA will likely subject the underlying borrower to the conduits to increased interest costs. In addition, the Company provides the conduits with program-wide liquidity in the form of short-term lending commitments. Under these commitments, the Company has agreed to lend to the conduits in the event of a short-term disruption in the commercial paper market, subject to specified conditions. The Company receives fees for providing both types of liquidity agreements and considers these fees to be on fair market terms.

Finally, the Company is one of several named dealers in the commercial paper issued by the conduits and earns a market-based fee for providing such services. Along with third-party dealers, the Company makes a market in the commercial paper and may from time to time fund commercial paper pending sale to a third party. On specific dates with less liquidity in the market, the Company may hold in inventory commercial paper

Edgar Filing: CITIGROUP INC - Form 10-Q

issued by conduits administered by the Company, as well as conduits administered by third parties. The amount of commercial paper issued by its administered conduits held in inventory fluctuates based on market conditions and activity. As of September 30, 2012, the Company owned \$9.0 billion and \$255 million of the commercial paper issued by its consolidated and unconsolidated administered conduits, respectively.

With the exception of the government-guaranteed loan conduit described below, the asset-backed commercial paper conduits are consolidated by the Company. The Company determined that through its role as administrator it had the power to direct the activities that most significantly impacted the entities' economic performance. These powers included its ability to structure and approve the assets purchased by the conduits, its ongoing surveillance and credit mitigation activities, and its liability management. In addition, as a result of all the Company's involvement described above, it was concluded that the Company had an economic interest that could potentially be significant. However, the assets and liabilities of the conduits are separate and apart from those of Citigroup. No assets of any conduit are available to satisfy the creditors of Citigroup or any of its other subsidiaries.

The Company administers one conduit that originates loans to third-party borrowers and those obligations are fully guaranteed primarily by AAA-rated government agencies that support export and development financing programs. The economic performance of this government-guaranteed loan conduit is most significantly impacted by the performance of its underlying assets. The guarantors must approve each loan held by the entity and the guarantors have the ability (through establishment of the servicing terms to direct default mitigation and to purchase defaulted loans) to manage the conduit's loans that become delinquent to improve the economic performance of the conduit. Because the Company does not have the power to direct the activities of this government-guaranteed loan conduit that most significantly impact the economic performance of the entity, it was concluded that the Company should not consolidate the entity. The total notional exposure under the program-wide liquidity agreement for the Company's unconsolidated administered conduit as of September 30, 2012 is \$0.6 billion. The program-wide liquidity agreement, along with each asset APA, is considered in the Company's maximum exposure to loss to the unconsolidated administered conduit.

As of September 30, 2012, this unconsolidated government-guaranteed loan conduit held assets and funding commitments of approximately \$7.9 billion.

Third-Party Commercial Paper Conduits

The Company also provides liquidity facilities to single- and multi-seller conduits sponsored by third parties. These conduits are independently owned and managed and invest in a variety of asset classes, depending on the nature of the conduit. The facilities provided by the Company typically represent a small portion of the total liquidity facilities obtained by each conduit, and are collateralized by the assets of each conduit. The Company is not the party that has the power to direct the activities of these conduits that most significantly impact their economic performance and thus does not consolidate them. As of September 30, 2012, the Company had no involvement in third-party commercial paper conduits.

Collateralized Debt and Loan Obligations

A securitized collateralized debt obligation (CDO) is an SPE that purchases a pool of assets consisting of asset-backed securities and synthetic exposures through derivatives on asset-backed securities and issues multiple tranches of equity and notes to investors.

A cash CDO, or arbitrage CDO, is a CDO designed to take advantage of the difference between the yield on a portfolio of selected assets, typically residential mortgage-backed securities, and the cost of funding the CDO through the sale of notes to investors. "Cash flow" CDOs are entities in which the CDO passes on cash flows from a pool of assets, while "market value" CDOs pay to investors the market value of the pool of assets owned by the CDO at maturity. In these transactions, all of the equity and notes issued by the CDO are funded, as the cash is needed to purchase the debt securities.

A synthetic CDO is similar to a cash CDO, except that the CDO obtains exposure to all or a portion of the referenced assets synthetically through derivative instruments, such as credit default swaps. Because the CDO does not need to raise cash sufficient to purchase the entire referenced portfolio, a substantial portion of the senior tranches of risk is typically passed on to CDO investors in the form of unfunded liabilities or derivative instruments. Thus, the CDO writes credit protection on select referenced debt securities to the Company or third parties and the risk is then passed on to the CDO investors in the form of funded notes or purchased credit protection through derivative instruments. Any cash raised from investors is invested in a portfolio of collateral securities or investment contracts. The collateral is then used to support the obligations of the CDO on the credit default swaps written to counterparties.

A securitized collateralized loan obligation (CLO) is substantially similar to the CDO transactions described above, except that the assets owned by the SPE (either cash instruments or synthetic exposures through derivative instruments) are corporate loans and to a lesser extent corporate bonds, rather than asset-backed debt securities.

A third-party asset manager is typically retained by the CDO/CLO to select the pool of assets and manage those assets over the term of the SPE. The Company is the manager for a limited number of CLO transactions.

Edgar Filing: CITIGROUP INC - Form 10-Q

The Company earns fees for warehousing assets prior to the creation of a "cash flow" or "market value" CDO/CLO, structuring CDOs/CLOs and placing debt securities with investors. In addition, the Company has retained interests in

Edgar Filing: CITIGROUP INC - Form 10-Q

many of the CDOs/CLOs it has structured and makes a market in the issued notes.

The Company's continuing involvement in synthetic CDOs/CLOs generally includes purchasing credit protection through credit default swaps with the CDO/CLO, owning a portion of the capital structure of the CDO/CLO in the form of both unfunded derivative positions (primarily super-senior exposures discussed below) and funded notes, entering into interest-rate swap and total-return swap transactions with the CDO/CLO, lending to the CDO/CLO, and making a market in the funded notes.

Where a CDO/CLO entity issues preferred shares (or subordinated notes that are the equivalent form), the preferred shares generally represent an insufficient amount of equity (less than 10%) and create the presumption that preferred shares are insufficient to finance the entity's activities without subordinated financial support. In addition, although the preferred shareholders generally have full exposure to expected losses on the collateral and uncapped potential to receive expected residual returns, they generally do not have the ability to make decisions about the entity that have a significant effect on the entity's financial results because of their limited role in making day-to-day decisions and their limited ability to remove the asset manager. Because one or both of the above conditions will generally be met, the Company has concluded that, even where a CDO/CLO entity issued preferred shares, the entity should be classified as a VIE.

In general, the asset manager, through its ability to purchase and sell assets or where the reinvestment period of a CDO/CLO has expired the ability to sell assets, will have the power to direct the activities of the entity that most significantly impact the economic performance of the CDO/ CLO. However, where a CDO/CLO has experienced an event of default or an optional redemption period has gone into effect, the activities of the asset manager may be curtailed and/or certain additional rights will generally be provided to the investors in a CDO/CLO entity, including the right to direct the liquidation of the CDO/CLO entity.

The Company has retained significant portions of the "super-senior" positions issued by certain CDOs. These positions are referred to as "super-senior" because they represent the most senior positions in the CDO and, at the time of structuring, were senior to tranches rated AAA by independent rating agencies.

The Company does not generally have the power to direct the activities of the entity that most significantly impact the economic performance of the CDOs/CLOs as this power is generally held by a third-party asset manager of the CDO/CLO. As such, those CDOs/CLOs are not consolidated. The Company may consolidate the CDO/CLO when: (i) the Company is the asset manager and no other single investor has the unilateral ability to remove the Company or unilaterally cause the liquidation of the CDO/CLO, or the Company is not the asset manager but has a unilateral right to remove the third-party asset manager or unilaterally liquidate the CDO/CLO and receive the underlying assets, and (ii) the Company has economic exposure to the entity that could be potentially significant to the entity.

The Company continues to monitor its involvement in unconsolidated CDOs/CLOs to assess future consolidation risk. For example, if the Company were to acquire additional interests in these entities and obtain the right, due to an event of default trigger being met, to unilaterally liquidate or direct the activities of a CDO/CLO, the Company may be required to consolidate the asset entity. For cash CDOs/CLOs, the net result of such consolidation would be to gross up the Company's balance sheet by the current fair value of the securities held by third parties and assets held by the CDO/CLO, which amounts are not considered material. For synthetic CDOs/CLOs, the net result of such consolidation may reduce the Company's balance sheet, because intercompany derivative receivables and payables would be eliminated in consolidation, and other assets held by the CDO/CLO and the securities held by third parties would be recognized at their current fair values.

Key Assumptions and Retained Interests Citi Holdings

The key assumptions, used for the securitization of CDOs and CLOs during the quarter ended September 30, 2012, in measuring the fair value of retained interests were as follows:

	CDOs	CLOs
Discount rate	46.2% to 50.8%	1.9% to 2.1%

The effect of an adverse change of 10% and 20% in the discount rates used to determine the fair value of retained interests is set forth in the table below:

<i>In millions of dollars</i>	CDOs	CLOs
Carrying value of retained interests	\$ 14	\$ 403
Discount rates		
Adverse change of 10%	\$ (1)	\$ (2)
Adverse change of 20%	(2)	(4)

Asset-Based Financing

The Company provides loans and other forms of financing to VIEs that hold assets. Those loans are subject to the same credit approvals as all other loans originated or purchased by the Company. Financings in the form of debt securities or derivatives are, in most circumstances, reported in *Trading account assets* and accounted for at fair value through earnings. The Company generally does not have the power to direct the activities that most significantly impact these VIEs' economic performance and thus it does not consolidate them.

Edgar Filing: CITIGROUP INC - Form 10-Q

Asset-Based Financing Citicorp

The primary types of Citicorp's asset-based financings, total assets of the unconsolidated VIEs with significant involvement and the Company's maximum exposure to loss at September 30, 2012, are shown below. For the Company to realize that maximum loss, the VIE (borrower) would have to default with no recovery from the assets held by the VIE.

<i>In billions of dollars</i>		
Type	Total unconsolidated VIE assets	Maximum exposure to unconsolidated VIEs
Commercial and other real estate	\$ 8.9	\$ 2.2
Hedge funds and equities	0.6	0.4
Airplanes, ships and other assets	16.3	12.4
Total	\$ 25.8	\$ 15.0

Asset-Based Financing Citi Holdings

The primary types of Citi Holdings' asset-based financings, total assets of the unconsolidated VIEs with significant involvement and the Company's maximum exposure to loss at September 30, 2012, are shown below. For the Company to realize that maximum loss, the VIE (borrower) would have to default with no recovery from the assets held by the VIE.

<i>In billions of dollars</i>		
Type	Total unconsolidated VIE assets	Maximum exposure to unconsolidated VIEs
Commercial and other real estate	\$ 1.4	\$ 0.4
Corporate loans	2.9	2.3
Airplanes, ships and other assets	3.6	0.7
Total	\$ 7.9	\$ 3.4

The following table summarizes selected cash flow information related to asset-based financings for the three and nine months ended September 30, 2012 and 2011:

<i>In billions of dollars</i>	Three months ended September 30,	
	2012	2011
Cash flows received on retained interests and other net cash flows	\$ 0.4	\$ 0.2

<i>In billions of dollars</i>	Nine months ended September 30,	
	2012	2011
Cash flows received on retained interests and other net cash flows	\$ 1.7	\$ 1.2

The effect of an adverse change of 10% and 20% in the discount rates used to determine the fair value of retained interests at September 30, 2012 is set forth in the table below:

<i>In millions of dollars</i>	Asset-based Financing
Carrying value of retained interests	\$ 2,350
Value of underlying portfolio	
Adverse change of 10%	\$
Adverse change of 20%	

Municipal Securities Tender Option Bond (TOB) Trusts

Edgar Filing: CITIGROUP INC - Form 10-Q

TOB trusts hold fixed- and floating-rate, taxable and tax-exempt securities issued by state and local governments and municipalities. The trusts are typically single-issuer trusts whose assets are purchased from the Company or from other investors in the municipal securities market. The TOB trusts fund the purchase of their assets by issuing long-term, putable floating rate certificates (Floaters) and residual certificates (Residuals). The trusts are referred to as TOB trusts because the Floater holders have the ability to tender their interests periodically back to the issuing trust, as described further below. The Floaters and Residuals evidence beneficial ownership interests in, and are collateralized by, the underlying assets of the trust. The Floaters are held by third-party investors, typically tax-exempt money market funds. The Residuals are typically held by the original owner of the municipal securities being financed.

The Floaters and the Residuals have a tenor that is equal to or shorter than the tenor of the underlying municipal bonds. The Residuals entitle their holders to the residual cash flows from the issuing trust, the interest income generated by the underlying municipal securities net of interest paid on the Floaters and trust expenses. The Residuals are rated based on the long-term rating of the underlying municipal bond. The Floaters bear variable interest rates that are reset periodically to a new market rate based on a spread to a high grade, short-term, tax-exempt index. The Floaters have a long-term rating based on the long-term rating of the underlying municipal bond and a short-term rating based on that of the liquidity provider to the trust.

There are two kinds of TOB trusts: customer TOB trusts and non-customer TOB trusts. Customer TOB trusts are trusts through which customers finance their investments in municipal securities. The Residuals are held by customers and the Floaters by third-party investors, typically tax-exempt money market funds. Non-customer TOB trusts are trusts through which the Company finances its own investments in municipal securities. In such trusts, the Company holds the Residuals and third-party investors, typically tax-exempt money market funds, hold the Floaters.

The Company serves as remarketing agent to the trusts, placing the Floaters with third-party investors at inception, facilitating the periodic reset of the variable rate of interest on the Floaters and remarketing any tendered Floaters. If Floaters are tendered and the Company (in its role as remarketing agent) is unable to find a new investor within a specified period of time, it can declare a failed remarketing, in which case the trust is unwound. The Company may, but is not obligated to, buy the Floaters into its own inventory. The level of the Company's inventory of Floaters fluctuates over time. As of September 30, 2012, the Company held \$203 million of Floaters related to both customer and non-customer TOB trusts.

Edgar Filing: CITIGROUP INC - Form 10-Q

For certain non-customer trusts, the Company also provides credit enhancement. Approximately \$210 million of the municipal bonds owned by TOB trusts have a credit guarantee provided by the Company.

The Company provides liquidity to many of the outstanding trusts. If a trust is unwound early due to an event other than a credit event on the underlying municipal bond, the underlying municipal bonds are sold in the market. If there is a shortfall in the trust's cash flows between the redemption price of the tendered Floaters and the proceeds from the sale of the underlying municipal bonds, the trust draws on a liquidity agreement in an amount equal to the shortfall. For customer TOBs where the Residual is less than 25% of the trust's capital structure, the Company has a reimbursement agreement with the Residual holder under which the Residual holder reimburses the Company for any payment made under the liquidity arrangement. Through this reimbursement agreement, the Residual holder remains economically exposed to fluctuations in value of the underlying municipal bonds. These reimbursement agreements are generally subject to daily margining based on changes in value of the underlying municipal bond. In cases where a third party provides liquidity to a non-customer TOB trust, a similar reimbursement arrangement is made whereby the Company (or a consolidated subsidiary of the Company) as Residual holder absorbs any losses incurred by the liquidity provider.

As of September 30, 2012, liquidity agreements provided with respect to customer TOB trusts totaled \$5.1 billion of which \$3.7 billion was offset by reimbursement agreements. The remaining exposure related to TOB transactions where the Residual owned by the customer was at least 25% of the bond value at the inception of the transaction and no reimbursement agreement was executed. The Company also provides other liquidity agreements or letters of credit to customer-sponsored municipal investment funds, that are not variable interest entities, and municipality-related issuers that totaled \$7.1 billion as of September 30, 2012. These liquidity agreements and letters of credit are offset by reimbursement agreements with various term-out provisions.

The Company considers the customer and non-customer TOB trusts to be VIEs. Customer TOB trusts are not consolidated by the Company. The Company has concluded that the power to direct the activities that most significantly impact the economic performance of the customer TOB trusts is primarily held by the customer Residual holder, who may unilaterally cause the sale of the trust's bonds.

Non-customer TOB trusts generally are consolidated. Similar to customer TOB trusts, the Company has concluded that the power over the non-customer TOB trusts is primarily held by the Residual holder, which may unilaterally cause the sale of the trust's bonds. Because the Company holds the Residual interest, and thus has the power to direct the activities that most significantly impact the trust's economic performance, it consolidates the non-customer TOB trusts.

Municipal Investments

Municipal investment transactions include debt and equity interests in partnerships that finance the construction and rehabilitation of low-income housing, facilitate lending in new or underserved markets, or finance the construction or operation of renewable municipal energy facilities. The Company generally invests in these partnerships as a limited partner and earns a return primarily through the receipt of tax credits and grants earned from the investments made by the partnership. The Company may also provide construction loans or permanent loans to the development or continuation of real estate properties held by partnerships. These entities are generally considered VIEs. The power to direct the activities of these entities is typically held by the general partner. Accordingly, these entities are not consolidated by the Company.

Client Intermediation

Client intermediation transactions represent a range of transactions designed to provide investors with specified returns based on the returns of an underlying security, referenced asset or index. These transactions include credit-linked notes and equity-linked notes. In these transactions, the VIE typically obtains exposure to the underlying security, referenced asset or index through a derivative instrument, such as a total-return swap or a credit-default swap. In turn the VIE issues notes to investors that pay a return based on the specified underlying security, referenced asset or index. The VIE invests the proceeds in a financial asset or a guaranteed insurance contract that serves as collateral for the derivative contract over the term of the transaction. The Company's involvement in these transactions includes being the counterparty to the VIE's derivative instruments and investing in a portion of the notes issued by the VIE. In certain transactions, the investor's maximum risk of loss is limited and the Company absorbs risk of loss above a specified level. The Company does not have the power to direct the activities of the VIEs that most significantly impact their economic performance and thus it does not consolidate them.

The Company's maximum risk of loss in these transactions is defined as the amount invested in notes issued by the VIE and the notional amount of any risk of loss absorbed by the Company through a separate instrument issued by the VIE. The derivative instrument held by the Company may generate a receivable from the VIE (for example, where the Company purchases credit protection from the VIE in connection with the VIE's issuance of a credit-linked note), which is collateralized by the assets owned by the VIE. These derivative instruments are not considered variable interests and any associated receivables are not included in the calculation of maximum exposure to the VIE.

Investment Funds

Edgar Filing: CITIGROUP INC - Form 10-Q

The Company is the investment manager for certain investment funds that invest in various asset classes including private equity, hedge funds, real estate, fixed income and infrastructure. The Company earns a management fee, which is a percentage of capital under management, and may earn performance fees. In addition, for some of these funds the Company has an ownership interest in the investment funds. The Company has also established a number of investment funds as opportunities for qualified employees to invest in private equity investments. The Company acts as investment manager to these funds and may provide employees with financing on both recourse and non-recourse bases for a portion of the employees' investment commitments.

The Company has determined that a majority of the investment entities managed by Citigroup are provided a

deferral from the requirements of SFAS 167, *Amendments to FASB Interpretation No. 46(R)*, because they meet the criteria in Accounting Standards Update No. 2010-10, *Consolidation (Topic 810), Amendments for Certain Investment Funds* (ASU 2010-10). These entities continue to be evaluated under the requirements of ASC 810-10, prior to the implementation of SFAS 167 (FIN 46(R), *Consolidation of Variable Interest Entities*), which required that a VIE be consolidated by the party with a variable interest that will absorb a majority of the entity's expected losses or residual returns, or both.

Trust Preferred Securities

The Company has raised financing through the issuance of trust preferred securities. In these transactions, the Company forms a statutory business trust and owns all of the voting equity shares of the trust. The trust issues preferred equity securities to third-party investors and invests the gross proceeds in junior subordinated deferrable interest debentures issued by the Company. The trusts have no assets, operations, revenues or cash flows other than those related to the issuance, administration and repayment of the preferred equity securities held by third-party investors. Obligations of the trusts are fully and unconditionally guaranteed by the Company.

Because the sole asset of each of the trusts is a receivable from the Company and the proceeds to the Company from the receivable exceed the Company's investment in the VIE's equity shares, the Company is not permitted to consolidate the trusts, even though it owns all of the voting equity shares of the trust, has fully guaranteed the trusts' obligations, and has the right to redeem the preferred securities in certain circumstances. The Company recognizes the subordinated debentures on its Consolidated Balance Sheet as long-term liabilities. For additional information, see Note 15 to the Consolidated Financial Statements.

18. DERIVATIVES ACTIVITIES

In the ordinary course of business, Citigroup enters into various types of derivative transactions. These derivative transactions include:

Futures and forward contracts, which are commitments to buy or sell at a future date a financial instrument, commodity or currency at a contracted price and may be settled in cash or through delivery.

Swap contracts, which are commitments to settle in cash at a future date or dates that may range from a few days to a number of years, based on differentials between specified financial indices, as applied to a notional principal amount.

Option contracts, which give the purchaser, for a premium, the right, but not the obligation, to buy or sell within a specified time a financial instrument, commodity or currency at a contracted price that may also be settled in cash, based on differentials between specified indices or prices.

Citigroup enters into these derivative contracts relating to interest rate, foreign currency, commodity, and other market/credit risks for the following reasons:

Trading Purposes Customer Needs: Citigroup offers its customers derivatives in connection with their risk-management actions to transfer, modify or reduce their interest rate, foreign exchange and other market/credit risks or for their own trading purposes. As part of this process, Citigroup considers the customers' suitability for the risk involved and the business purpose for the transaction. Citigroup also manages its derivative risk positions through offsetting trade activities, controls focused on price verification, and daily reporting of positions to senior managers.

Trading Purposes Citigroup trades derivatives as an active market maker. Trading limits and price verification controls are key aspects of this activity.

Hedging Citigroup uses derivatives in connection with its risk-management activities to hedge certain risks or reposition the risk profile of the Company. For example, Citigroup issues fixed-rate long-term debt and then enters into a receive-fixed, pay-variable-rate interest rate swap with the same tenor and notional amount to convert the interest payments to a net variable-rate basis. This strategy is the most common form of an interest rate hedge, as it minimizes interest cost in certain yield curve environments. Derivatives are also used to manage risks inherent in specific groups of on-balance-sheet assets and liabilities, including AFS securities and deposit liabilities, as well as other interest-sensitive assets and liabilities. In addition, foreign-exchange contracts are used to hedge non-U.S.-dollar-denominated debt, foreign-currency-denominated AFS securities and net investment exposures.

Derivatives may expose Citigroup to market, credit or liquidity risks in excess of the amounts recorded on the Consolidated Balance Sheet. Market risk on a derivative product is the exposure created by potential fluctuations in interest rates, foreign-exchange rates and other factors and is a function of the type of product, the volume of transactions, the tenor and terms of the agreement, and the underlying volatility. Credit risk is the exposure to loss in the event of nonperformance by the other party to the transaction where the value of any collateral held is not adequate to cover such losses. The recognition in earnings of unrealized gains on these transactions is subject to management's assessment as to collectability. Liquidity risk is the potential exposure that arises when the size of the derivative position may not be able to be rapidly adjusted in periods of high volatility and financial stress at a reasonable cost.

Information pertaining to the volume of derivative activity is provided in the tables below. The notional amounts, for both long and short derivative positions, of Citigroup's derivative instruments as of September 30, 2012 and December 31, 2011 are presented in the table below.

Derivative Notionals

<i>In millions of dollars</i>	Hedging instruments under ASC 815 (SFAS 133)(1)(2)		Other derivative instruments			
	September 30, 2012	December 31, 2011	Trading derivatives		Management hedges(3)	
			September 30, 2012	December 31, 2011	September 30, 2012	December 31, 2011
Interest rate contracts						
Swaps	\$ 135,176	\$ 163,079	\$ 29,882,342	\$ 28,069,960	\$ 125,308	\$ 119,344
Futures and forwards			5,125,812	3,549,642	50,317	43,965
Written options			3,872,194	3,871,700	25,067	16,786
Purchased options			3,639,994	3,888,415	7,780	7,338
Total interest rate contract notionals	\$ 135,176	\$ 163,079	\$ 42,520,342	\$ 39,379,717	\$ 208,472	\$ 187,433
Foreign exchange contracts						
Swaps	\$ 22,791	\$ 27,575	\$ 1,392,390	\$ 1,182,363	\$ 16,452	\$ 22,458
Futures and forwards	65,588	55,211	3,402,183	3,191,687	37,603	31,095
Written options	130	4,292	761,308	591,818	137	190
Purchased options	5,743	39,163	761,294	583,891	2,056	53
Total foreign exchange contract notionals	\$ 94,252	\$ 126,241	\$ 6,317,175	\$ 5,549,759	\$ 56,248	\$ 53,796
Equity contracts						
Swaps	\$	\$	\$ 95,632	\$ 86,978	\$	\$
Futures and forwards			16,799	12,882		
Written options			366,044	552,333		
Purchased options			325,289	509,322		
Total equity contract notionals	\$	\$	\$ 803,764	\$ 1,161,515	\$	\$
Commodity and other contracts						
Swaps	\$	\$	\$ 28,188	\$ 23,403	\$	\$
Futures and forwards			85,092	73,090		
Written options			104,423	90,650		
Purchased options			107,436	99,234		
Total commodity and other contract notionals	\$	\$	\$ 325,139	\$ 286,377	\$	\$
Credit derivatives(4)						
Protection sold	\$	\$	\$ 1,438,553	\$ 1,394,528	\$	\$
Protection purchased	2,168	4,253	1,512,036	1,486,723	25,287	21,914
Total credit derivatives	\$ 2,168	\$ 4,253	\$ 2,950,589	\$ 2,881,251	\$ 25,287	\$ 21,914
Total derivative notionals	\$ 231,596	\$ 293,573	\$ 52,917,009	\$ 49,258,619	\$ 290,007	\$ 263,143

(1)

The notional amounts presented in this table do not include hedge accounting relationships under ASC 815 (SFAS 133) where Citigroup is hedging the foreign currency risk of a net investment in a foreign operation by issuing a foreign-currency-denominated debt instrument. The notional amount of such debt is \$5,739 million and \$7,060 million at September 30, 2012 and December 31,

2011, respectively.

- (2) Derivatives in hedge accounting relationships accounted for under ASC 815 (SFAS 133) are recorded in either *Other assets/Other liabilities* or *Trading account assets/Trading account liabilities* on the Consolidated Balance Sheet.
- (3) Management hedges represent derivative instruments used in certain economic hedging relationships that are identified for management purposes, but for which hedge accounting is not applied. These derivatives are recorded in either *Other assets/Other liabilities* or *Trading account assets/Trading account liabilities* on the Consolidated Balance Sheet.
- (4) Credit derivatives are arrangements designed to allow one party (protection buyer) to transfer the credit risk of a "reference asset" to another party (protection seller). These arrangements allow a protection seller to assume the credit risk associated with the reference asset without directly purchasing that asset. The Company has entered into credit derivative positions for purposes such as risk management, yield enhancement, reduction of credit concentrations and diversification of overall risk.

Derivative Mark-to-Market (MTM) Receivables/Payables

<i>In millions of dollars at September 30, 2012</i>	Derivatives classified in trading account assets/liabilities(1)(2)		Derivatives classified in other assets/liabilities(2)	
	Assets	Liabilities	Assets	Liabilities
Derivative instruments designated as ASC 815 (SFAS 133) hedges				
Interest rate contracts	\$ 8,746	\$ 2,192	\$ 4,046	\$ 1,437
Foreign exchange contracts	358	1,508	1,028	704
Total derivative instruments designated as ASC 815 (SFAS 133) hedges	\$ 9,104	\$ 3,700	\$ 5,074	\$ 2,141
Other derivative instruments				
Interest rate contracts	\$ 899,973	\$ 892,846	\$ 703	\$ 184
Foreign exchange contracts	71,467	78,136	238	156
Equity contracts	19,946	34,688		
Commodity and other contracts	11,429	12,648		
Credit derivatives(3)	58,685	56,410	207	319
Total other derivative instruments	\$ 1,061,500	\$ 1,074,728	\$ 1,148	\$ 659
Total derivatives	\$ 1,070,604	\$ 1,078,428	\$ 6,222	\$ 2,800
Cash collateral paid/received(4)(5)	4,027	8,871	389	607
Less: Netting agreements and market value adjustments(6)	(978,765)	(974,456)		
Less: Net cash collateral received/paid(7)	(38,713)	(57,124)	(4,403)	
Net receivables/payables	\$ 57,153	\$ 55,719	\$ 2,208	\$ 3,407

(1) The trading derivatives fair values are presented in Note 10 to the Consolidated Financial Statements.

(2) Derivative mark-to-market receivables/payables related to management hedges are recorded in either *Other assets/Other liabilities* or *Trading account assets/Trading account liabilities*.

(3) The credit derivatives trading assets are composed of \$41,888 million related to protection purchased and \$16,797 million related to protection sold as of September 30, 2012. The credit derivatives trading liabilities are composed of \$17,777 million related to protection purchased and \$38,633 million related to protection sold as of September 30, 2012.

(4) For the trading asset/liabilities, this is the net amount of the \$61,151 million and \$47,584 million of gross cash collateral paid and received, respectively. Of the gross cash collateral paid, \$57,124 million was used to offset derivative liabilities and, of the gross cash collateral received, \$38,713 million was used to offset derivative assets.

(5) For the other asset/liabilities, this is the net amount of the \$389 million and \$5,010 million of the gross cash collateral paid and received, respectively. Of the gross cash collateral received, \$4,403 million was used to offset derivative assets.

(6) Represents the netting of derivative receivable and payable balances for the same counterparty under enforceable netting agreements.

Edgar Filing: CITIGROUP INC - Form 10-Q

- (7) Represents the netting of cash collateral paid and received by counterparty under enforceable credit support agreements.

<i>In millions of dollars at December 31, 2011</i>	Derivatives classified in trading account assets/liabilities(1)(2)		Derivatives classified in other assets/liabilities(2)	
	Assets	Liabilities	Assets	Liabilities
Derivative instruments designated as ASC 815 (SFAS 133) hedges				
Interest rate contracts	\$ 8,274	\$ 3,306	\$ 3,968	\$ 1,518
Foreign exchange contracts	3,706	1,451	1,201	863
Total derivative instruments designated as ASC 815 (SFAS 133) hedges	\$ 11,980	\$ 4,757	\$ 5,169	\$ 2,381
Other derivative instruments				
Interest rate contracts	\$ 749,213	\$ 736,785	\$ 212	\$ 96
Foreign exchange contracts	90,611	95,912	325	959
Equity contracts	20,235	33,139		
Commodity and other contracts	13,763	14,631		
Credit derivatives(3)	90,424	84,726	430	126
Total other derivative instruments	\$ 964,246	\$ 965,193	\$ 967	\$ 1,181
Total derivatives	\$ 976,226	\$ 969,950	\$ 6,136	\$ 3,562
Cash collateral paid/received(4)(5)	6,634	7,870	307	180
Less: Netting agreements and market value adjustments(6)	(875,592)	(870,366)		
Less: Net cash collateral received/paid(7)	(44,941)	(51,181)	(3,462)	
Net receivables/payables	\$ 62,327	\$ 56,273	\$ 2,981	\$ 3,742

- (1) The trading derivatives fair values are presented in Note 10 to the Consolidated Financial Statements.
- (2) Derivative mark-to-market receivables/payables related to management hedges are recorded in either *Other assets/Other liabilities* or *Trading account assets/Trading account liabilities*.
- (3) The credit derivatives trading assets are composed of \$79,089 million related to protection purchased and \$11,335 million related to protection sold as of December 31, 2011. The credit derivatives trading liabilities are composed of \$12,235 million related to protection purchased and \$72,491 million related to protection sold as of December 31, 2011.
- (4) For the trading assets/liabilities, this is the net amount of the \$57,815 million and \$52,811 million of gross cash collateral paid and received, respectively. Of the gross cash collateral paid, \$51,181 million was used to offset derivative liabilities and, of the gross cash collateral received, \$44,941 million was used to offset derivative assets.
- (5) For the other assets/liabilities, this is the net amount of the \$307 million and \$3,642 million of the gross cash collateral paid and received, respectively. Of the gross cash collateral received, \$3,462 million was used to offset derivative assets.
- (6) Represents the netting of derivative receivable and payable balances for the same counterparty under enforceable netting agreements.

- (7) Represents the netting of cash collateral paid and received by counterparty under enforceable credit support agreements.

Edgar Filing: CITIGROUP INC - Form 10-Q

All derivatives are reported on the balance sheet at fair value. In addition, where applicable, all such contracts covered by master netting agreements are reported net. Gross positive fair values are netted with gross negative fair values by counterparty pursuant to a valid master netting agreement. In addition, payables and receivables in respect of cash collateral received from or paid to a given counterparty are included in this netting. However, non-cash collateral is not included.

The amounts recognized in *Principal transactions* in the Consolidated Statement of Income for the three- and nine- month periods ended September 30, 2012 and 2011 related to derivatives not designated in a qualifying hedging relationship as well as the underlying non-derivative instruments are included in the table below. Citigroup presents this disclosure by business classification, showing derivative gains and losses related to its trading activities together with gains and losses related to non-derivative instruments within the same trading portfolios, as this represents the way these portfolios are risk managed.

<i>In millions of dollars</i>	Principal transactions gains (losses)			
	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2012	2011	2012	2011
Interest rate contracts	\$ 427	\$ 1,972	\$ 2,289	\$ 5,318
Foreign exchange	676	576	1,880	1,958
Equity contracts	(43)	(358)	303	217
Commodity and other	8	107	71	131
Credit derivatives	(92)	(194)	4	262
Total Citigroup(1)	\$ 976	\$ 2,103	\$ 4,547	\$ 7,886

(1) Also see Note 6 to the Consolidated Financial Statements.

The amounts recognized in *Other revenue* in the Consolidated Statement of Income for the three- and nine- month periods ended September 30, 2012 and 2011 are shown below. The table below does not include the offsetting gains/losses on the hedged items, which amounts are also recorded in *Other revenue*.

<i>In millions of dollars</i>	Gains (losses) included in Other revenue			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Interest rate contracts	\$ (122)	\$ 1,090	\$ (292)	\$ 1,027
Foreign exchange	825	(1,576)	59	1,096
Credit derivatives	(398)	586	(724)	362
Total Citigroup(1)	\$ 305	\$ 100	\$ (957)	\$ 2,485

(1) Non-designated derivatives are derivative instruments not designated in qualifying hedging relationships.

Accounting for Derivative Hedging

Citigroup accounts for its hedging activities in accordance with ASC 815, *Derivatives and Hedging* (formerly SFAS 133). As a general rule, hedge accounting is permitted where the Company is exposed to a particular risk, such as interest-rate or foreign-exchange risk, that causes changes in the fair value of an asset or liability or variability in the expected future cash flows of an existing asset, liability or a forecasted transaction that may affect earnings.

Derivative contracts hedging the risks associated with the changes in fair value are referred to as fair value hedges, while contracts hedging the risks affecting the expected future cash flows are called cash flow hedges. Hedges that utilize derivatives or debt instruments to manage the foreign exchange risk associated with equity investments in non-U.S.-dollar-functional-currency foreign subsidiaries (net investment in a foreign operation) are called net investment hedges.

If certain hedging criteria specified in ASC 815 are met, including testing for hedge effectiveness, special hedge accounting may be applied. The hedge effectiveness assessment methodologies for similar hedges are performed in a similar manner and are used consistently throughout the hedging relationships. For fair value hedges, the changes in value of the hedging derivative, as well as the changes in value of the related hedged item due to the risk being hedged, are reflected in current earnings. For cash flow hedges and net investment hedges, the changes in value of the hedging derivative are reflected in *Accumulated other comprehensive income (loss)* in Citigroup's stockholders' equity, to the extent the hedge is effective. Hedge ineffectiveness, in either case, is reflected in current earnings.

For asset/liability management hedging, the fixed-rate long-term debt would be recorded at amortized cost under current U.S. GAAP. However, by electing to use ASC 815 (SFAS 133) fair value hedge accounting, the carrying value of the debt is adjusted for changes in the benchmark interest rate, with any such changes in value recorded in current earnings. The related interest-rate swap is also recorded on the balance sheet at fair value, with any changes in fair value reflected in earnings. Thus, any ineffectiveness resulting from the hedging relationship is recorded in current earnings. Alternatively, a management hedge, which does not meet the ASC 815 hedging criteria, would involve recording only the derivative at fair value on the balance sheet, with its associated changes in fair value recorded in earnings. The debt would continue to be carried at amortized cost and, therefore, current earnings would be impacted only by the interest rate shifts and other factors that cause the change in the swap's value and may change the underlying yield of the debt. This type of hedge is undertaken when hedging requirements cannot be achieved or management decides not to apply ASC 815 hedge accounting. Another alternative for the Company would be to elect to carry the debt at fair value under the fair value option. Once the irrevocable election is made upon issuance of the debt, the full change in fair value of the debt would be reported in earnings. The related interest rate swap, with changes in fair value, would also be reflected in earnings, and provides a natural offset to the debt's fair value change. To the extent the two offsets are not exactly equal, the difference would be reflected in current earnings.

Key aspects of achieving ASC 815 hedge accounting are documentation of hedging strategy and hedge effectiveness at the hedge inception and substantiating hedge effectiveness on an ongoing basis. A derivative must be highly effective in accomplishing the hedge objective of offsetting either changes in the fair value or cash flows of the hedged item for the risk being hedged. Any ineffectiveness in the hedge relationship is recognized in current earnings. The assessment of effectiveness excludes changes in the value of the hedged item that are unrelated to the risks being hedged. Similarly, the assessment of effectiveness may exclude changes in the fair value of a derivative related to time value that, if excluded, are recognized in current earnings.

Fair Value Hedges

Hedging of benchmark interest rate risk

Citigroup hedges exposure to changes in the fair value of outstanding fixed-rate issued debt and certificates of deposit. Depending on the risk management objectives, these types of hedges are designated as either fair value hedges of only the benchmark interest rate risk or fair value hedges of both the benchmark interest rate and foreign exchange risk. The fixed cash flows from those financing transactions are converted to benchmark variable-rate cash flows by entering into, respectively, receive-fixed, pay-variable interest rate swaps or receive-fixed in non-functional currency, pay variable in functional currency swaps. These fair value hedge relationships use either regression or dollar-offset ratio analysis to determine whether the hedging relationships are highly effective at inception and on an ongoing basis.

Citigroup also hedges exposure to changes in the fair value of fixed-rate assets, including available-for-sale debt securities and loans. The hedging instruments used are receive-variable, pay-fixed interest rate swaps. These fair value hedging relationships use either regression or dollar-offset ratio analysis to determine whether the hedging relationships are highly effective at inception and on an ongoing basis.

Hedging of foreign exchange risk

Edgar Filing: CITIGROUP INC - Form 10-Q

Citigroup hedges the change in fair value attributable to foreign-exchange rate movements in available-for-sale securities that are denominated in currencies other than the functional currency of the entity holding the securities, which may be within or outside the U.S. The hedging instrument employed is a forward foreign-exchange contract. In this type of hedge, the change in fair value of the hedged available-for-sale security attributable to the portion of foreign exchange risk hedged is reported in earnings and not *Accumulated other comprehensive income* a process that serves to offset substantially the change in fair value of the forward contract that is also reflected in earnings. Citigroup considers the premium associated with forward contracts (differential between spot and contractual forward rates) as the cost of hedging; this is excluded from the assessment of hedge effectiveness and reflected directly in earnings. The dollar-offset method is used to assess hedge effectiveness. Since that assessment is based on changes in fair value attributable to changes in spot rates on both the available-for-sale securities and the forward contracts for the portion of the relationship hedged, the amount of hedge ineffectiveness is not significant.

Edgar Filing: CITIGROUP INC - Form 10-Q

The following table summarizes the gains (losses) on the Company's fair value hedges for the three- and nine-month periods ended September 30, 2012 and September 30, 2011:

<i>In millions of dollars</i>	Gains (losses) on fair value hedges ⁽¹⁾			
	Three Months Ended September 30, 2012		Nine Months Ended September 30, 2011	
Gain (loss) on the derivatives in designated and qualifying fair value hedges				
Interest rate contracts	\$	297	\$	4,143
Foreign exchange contracts		196		590
Total gain (loss) on the derivatives in designated and qualifying fair value hedges	\$	493	\$	4,733
Gain (loss) on the hedged item in designated and qualifying fair value hedges				
Interest rate hedges	\$	(418)	\$	(4,207)
Foreign exchange hedges		(172)		(613)
Total gain (loss) on the hedged item in designated and qualifying fair value hedges	\$	(590)	\$	(4,820)
Hedge ineffectiveness recognized in earnings on designated and qualifying fair value hedges				
Interest rate hedges	\$	(121)	\$	(110)
Foreign exchange hedges		(11)		17
Total hedge ineffectiveness recognized in earnings on designated and qualifying fair value hedges	\$	(132)	\$	(93)
Net gain (loss) excluded from assessment of the effectiveness of fair value hedges				
Interest rate contracts	\$		\$	46
Foreign exchange contracts		35		(40)
Total net gain (loss) excluded from assessment of the effectiveness of fair value hedges	\$	35	\$	6

(1)

Amounts are included in *Other revenue* on the Consolidated Statement of Income. The accrued interest income on fair value hedges is recorded in *Net interest revenue* and is excluded from this table.

Cash Flow Hedges

Hedging of benchmark interest rate risk

Citigroup hedges variable cash flows resulting from floating-rate liabilities and rollover (re-issuance) of short-term liabilities. Variable cash flows from those liabilities are converted to fixed-rate cash flows by entering into receive-variable, pay-fixed interest rate swaps and receive-variable, pay-fixed forward-starting interest rate swaps. These cash-flow hedging relationships use either regression analysis or dollar-offset ratio analysis to assess whether the hedging relationships are highly effective at inception and on an ongoing basis. When certain interest rates do not qualify as a benchmark interest rate, Citigroup designates the risk being hedged as the risk of overall changes in the hedged cash flows. Since efforts are made to match the terms of the derivatives to those of the hedged forecasted cash flows as closely as possible, the amount of hedge ineffectiveness is not significant.

Hedging of foreign exchange risk

Edgar Filing: CITIGROUP INC - Form 10-Q

Citigroup locks in the functional currency equivalent cash flows of long-term debt and short-term borrowings that are denominated in a currency other than the functional currency of the issuing entity. Depending on the risk management objectives, these types of hedges are designated as either cash flow hedges of only foreign exchange risk or cash flow hedges of both foreign exchange and interest rate risk, and the hedging instruments used are foreign exchange cross-currency swaps and forward contracts. These cash flow hedge relationships use dollar-offset ratio analysis to determine whether the hedging relationships are highly effective at inception and on an ongoing basis.

Hedging of overall changes in cash flows

Citigroup hedges the overall exposure to variability in cash flows related to the future acquisition of mortgage-backed securities using "to be announced" forward contracts. Since the hedged transaction is the gross settlement of the forward, the assessment of hedge effectiveness is based on assuring that the terms of the hedging instrument and the hedged forecasted transaction are the same.

Hedging total return

Citigroup generally manages the risk associated with highly leveraged financing it has entered into by seeking to sell a majority of its exposures to the market prior to or shortly after funding. The portion of the highly leveraged financing that is retained by Citigroup is generally hedged with a total return swap.

The amount of hedge ineffectiveness on the cash flow hedges recognized in earnings for three- and nine-month periods ended September 30, 2012 and September 30, 2011 is not significant.

The pretax change in *Accumulated other comprehensive income (loss)* from cash flow hedges is presented below:

<i>In millions of dollars</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Effective portion of cash flow hedges included in AOCI				
Interest rate contracts	\$ (59)	\$ (1,132)	\$ (324)	\$ (1,689)
Foreign exchange contracts	112	(65)	52	(166)
Total effective portion of cash flow hedges included in AOCI	\$ 53	\$ (1,197)	\$ (272)	\$ (1,855)
Effective portion of cash flow hedges reclassified from AOCI to earnings				
Interest rate contracts	\$ (186)	\$ (285)	\$ (647)	\$ (951)
Foreign exchange contracts	(56)	(60)	(140)	(198)
Total effective portion of cash flow hedges reclassified from AOCI to earnings(1)	\$ (242)	\$ (345)	\$ (787)	\$ (1,149)

(1)

Included primarily in *Other revenue* and *Net interest revenue* on the Consolidated Income Statement.

For cash flow hedges, any changes in the fair value of the end-user derivative remaining in *Accumulated other comprehensive income (loss)* on the Consolidated Balance Sheet will be included in earnings of future periods to offset the variability of the hedged cash flows when such cash flows affect earnings. The net loss associated with cash flow hedges expected to be reclassified from *Accumulated other comprehensive income (loss)* within 12 months of September, 2012 is approximately \$1.0 billion. The maximum length of time over which forecasted cash flows are hedged is 10 years.

The after-tax impact of cash flow hedges on AOCI is shown in Note 16 to the Consolidated Financial Statements.

Net Investment Hedges

Consistent with ASC 830-20, *Foreign Currency Matters Foreign Currency Transactions* (formerly SFAS 52, *Foreign Currency Translation*), ASC 815 allows hedging of the foreign currency risk of a net investment in a foreign operation. Citigroup uses foreign currency forwards, options, swaps and foreign-currency-denominated debt instruments to manage the foreign exchange risk associated with Citigroup's equity investments in several non-U.S. dollar functional currency foreign subsidiaries. Citigroup records the change in the carrying amount of these investments in the *Foreign currency translation adjustment* account within *Accumulated other comprehensive income (loss)*.

Simultaneously, the effective portion of the hedge of this exposure is also recorded in the *Foreign currency translation adjustment* account and the ineffective portion, if any, is immediately recorded in earnings.

For derivatives used in net investment hedges, Citigroup follows the forward-rate method from FASB Derivative Implementation Group Issue H8 (now ASC 815-35-35-16 through 35-26), "Foreign Currency Hedges: Measuring the Amount of Ineffectiveness in a Net Investment Hedge." According to that method, all changes in fair value, including changes related to the forward-rate component of the foreign currency forward contracts and the time value of foreign currency options, are recorded in the *Foreign currency translation adjustment* account within *Accumulated other comprehensive income (loss)*.

For foreign-currency-denominated debt instruments that are designated as hedges of net investments, the translation gain or loss that is recorded in the *Foreign currency translation adjustment* account is based on the spot exchange rate between the functional currency of the respective subsidiary and the U.S. dollar, which is the functional currency of Citigroup. To the extent the notional amount of the hedging instrument exactly matches the hedged net investment and the underlying exchange rate of the derivative hedging instrument relates to the exchange rate between the functional currency of the net investment and Citigroup's functional currency (or, in the case of a non-derivative debt instrument, such instrument is denominated in the functional currency of the net investment), no ineffectiveness is recorded in earnings.

The pretax gain (loss) recorded in the *Foreign currency translation adjustment* account within *Accumulated other comprehensive income (loss)*, related to the effective portion of the net investment hedges, is \$(1,580) million and \$(2,636) million for the three- and nine-month periods ended September 30, 2012, respectively, and \$2,776 million and \$902 million for the three- and nine-month periods ended September 30, 2011, respectively.

Credit Derivatives

A credit derivative is a bilateral contract between a buyer and a seller under which the seller agrees to provide protection to the buyer against the credit risk of a particular entity ("reference entity" or "reference credit"). Credit derivatives generally require that the seller of credit protection make payments to the buyer upon the occurrence of predefined credit events (commonly referred to as "settlement triggers"). These settlement triggers are defined by the form of the derivative and the reference credit and are generally limited to the market standard of failure to pay on indebtedness and bankruptcy of the reference credit and, in a more limited range of transactions, debt restructuring. Credit derivative transactions referring to emerging market reference credits will also typically include additional settlement triggers to cover the acceleration of indebtedness and the risk of repudiation or a payment moratorium. In certain transactions, protection may be provided on a portfolio of referenced credits or asset-backed securities. The seller of such protection may not be required to make payment until a specified amount of losses has occurred with respect to the portfolio and/or may only be required to pay for losses up to a specified amount.

The Company makes markets and trades a range of credit derivatives. Through these contracts, the Company either purchases or writes protection on either a single name or a portfolio of reference credits. The Company also uses credit derivatives to help mitigate credit risk in its Corporate and Consumer loan portfolios and other cash positions, and to facilitate client transactions.

The range of credit derivatives sold includes credit default swaps, total return swaps, credit options and credit-linked notes.

A credit default swap is a contract in which, for a fee, a protection seller agrees to reimburse a protection buyer for any losses that occur due to a credit event on a reference entity. If there is no credit default event or settlement trigger, as defined by the specific derivative contract, then the protection seller makes no payments to the protection buyer and receives only the contractually specified fee. However, if a credit event occurs as defined in the specific derivative contract sold, the protection seller will be required to make a payment to the protection buyer.

A total return swap transfers the total economic performance of a reference asset, which includes all associated cash flows, as well as capital appreciation or depreciation. The protection buyer receives a floating rate of interest and any depreciation on the reference asset from the protection seller and, in return, the protection seller receives the cash flows associated with the reference asset plus any appreciation. Thus, according to the total return swap agreement, the protection seller will be obligated to make a payment any time the floating interest rate payment and any depreciation of the reference asset exceed the cash flows associated with the underlying asset. A total return swap may

Edgar Filing: CITIGROUP INC - Form 10-Q

terminate upon a default of the reference asset subject to the provisions of the related total return swap agreement between the protection seller and the protection buyer.

A credit option is a credit derivative that allows investors to trade or hedge changes in the credit quality of the reference

Edgar Filing: CITIGROUP INC - Form 10-Q

asset. For example, in a credit spread option, the option writer assumes the obligation to purchase or sell the reference asset at a specified "strike" spread level. The option purchaser buys the right to sell the reference asset to, or purchase it from, the option writer at the strike spread level. The payments on credit spread options depend either on a particular credit spread or the price of the underlying credit-sensitive asset. The options usually terminate if the underlying assets default.

A credit-linked note is a form of credit derivative structured as a debt security with an embedded credit default swap. The purchaser of the note writes credit protection to the issuer, and receives a return which will be negatively affected by credit events on the underlying reference credit. If the reference entity defaults, the purchaser of the credit-linked note may assume the long position in the debt security and any future cash flows from it, but will lose the amount paid to the issuer of the credit-linked note. Thus the maximum amount of the exposure is the carrying amount of the credit-linked note. As of September 30, 2012 and December 31, 2011, the amount of credit-linked notes held by the Company in trading inventory was immaterial.

The following tables summarize the key characteristics of the Company's credit derivative portfolio as protection seller as of September 30, 2012 and December 31, 2011:

<i>In millions of dollars as of September 30, 2012</i>	Maximum potential amount of future payments	Fair value payable(1)(2)
By industry/counterparty		
Bank	\$ 930,387	\$ 23,164
Broker-dealer	320,560	10,753
Non-financial	3,395	107
Insurance and other financial institutions	184,211	4,609
Total by industry/counterparty	\$ 1,438,553	\$ 38,633
By instrument		
Credit default swaps and options	\$ 1,437,397	\$ 38,502
Total return swaps and other	1,156	131
Total by instrument	\$ 1,438,553	\$ 38,633
By rating		
Investment grade	\$ 703,826	\$ 9,884
Non-investment grade	212,614	15,787
Not rated	522,113	12,962
Total by rating	\$ 1,438,553	\$ 38,633
By maturity		
Within 1 year	\$ 333,769	\$ 1,790
From 1 to 5 years	933,192	24,719
After 5 years	171,592	12,124
Total by maturity	\$ 1,438,553	\$ 38,633

1) In addition, fair value amounts payable under credit derivatives purchased were \$18,096 million.

(2) In addition, fair value amounts receivable under credit derivatives sold were \$16,797 million.

<i>In millions of dollars as of December 31, 2011</i>	Maximum potential amount of future payments	Fair value payable(1)(2)
By industry/counterparty		
Bank	\$ 929,608	\$ 45,920

Edgar Filing: CITIGROUP INC - Form 10-Q

Broker-dealer	321,293	19,026
Non-financial	1,048	98
Insurance and other financial institutions	142,579	7,447
Total by industry/counterparty	\$ 1,394,528	\$ 72,491
By instrument		
Credit default swaps and options	\$ 1,393,082	\$ 72,358
Total return swaps and other	1,446	133
Total by instrument	\$ 1,394,528	\$ 72,491
By rating		
Investment grade	\$ 611,447	\$ 16,913
Non-investment grade	226,939	28,034
Not rated	556,142	27,544
Total by rating	\$ 1,394,528	\$ 72,491
By maturity		
Within 1 year	\$ 266,723	\$ 3,705
From 1 to 5 years	947,211	46,596
After 5 years	180,594	22,190
Total by maturity	\$ 1,394,528	\$ 72,491

-
- (1) In addition, fair value amounts payable under credit derivatives purchased were \$12,361 million.
- (2) In addition, fair value amounts receivable under credit derivatives sold were \$11,335 million.

Citigroup evaluates the payment/performance risk of the credit derivatives for which it stands as a protection seller based on the credit rating assigned to the underlying referenced credit. Where external ratings by nationally recognized statistical rating organizations (such as Moody's and S&P) are used, investment grade ratings are considered to be Baa/BBB or above, while anything below is considered non-investment grade. The Citigroup internal ratings are in line with the related external credit rating system. On certain underlying reference credits, mainly related to over-the-counter credit derivatives, ratings are not available, and these are included in the not-rated category. Credit derivatives written on an underlying non-investment grade reference credit represent greater payment risk to the Company. The non-investment grade category in the table above primarily includes credit derivatives where the underlying referenced entity has been downgraded subsequent to the inception of the derivative.

The maximum potential amount of future payments under credit derivative contracts presented in the table above is based on the notional value of the derivatives. The Company believes that the maximum potential amount of future payments for credit protection sold is not representative of the actual loss exposure based on historical experience. This amount has not been reduced by the Company's rights to the underlying assets and the related cash flows. In accordance with most credit derivative contracts, should a credit event (or settlement trigger) occur, the Company is usually liable for the difference between the protection sold and the recourse it holds in the value of the underlying assets. Thus, if the reference entity defaults, Citi will generally have a right to collect on the underlying reference credit and any related cash flows, while being liable for the full notional amount of credit protection sold to the buyer. Furthermore, this maximum potential amount of future payments for credit protection sold has not been reduced for any cash collateral paid to a given counterparty as such payments would be calculated after netting all derivative exposures, including any credit derivatives with that counterparty in accordance with a related master netting agreement. Due to such netting processes, determining the amount of collateral that corresponds to credit derivative exposures alone is not possible. The Company actively monitors open credit risk exposures and manages this exposure by using a variety of strategies, including purchased credit derivatives, cash collateral or direct holdings of the referenced assets. This risk mitigation activity is not captured in the table above.

Credit-Risk-Related Contingent Features in Derivatives

Certain derivative instruments contain provisions that require the Company to either post additional collateral or immediately settle any outstanding liability balances upon the occurrence of a specified credit-risk-related event. These events, which are defined by the existing derivative contracts, are primarily downgrades in the credit ratings of the Company and its affiliates. The fair value (excluding CVA) of all derivative instruments with credit-risk-related contingent features that are in a net liability position at September 30, 2012 and December 31, 2011 is \$37 billion and \$33 billion, respectively. The Company has posted \$33 billion and \$28 billion as collateral for this exposure in the normal course of business as of September 30, 2012 and December 31, 2011, respectively.

Each downgrade would trigger additional collateral or cash settlement requirements for the Company and its affiliates. In the event that each legal entity was downgraded a single notch by the three rating agencies as of September 30, 2012, the Company would be required to post an additional \$5.2 billion, as either collateral or settlement of the derivative transactions. Additionally, the Company would be required to segregate with third-party custodians collateral previously received from existing derivative counterparties in the amount of \$1.6 billion upon the single notch downgrade, resulting in aggregate cash obligations and collateral requirements of approximately \$6.8 billion.

19. FAIR VALUE MEASUREMENT

ASC 820-10 (formerly SFAS 157) defines fair value, establishes a consistent framework for measuring fair value and requires disclosures about fair value measurements. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Among other things, the standard requires the Company to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

Under ASC 820-10, the probability of default of a counterparty is factored into the valuation of derivative positions and includes the impact of Citigroup's own credit risk on derivatives and other liabilities measured at fair value.

Fair Value Hierarchy

ASC 820-10, *Fair Value Measurement*, specifies a hierarchy of inputs based on whether the inputs are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Company's market assumptions. These two types of inputs have created the following fair value hierarchy:

Level 1: Quoted prices for *identical* instruments in active markets.

Level 2: Quoted prices for *similar* instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs and significant value drivers are *observable* in active markets.

Level 3: Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are *unobservable*.

This hierarchy requires the use of observable market data when available. The Company considers relevant and observable market prices in its valuations where possible. The frequency of transactions, the size of the bid-ask spread and the amount of adjustment necessary when comparing similar transactions are all factors in determining the liquidity of markets and the relevance of observed prices in those markets.

The Company's policy with respect to transfers between levels of the fair value hierarchy is to recognize transfers into and out of each level as of the end of the reporting period.

Determination of Fair Value

For assets and liabilities carried at fair value, the Company measures such value using the procedures set out below, irrespective of whether these assets and liabilities are carried at fair value as a result of an election or whether they are required to be carried at fair value.

When available, the Company generally uses quoted market prices to determine fair value and classifies such items as Level 1. In some cases where a market price is available, the Company will make use of acceptable practical expedients (such as matrix pricing) to calculate fair value, in which case the items are classified as Level 2.

If quoted market prices are not available, fair value is based upon internally developed valuation techniques that use, where possible, current market-based parameters, such as interest rates, currency rates, option volatilities, etc. Items valued using such internally generated valuation techniques are classified according to the lowest level input or value driver that is significant to the valuation. Thus, an item may be classified in Level 3 even though there may be some significant inputs that are readily observable.

The Company may also apply a price-based methodology, which utilizes, where available, quoted prices or other market information obtained from recent trading activity in positions with the same or similar characteristics to the position being valued. The market activity and the amount of the bid-ask spread are among the factors considered in determining the liquidity of markets and the relevance of observed prices from those markets. If relevant and observable prices are available, those valuations may be classified as Level 2. When less liquidity exists for a security or loan, a quoted price is stale, a significant adjustment to the price of a similar security is necessary to reflect differences in the terms of the actual security or loan being valued, or prices from independent sources are insufficient to corroborate the valuation, the "price" inputs are considered unobservable and the fair value measurements are classified as Level 3.

Edgar Filing: CITIGROUP INC - Form 10-Q

Fair value estimates from internal valuation techniques are verified, where possible, to prices obtained from independent vendors or brokers. Vendors and brokers' valuations may be based on a variety of inputs ranging from observed prices to proprietary valuation models.

The following section describes the valuation methodologies used by the Company to measure various financial instruments at fair value, including an indication of the level in the fair value hierarchy in which each instrument is generally classified. Where appropriate, the description includes details of the valuation models, the key inputs to those models and any significant assumptions.

Market valuation adjustments

Liquidity adjustments are applied to items in Level 2 and Level 3 of the fair value hierarchy to ensure that the fair value reflects the liquidity or illiquidity of the market. The liquidity reserve may utilize the bid-offer spread for an instrument as one of the factors.

Counterparty credit-risk adjustments are applied to derivatives, such as over-the-counter uncollateralized derivatives, where the base valuation uses market parameters based on the relevant base interest rate curves. Not all counterparties have the same credit risk as that implied by the relevant base curve, so it is necessary to consider the market view of the credit risk of a counterparty in order to estimate the fair value of such an item.

Bilateral or "own" credit-risk adjustments are applied to reflect the Company's own credit risk when valuing derivatives and liabilities measured at fair value. Counterparty and own credit adjustments consider the expected future cash flows between Citi and its counterparties under the terms of the instrument and the effect of credit risk on the valuation of those cash flows, rather than a point-in-time assessment of the current recognized net asset or liability. Furthermore, the credit-risk adjustments take into account the effect of credit-

Edgar Filing: CITIGROUP INC - Form 10-Q

risk mitigants, such as pledged collateral and any legal right of offset (to the extent such offset exists) with a counterparty through arrangements such as netting agreements.

Generally, the unit of account for a financial instrument is the individual financial instrument. The Company applies market valuation adjustments that are consistent with the unit of account, which does not include adjustment due to the size of the Company's position, except as follows. ASC 820-10 permits an exception, through an accounting policy election, to measure the fair value of a portfolio of financial assets and financial liabilities on the basis of the net open risk position when certain criteria are met. Citi has elected to measure certain portfolios of financial instruments, such as derivatives, that meet those criteria on the basis of the net open risk position. The Company applies market valuation adjustments, including adjustments to account for the size of the net open risk position, consistent with market participant assumptions and in accordance with the unit of account.

Valuation Process for Level 3 Fair Value Measurements

Price verification procedures and related internal control procedures are governed by the Citigroup *Pricing and Price Verification Policy and Standards*, which is jointly owned by Finance and Risk Management. Finance has implemented the *ICG Securities and Banking Pricing and Price Verification Standards and Procedures* to facilitate compliance with this policy.

For fair value measurements of substantially all assets and liabilities held by the Company, individual business units are responsible for valuing the trading account assets and liabilities, and Product Control within Finance performs independent price verification procedures to evaluate those fair value measurements. Product Control is independent of the individual business units and reports into the Global Head of Product Control. It has the final authority over the independent valuation of financial assets and liabilities. Fair value measurements of assets and liabilities are determined using various techniques, including, but not limited to, discounted cash flows and internal models, such as option and correlation models.

Based on the observability of inputs used, Product Control classifies the inventory as Level 1, Level 2 or Level 3 of the fair value hierarchy. When a position involves one or more significant inputs that are not directly observable, additional price verification procedures are applied. These procedures may include reviewing relevant historical data, analyzing profit and loss, valuing each component of a structured trade individually, and benchmarking, among others.

Reports of inventory that is classified within Level 3 of the fair value hierarchy are distributed to senior management in Finance, Risk and the individual business. This inventory is also discussed in Risk Committees and in monthly meetings with senior trading management. As deemed necessary, reports may go to the Audit Committee of the Board of Directors or the full Board of Directors. Whenever a valuation adjustment is needed to bring the price of an asset or liability to its exit price, Product Control reports it to management along with other price verification results.

In addition, the pricing models used in measuring fair value are governed by an independent control framework. Although the models are developed and tested by the individual business units, they are independently validated by the Model Validation Group within Risk Management and reviewed by Finance with respect to their impact on the price verification procedures. The purpose of this independent control framework is to assess model risk arising from models' theoretical soundness, calibration techniques where needed, and the appropriateness of the model for a specific product in a defined market. Valuation adjustments, if any, go through a similar independent review process as the valuation models. To ensure their continued applicability, models are independently reviewed annually. In addition, Risk Management approves and maintains a list of products permitted to be valued under each approved model for a given business.

Securities purchased under agreements to resell and securities sold under agreements to repurchase

No quoted prices exist for such instruments so fair value is determined using a discounted cash-flow technique. Cash flows are estimated based on the terms of the contract, taking into account any embedded derivative or other features. Expected cash flows are discounted using interest rates appropriate to the maturity of the instrument as well as the nature of the underlying collateral. Generally, when such instruments are held at fair value, they are classified within Level 2 of the fair value hierarchy as the inputs used in the valuation are readily observable. However, certain long-dated positions are classified within Level 3 of the fair value hierarchy.

Trading account assets and liabilities trading securities and trading loans

When available, the Company uses quoted market prices to determine the fair value of trading securities; such items are classified as Level 1 of the fair value hierarchy. Examples include some government securities and exchange-traded equity securities.

For bonds and secondary market loans traded over the counter, the Company generally determines fair value utilizing valuation techniques, including discounted cash flows, price-based and internal models, such as Black-Scholes and Monte Carlo simulation. Fair value estimates from

Edgar Filing: CITIGROUP INC - Form 10-Q

these internal valuation techniques are verified, where possible, to prices obtained from independent vendors. Vendors compile prices from various sources and may apply matrix pricing for similar bonds or loans where no price is observable. A price-based methodology utilizes, where available, quoted prices or other market information obtained from recent trading activity of assets with similar characteristics to the bond or loan being valued. The yields used in discounted cash flow models are derived from the same price information. Trading securities and loans priced using such methods are generally classified as Level 2. However, when less liquidity exists for a security or loan, a quoted price is stale, a significant adjustment to the price of a similar security or loan is necessary to reflect differences in the terms of the actual security or loan being

Edgar Filing: CITIGROUP INC - Form 10-Q

valued, or prices from independent sources are insufficient to corroborate valuation, a loan or security is generally classified as Level 3. The price input used in a price-based methodology may be zero for a security, such as a subprime CDO, that is not receiving any principal or interest and is currently written down to zero.

Where the Company's principal market for a portfolio of loans is the securitization market, the Company uses the securitization price to determine the fair value of the portfolio. The securitization price is determined from the assumed proceeds of a hypothetical securitization in the current market, adjusted for transformation costs (i.e., direct costs other than transaction costs) and securitization uncertainties such as market conditions and liquidity. As a result of the severe reduction in the level of activity in certain securitization markets since the second half of 2007, observable securitization prices for certain directly comparable portfolios of loans have not been readily available. Therefore, such portfolios of loans are generally classified as Level 3 of the fair value hierarchy. However, for other loan securitization markets, such as commercial real estate loans, pricing verification of the hypothetical securitizations has been possible, since these markets have remained active. Accordingly, this loan portfolio is classified as Level 2 in the fair value hierarchy.

Trading account assets and liabilities derivatives

Exchange-traded derivatives are generally measured at fair value using quoted market (i.e., exchange) prices and are classified as Level 1 of the fair value hierarchy.

The majority of derivatives entered into by the Company is executed over the counter and is valued using internal valuation techniques as no quoted market prices exist for such instruments. The valuation techniques and inputs depend on the type of derivative and the nature of the underlying instrument. The principal techniques used to value these instruments are discounted cash flows and internal models, including Black-Scholes and Monte Carlo simulation. The fair values of derivative contracts reflect cash the Company has paid or received (for example, option premiums paid and received).

The key inputs depend upon the type of derivative and the nature of the underlying instrument and include interest rate yield curves, foreign-exchange rates, volatilities and correlation. The Company uses overnight indexed swap (OIS) curves as fair value measurement inputs for the valuation of certain collateralized interest-rate related derivatives. The instrument is classified in either Level 2 or Level 3 depending upon the observability of the significant inputs to the model.

Subprime-related direct exposures in CDOs

The valuation of high-grade and mezzanine asset-backed security (ABS) CDO positions utilizes prices based on the underlying assets of each high-grade and mezzanine ABS CDO. The high-grade and mezzanine positions are largely hedged through the ABX and bond short positions. This results in closer symmetry in the way these long and short positions are valued by the Company. Citigroup uses trader marks to value this portion of the portfolio and will do so as long as it remains largely hedged.

For most of the lending and structuring direct subprime exposures, fair value is determined utilizing observable transactions where available, other market data for similar assets in markets that are not active and other internal valuation techniques.

Investments

The investments category includes available-for-sale debt and marketable equity securities, whose fair value is generally determined by utilizing similar procedures described for trading securities above or, in some cases, using consensus pricing as the primary source.

Also included in investments are nonpublic investments in private equity and real estate entities held by the S&B business. Determining the fair value of nonpublic securities involves a significant degree of management resources and judgment as no quoted prices exist and such securities are generally very thinly traded. In addition, there may be transfer restrictions on private equity securities. The Company uses an established process for determining the fair value of such securities, utilizing commonly accepted valuation techniques, including comparables analysis. In determining the fair value of nonpublic securities, the Company also considers events such as a proposed sale of the investee company, initial public offerings, equity issuances or other observable transactions. As discussed in Note 11 to the Consolidated Financial Statements, the Company uses net asset value (NAV) to value certain of these investments.

Private equity securities are generally classified as Level 3 of the fair value hierarchy.

Short-term borrowings and long-term debt

Where fair value accounting has been elected, the fair value of non-structured liabilities is determined by utilizing internal models using the appropriate discount rate for the applicable maturity. Such instruments are generally classified as Level 2 of the fair value hierarchy as all inputs are readily observable.

Edgar Filing: CITIGROUP INC - Form 10-Q

The Company determines the fair value of structured liabilities (where performance is linked to structured interest rates, inflation or currency risks) and hybrid financial instruments (where performance is linked to risks other than interest rates, inflation or currency risks) using the appropriate derivative valuation methodology (described above) given the nature of the embedded risk profile. Such instruments are classified as Level 2 or Level 3 depending on the observability of significant inputs to the model.

Alt-A mortgage securities

The Company classifies its Alt-A mortgage securities as held-to-maturity, available-for-sale and trading investments. The securities classified as trading and available-for-sale are recorded at fair value with changes in fair value reported in current earnings and AOCI, respectively. For these purposes, Citi defines Alt-A mortgage securities as non-agency residential mortgage-backed securities (RMBS) where (1) the underlying collateral has weighted average FICO scores between 680 and 720 or (2) for instances where FICO scores

Edgar Filing: CITIGROUP INC - Form 10-Q

are greater than 720, RMBS have 30% or less of the underlying collateral composed of full documentation loans.

Similar to the valuation methodologies used for other trading securities and trading loans, the Company generally determines the fair values of Alt-A mortgage securities utilizing internal valuation techniques. Fair value estimates from internal valuation techniques are verified, where possible, to prices obtained from independent vendors. Consensus data providers compile prices from various sources. Where available, the Company may also make use of quoted prices for recent trading activity in securities with the same or similar characteristics to the security being valued.

The valuation techniques used for Alt-A mortgage securities, as with other mortgage exposures, are price-based and discounted cash flows. The primary market-derived input is yield. Cash flows are based on current collateral performance with prepayment rates and loss projections reflective of current economic conditions of housing price change, unemployment rates, interest rates, borrower attributes and other market indicators.

Alt-A mortgage securities that are valued using these methods are generally classified as Level 2. However, Alt-A mortgage securities backed by Alt-A mortgages of lower quality or subordinated tranches in the capital structure are mostly classified as Level 3 due to the reduced liquidity that exists for such positions, which reduces the reliability of prices available from independent sources.

Items Measured at Fair Value on a Recurring Basis

The following tables present for each of the fair value hierarchy levels the Company's assets and liabilities that are measured at fair value on a recurring basis at September 30, 2012 and December 31, 2011. The Company's hedging of positions that have been classified in the Level 3 category is not limited to other financial instruments that have been classified as Level 3, but also instruments classified as Level 1 or Level 2 of the fair value hierarchy. The effects of these hedges are presented gross in the following table.

Fair Value Levels

<i>In millions of dollars at September 30, 2012</i>	Level 1(1)	Level 2(1)	Level 3	Gross inventory	Netting(2)	Net balance
Assets						
Federal funds sold and securities borrowed or purchased under agreements to resell	\$	\$ 205,398	\$ 4,677	\$ 210,075	\$ (43,569)	\$ 166,506
Trading securities						
Trading mortgage-backed securities						
U.S. government-sponsored agency guaranteed	\$	\$ 31,418	\$ 684	\$ 32,102	\$	\$ 32,102
Prime		304	943	1,247		1,247
Alt-A		493	309	802		802
Subprime		187	566	753		753
Non-U.S. residential		401	53	454		454
Commercial		1,276	524	1,800		1,800
Total trading mortgage-backed securities	\$	\$ 34,079	\$ 3,079	\$ 37,158	\$	\$ 37,158
U.S. Treasury and federal agency securities						
U.S. Treasury	\$ 14,592	\$ 2,755	\$	\$ 17,347	\$	\$ 17,347
Agency obligations		3,030		3,030		3,030
Total U.S. Treasury and federal agency securities	\$ 14,592	\$ 5,785	\$	\$ 20,377	\$	\$ 20,377
State and municipal						
Foreign government	\$ 59,790	\$ 29,394	\$ 198	\$ 89,382	\$	\$ 89,382
Corporate		32,556	2,351	34,907		34,907
Equity securities	47,491	2,835	243	50,569		50,569
Asset-backed securities		1,051	5,122	6,173		6,173
Other debt securities		11,594	2,414	14,008		14,008
Total trading securities	\$ 121,873	\$ 122,520	\$ 13,655	\$ 258,048	\$	\$ 258,048
Trading account derivatives						
Interest rate contracts		906,612	2,107	908,719		
Foreign exchange contracts	12	71,082	731	71,825		
Equity contracts	3,100	15,290	1,556	19,946		
Commodity contracts	646	9,893	890	11,429		
Credit derivatives		54,630	4,055	58,685		
Total trading account derivatives	\$ 3,758	\$ 1,057,507	\$ 9,339	\$ 1,070,604		
Gross cash collateral paid				\$ 61,151		
Netting agreements and market value adjustments					\$ (1,074,602)	
Total trading account derivatives	\$ 3,758	\$ 1,057,507	\$ 9,339	\$ 1,131,755	\$ (1,074,602)	\$ 57,153
Investments						
Mortgage-backed securities						
U.S. government-sponsored agency guaranteed	\$ 50	\$ 42,963	\$ 1,204	\$ 44,217	\$	\$ 44,217
Prime		124	2	126		126
Alt-A		113	36	149		149
Subprime						
Non-U.S. residential		5,727	1,551	7,278		7,278
Commercial		474		474		474
Total investment mortgage-backed securities	\$ 50	\$ 49,401	\$ 2,793	\$ 52,244	\$	\$ 52,244

Edgar Filing: CITIGROUP INC - Form 10-Q

U.S. Treasury and federal agency securities

U.S. Treasury	\$	13,454	\$	43,893	\$	75	\$	57,422	\$	57,422
Agency obligations				26,974		12		26,986		26,986
Total U.S. Treasury and federal agency securities	\$	13,454	\$	70,867	\$	87	\$	84,408	\$	84,408

190

Edgar Filing: CITIGROUP INC - Form 10-Q

Fair Value Levels

<i>In millions of dollars at September 30, 2012</i>	Level 1(1)	Level 2(1)	Level 3	Gross inventory	Netting(2)	Net balance
State and municipal	\$	\$ 17,512	\$ 591	\$ 18,103	\$	\$ 18,103
Foreign government	36,823	53,860	381	91,064		91,064
Corporate		9,430	337	9,767		9,767
Equity securities	2,399	153	1,058	3,610		3,610
Asset-backed securities		8,659	3,352	12,011		12,011
Other debt securities			54	54		54
Non-marketable equity securities		444	4,784	5,228		5,228
Total investments	\$ 52,726	\$ 210,326	\$ 13,437	\$ 276,489	\$	\$ 276,489
Loans(3)	\$	\$ 295	\$ 5,064	\$ 5,359	\$	\$ 5,359
Mortgage servicing rights			1,920	1,920		1,920
Nontrading derivatives and other financial assets measured on a recurring basis, gross	\$	\$ 9,775	\$ 2,665	\$ 12,440		
Gross cash collateral paid				\$ 389		
Netting agreements and market value adjustments					\$ (4,403)	
Nontrading derivatives and other financial assets measured on a recurring basis	\$	\$ 9,775	\$ 2,665	\$ 12,829	\$ (4,403)	\$ 8,426
Total assets	\$ 178,357	\$ 1,605,821	\$ 50,757	\$ 1,896,475	\$ (1,122,574)	\$ 773,901
Total as a percentage of gross assets(4)	9.7%	87.5%	2.8%	100.0%		
Liabilities						
Interest-bearing deposits	\$	\$ 1,103	\$ 761	\$ 1,864	\$	\$ 1,864
Federal funds purchased and securities loaned or sold under agreements to repurchase		166,187	841	167,028	(43,569)	123,459
Trading account liabilities						
Securities sold, not yet purchased	64,654	9,492	125	74,271		74,271
Trading account derivatives						
Interest rate contracts		892,809	2,229	895,038		
Foreign exchange contracts	8	78,315	1,321	79,644		
Equity contracts	3,581	27,922	3,185	34,688		
Commodity contracts	731	10,113	1,804	12,648		
Credit derivatives		51,894	4,516	56,410		
Total trading account derivatives	\$ 4,320	\$ 1,061,053	\$ 13,055	\$ 1,078,428		
Gross cash collateral received				47,584		
Netting agreements and market value adjustments					\$ (1,070,293)	
Total trading account derivatives	\$ 4,320	\$ 1,061,053	\$ 13,055	\$ 1,126,012	\$ (1,070,293)	\$ 55,719
Short-term borrowings		662	99	761		761
Long-term debt		20,870	6,466	27,336		27,336
Nontrading derivatives and other financial liabilities measured on a recurring basis, gross	\$	\$ 2,797	\$ 3	\$ 2,800		
Gross cash collateral received				\$ 5,010		
Netting agreements and market value adjustments					\$ (4,403)	
Nontrading derivatives and other financial liabilities measured on a recurring basis		2,797	3	7,810	(4,403)	3,407
Total liabilities	\$ 68,974	\$ 1,262,164	\$ 21,350	\$ 1,405,082	\$ (1,118,265)	\$ 286,817
Total as a percentage of gross liabilities(4)	5.1%	93.3%	1.6%	100.0%		

(1)

For both the three months and nine months ended September 30, 2012, the Company transferred assets of \$0.3 billion and \$1.3 billion, respectively, from Level 1 to Level 2, primarily related to foreign government bonds which were traded with less frequency. During the three months and nine months ended September 30, 2012, the Company transferred assets of \$0.5 billion, \$1.0 billion, respectively, from Level 2 to Level 1 related primarily

Edgar Filing: CITIGROUP INC - Form 10-Q

to foreign government bonds, which were traded with sufficient frequency to constitute a liquid market. During the three months and nine months ended September 30, 2012, the Company transferred liabilities of \$5 million and \$24 million, respectively, from Level 1 to Level 2, and \$99 million and \$134 million, respectively, from Level 2 to Level 1.

- (2) Represents netting of: (i) the amounts due under securities purchased under agreements to resell and the amounts owed under securities sold under agreements to repurchase; and (ii) derivative exposures covered by a qualifying master netting agreement, cash collateral and the market value adjustment.
- (3) There is no allowance for loan losses recorded for loans reported at fair value.
- (4) Percentage is calculated based on total assets and liabilities measured at fair value on a recurring basis, excluding collateral paid/received on derivatives.

Edgar Filing: CITIGROUP INC - Form 10-Q

Fair Value Levels

<i>In millions of dollars at December 31, 2011</i>	Level 1	Level 2	Level 3	Gross inventory	Netting(1)	Net balance
Assets						
Federal funds sold and securities borrowed or purchased under agreements to resell						
	\$	\$ 188,034	\$ 4,701	\$ 192,735	\$ (49,873)	\$ 142,862
Trading securities						
Trading mortgage-backed securities						
U.S. government-sponsored agency guaranteed	\$	\$ 26,674	\$ 861	\$ 27,535	\$	\$ 27,535
Prime		118	759	877		877
Alt-A		444	165	609		609
Subprime		524	465	989		989
Non-U.S. residential		276	120	396		396
Commercial		1,715	618	2,333		2,333
Total trading mortgage-backed securities	\$	\$ 29,751	\$ 2,988	\$ 32,739	\$	\$ 32,739
U.S. Treasury and federal agency securities						
U.S. Treasury	\$ 15,612	\$ 2,615	\$	\$ 18,227	\$	\$ 18,227
Agency obligations		1,169	3	1,172		1,172
Total U.S. Treasury and federal agency securities	\$ 15,612	\$ 3,784	\$ 3	\$ 19,399	\$	\$ 19,399
State and municipal	\$	\$ 5,112	\$ 252	\$ 5,364	\$	\$ 5,364
Foreign government	52,429	26,601	521	79,551		79,551
Corporate		33,786	3,240	37,026		37,026
Equity securities	29,707	3,279	244	33,230		33,230
Asset-backed securities		1,270	5,801	7,071		7,071
Other debt securities		12,284	2,743	15,027		15,027
Total trading securities	\$ 97,748	\$ 115,867	\$ 15,792	\$ 229,407	\$	\$ 229,407
Trading account derivatives						
Interest rate contracts	\$ 67	\$ 755,473	\$ 1,947	\$ 757,487		
Foreign exchange contracts		93,536	781	94,317		
Equity contracts	2,240	16,376	1,619	20,235		
Commodity contracts	958	11,940	865	13,763		
Credit derivatives		81,123	9,301	90,424		
Total trading account derivatives	\$ 3,265	\$ 958,448	\$ 14,513	\$ 976,226		
Gross cash collateral paid				57,815		
Netting agreements and market value adjustments					\$ (971,714)	
Total trading account derivatives	\$ 3,265	\$ 958,448	\$ 14,513	\$ 1,034,041	\$ (971,714)	\$ 62,327
Investments						
Mortgage-backed securities						
U.S. government-sponsored agency guaranteed	\$ 59	\$ 45,043	\$ 679	\$ 45,781	\$	\$ 45,781
Prime		105	8	113		113
Alt-A		1		1		1
Subprime						
Non-U.S. residential		4,658		4,658		4,658
Commercial		472		472		472
Total investment mortgage-backed securities	\$ 59	\$ 50,279	\$ 687	\$ 51,025	\$	\$ 51,025
U.S. Treasury and federal agency securities						

Edgar Filing: CITIGROUP INC - Form 10-Q

U.S. Treasury	\$ 11,642	\$ 38,587	\$	\$ 50,229	\$	\$ 50,229
Agency obligations		34,834	75	34,909		34,909
Total U.S. Treasury and federal agency securities	\$ 11,642	\$ 73,421	\$ 75	\$ 85,138	\$	\$ 85,138

Edgar Filing: CITIGROUP INC - Form 10-Q

Fair Value Levels

<i>In millions of dollars at December 31, 2011</i>	Level 1	Level 2	Level 3	Gross inventory	Netting(1)	Net balance
State and municipal	\$	\$ 13,732	\$ 667	\$ 14,399	\$	\$ 14,399
Foreign government	33,544	50,523	447	84,514		84,514
Corporate		9,268	989	10,257		10,257
Equity securities	6,634	98	1,453	8,185		8,185
Asset-backed securities		6,962	4,041	11,003		11,003
Other debt securities		563	120	683		683
Non-marketable equity securities		518	8,318	8,836		8,836
Total investments	\$ 51,879	\$ 205,364	\$ 16,797	\$ 274,040	\$	\$ 274,040
Loans(2)	\$	\$ 583	\$ 4,682	\$ 5,265	\$	\$ 5,265
Mortgage servicing rights			2,569	2,569		2,569
Nontrading derivatives and other financial assets measured on a recurring basis, gross	\$	\$ 14,270	\$ 2,245	\$ 16,515		
Gross cash collateral paid				307		
Netting agreements and market value adjustments					\$ (3,462)	
Nontrading derivatives and other financial assets measured on a recurring basis	\$	\$ 14,270	\$ 2,245	\$ 16,822	\$ (3,462)	\$ 13,360
Total assets	\$ 152,892	\$ 1,482,566	\$ 61,299	\$ 1,754,879	\$ (1,025,049)	\$ 729,830
Total as a percentage of gross assets(3)	9.0%	87.4%	3.6%	100.0%		
Liabilities						
Interest-bearing deposits	\$	\$ 895	\$ 431	\$ 1,326	\$	\$ 1,326
Federal funds purchased and securities loaned or sold under agreements to repurchase		146,524	1,061	147,585	(49,873)	97,712
Trading account liabilities						
Securities sold, not yet purchased	58,456	10,941	412	69,809		69,809
Trading account derivatives						
Interest rate contracts	37	738,833	1,221	740,091		
Foreign exchange contracts		96,020	1,343	97,363		
Equity contracts	2,822	26,961	3,356	33,139		
Commodity contracts	873	11,959	1,799	14,631		
Credit derivatives		77,153	7,573	84,726		
Total trading account derivatives	\$ 3,732	\$ 950,926	\$ 15,292	\$ 969,950		
Gross cash collateral received				52,811		
Netting agreements and market value adjustments					\$ (966,488)	
Total trading account derivatives	\$ 3,732	\$ 950,926	\$ 15,292	\$ 1,022,761	\$ (966,488)	\$ 56,273
Short-term borrowings		855	499	1,354		1,354
Long-term debt		17,268	6,904	24,172		24,172
Nontrading derivatives and other financial liabilities measured on a recurring basis, gross						
	\$	\$ 3,559	\$ 3	\$ 3,562		
Gross cash collateral received				\$ 3,642		
Netting agreements and market value adjustments					\$ (3,462)	
Nontrading derivatives and other financial liabilities measured on a recurring basis	\$	\$ 3,559	\$ 3	\$ 7,204	\$ (3,462)	\$ 3,742
Total liabilities	\$ 62,188	\$ 1,130,968	\$ 24,602	\$ 1,274,211	\$ (1,019,823)	\$ 254,388

Total as a percentage of gross liabilities(3)	5.1%	92.9%	2.0%	100.0%
--	------	-------	------	--------

-
- (1) Represents netting of: (i) the amounts due under securities purchased under agreements to resell and the amounts owed under securities sold under agreements to repurchase; and (ii) derivative exposures covered by a qualifying master netting agreement, cash collateral and the market value adjustment.
- (2) There is no allowance for loan losses recorded for loans reported at fair value.
- (3) Percentage is calculated based on total assets and liabilities measured at fair value on a recurring basis, excluding collateral paid/received on derivatives.

Changes in Level 3 Fair Value Category

The following tables present the changes in the Level 3 fair value category for the three and nine months ended September 30, 2012 and 2011. The Company classifies financial instruments in Level 3 of the fair value hierarchy when there is reliance on at least one significant unobservable input to the valuation model. In addition to these unobservable inputs, the valuation models for Level 3 financial instruments typically also rely on a number of inputs that are readily observable either directly or indirectly. Thus, the gains and losses presented below include changes in the fair value related to both observable and unobservable inputs.

The Company often hedges positions with offsetting positions that are classified in a different level. For example, the gains and losses for assets and liabilities in the Level 3 category presented in the tables below do not reflect the effect of offsetting losses and gains on hedging instruments that have been classified by the Company in the Level 1 and Level 2 categories. In addition, the Company hedges items classified in the Level 3 category with instruments also classified in Level 3 of the fair value hierarchy. The effects of these hedges are presented gross in the following tables.

Level 3 Fair Value Rollforward

<i>In millions of dollars</i>	Jun. 30, 2012	Principal transactions	Net realized/unrealized gains (losses) included in		Transfers into Level 3	Transfers out of Level 3	Purchases	Issuances	Sales	Settlements	Sept. 30, 2012	Unrealized gains (losses) still held(3)
			Other(1)(2)									
Assets												
Fed funds sold and securities borrowed or purchased under agreements to resell												
	\$ 4,414	\$ 5	\$	\$ 258	\$	\$	\$	\$	\$	\$	\$ 4,677	\$
Trading securities												
Trading mortgage-backed securities												
U.S. government-sponsored agency guaranteed												
	\$ 895	\$ (12)	\$	\$ 135	\$ (199)	\$ 97	\$ 17	\$ (217)	\$ (32)	\$	\$ 684	\$ (21)
Prime	1,069	53		83	(38)	36		(259)	(1)		943	2
Alt-A	273	21		42	(2)	15		(39)	(1)		309	7
Subprime	487	34		111	(19)	29		(74)	(2)		566	7
Non-U.S. residential	116	8		7	(19)	4		(63)			53	2
Commercial	416	(1)		163	(29)	38		(63)			524	1
Total trading mortgage-backed securities												
	\$ 3,256	\$ 103	\$	\$ 541	\$ (306)	\$ 219	\$ 17	\$ (715)	\$ (36)	\$	\$ 3,079	\$ (2)
U.S. Treasury and federal agency securities												
U.S. Treasury												
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Agency obligations	13							(13)				
Total U.S. Treasury and federal agency securities												
	\$ 13	\$	\$	\$	\$	\$	\$	\$ (13)	\$	\$	\$	\$
State and municipal												
	\$ 223	\$ 13	\$	\$ 4	\$	\$ 20	\$	\$ (12)	\$	\$	\$ 248	\$ 5
Foreign government												
	333	1		14	(124)	39		(65)			198	3
Corporate												
	2,189			43	(58)	392		(215)			2,351	1
Equity securities												
	217	13		30	(4)	52		(21)	(44)		243	(7)
Asset-backed securities												
	4,835	212		24	(43)	2,030		(1,933)	(3)		5,122	162
Other debt securities												
	2,266	(7)		324	(143)	781		(749)	(58)		2,414	2
Total trading securities												
	\$ 13,332	\$ 335	\$	\$ 980	\$ (678)	\$ 3,533	\$ 17	\$ (3,723)	\$ (141)	\$	\$ 13,655	\$ 164
Trading derivatives, net(4)												
Interest rate contracts												
	619	(188)		172	(275)	23		(19)	(454)		(122)	194
Foreign exchange contracts												
	(517)	50		(70)	(17)	2		(6)	(32)		(590)	(85)
Equity contracts												
	(1,587)			(84)	20	101		(163)	84		(1,629)	(328)

Edgar Filing: CITIGROUP INC - Form 10-Q

Commodity contracts	(902)	(12)	(15)	25	(2)	(8)	(914)	216
Credit derivatives	298	(775)	45	(70)	2	39	(461)	(80)
Total trading derivatives, net(4)	\$ (2,089)	\$ (925)	\$ 48	\$ (342)	\$ 153	\$ (190)	\$ (371)	\$ (3,716)

Investments

Mortgage-backed securities

U.S. government-sponsored agency guaranteed	\$ 1,399	\$ 10	\$ 472	\$ (1,257)	\$ 580	\$	\$ 1,204	\$ 55
Prime	2						2	
Alt-A	3				37	(4)	36	

194

Edgar Filing: CITIGROUP INC - Form 10-Q

<i>In millions of dollars</i>	Jun. 30, 2012	Principal transactions	Net realized/unrealized gains (losses) included in					Sept. 30, 2012	Unrealized gains (losses) still held(3)		
			Other(1)(2)	Transfers into Level 3	Transfers out of Level 3	Purchases	Issuances			Sales	Settlements
Subprime	6		1					(7)			
Non-U.S. residential Commercial	300		2			1,249			1,551		
	5				(5)						
Total investment mortgage-backed debt securities	\$ 1,715	\$	\$ 13	\$ 472	\$ (1,262)	\$ 1,866	\$	\$ (11)	\$ 2,793	\$ 55	
U.S. Treasury and federal agency securities	\$	\$	\$	\$ 75	\$	\$ 12	\$	\$	\$ 87	\$	
State and municipal	480		(4)			118		(3)	591	6	
Foreign government	329		(3)	68	(80)	127		(26)	(34)	381	1
Corporate	421		(6)	23	(2)	7		(66)	(40)	337	(4)
Equity securities	1,180		52					(54)	(120)	1,058	28
Asset-backed securities	2,771		(170)	402	(11)	755		(27)	(368)	3,352	(170)
Other debt securities	55		(53)			52				54	
Non-marketable equity securities	6,278		232			76		(1,734)	(68)	4,784	34
Total investments	\$ 13,229	\$	\$ 61	\$ 1,040	\$ (1,355)	\$ 3,013	\$	\$ (1,921)	\$ (630)	\$ 13,437	\$ (50)
Loans	\$ 4,737	\$	\$ 79	\$ 87	\$	\$ 142	\$ 415	\$ (144)	\$ (252)	\$ 5,064	\$ 15
Mortgage servicing rights	2,117		(169)				101		(129)	1,920	(169)
Other financial assets measured on a recurring basis	2,375		207	13		1	635	(4)	(562)	2,665	207
Liabilities											
Interest-bearing deposits	698		(85)		(36)		71		(57)	761	
Federal funds purchased and securities loaned or sold under agreements to repurchase	1,045	(24)			(14)			(215)	1	841	4
Trading account liabilities											
Securities sold, not yet purchased	148	16		13	(12)			24	(32)	125	9
Short-term borrowings	367	(20)		43			66		(397)	99	(10)
Long-term debt	5,952	(135)	8	363	(216)		648		(408)	6,466	(245)
Other financial liabilities measured on a recurring basis	2		(3)				1	(1)	(2)	3	(3)

Level 3 Fair Value Rollforward

In millions of dollars	Net realized/unrealized gains (losses) included in								Unrealized gains (losses) still held(3)		
	Dec. 31, 2011	Principal transaction	Other(1)(2)	Transfers into Level 3	Transfers out of Level 3	Purchases	Issuances	Sales	Settlements	Sept. 30, 2012	held(3)
Assets											
Fed funds sold and securities borrowed or purchased under agreements to resell	\$ 4,701	\$ 70	\$	\$ 283	\$ (377)	\$	\$	\$	\$	\$ 4,677	\$
Trading securities											
Trading mortgage-backed securities											
U.S. government-sponsored agency guaranteed	\$ 861	\$ 21	\$	\$ 673	\$ (544)	\$ 352	\$ 62	\$ (631)	\$ (110)	\$ 684	\$ (27)
Prime	759	119		442	(165)	570		(780)	(2)	943	6
Alt-A	165	47		49	(62)	278		(167)	(1)	309	4
Subprime	465	6		166	(94)	448		(421)	(4)	566	2
Non-U.S. residential	120	24		46	(57)	105		(185)		53	1
Commercial	618	(71)		254	(217)	353		(413)		524	12
Total trading mortgage-backed securities	\$ 2,988	\$ 146	\$	\$ 1,630	\$ (1,139)	\$ 2,106	\$ 62	\$ (2,597)	\$ (117)	\$ 3,079	\$ (2)
U.S. Treasury and federal agency securities											
U.S. Treasury	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Agency obligations	3					13		(16)			
Total U.S. Treasury and federal agency securities	\$ 3	\$	\$	\$	\$	\$ 13	\$	\$ (16)	\$	\$	\$
State and municipal	\$ 252	\$ 30	\$	\$ 4	\$ (7)	\$ 48	\$	\$ (79)	\$	\$ 248	\$ 3
Foreign government	521	5		26	(864)	881		(371)		198	2
Corporate	3,240	9		391	(449)	2,148		(1,614)	(1,374)	2,351	(40)
Equity securities	244	(58)		49	(17)	256		(163)	(68)	243	(27)
Asset-backed securities	5,801	434		189	(104)	5,690		(6,226)	(662)	5,122	126
Other debt securities	2,743	15		964	(1,566)	2,143		(1,630)	(255)	2,414	
Total trading securities	\$ 15,792	\$ 581	\$	\$ 3,253	\$ (4,146)	\$ 13,285	\$ 62	\$ (12,696)	\$ (2,476)	\$ 13,655	\$ 62
Trading derivatives, net(4)											
Interest rate contracts	726	(46)		295	(394)	239		(158)	(784)	(122)	(169)
Foreign exchange contracts	(562)	130		(152)	29	190		(203)	(22)	(590)	(14)
Equity contracts	(1,737)	199		(120)	387	304		(498)	(164)	(1,629)	(581)
Commodity contracts	(934)	(51)		(20)	45	98		(80)	28	(914)	(55)
Credit derivatives	1,728	(2,227)		(85)	(129)	116		(10)	146	(461)	(926)
Total trading derivatives, net(4)	\$ (779)	\$ (1,995)	\$	\$ (82)	\$ (62)	\$ 947	\$	\$ (949)	\$ (796)	\$ (3,716)	\$ (1,745)
Investments											
Mortgage-backed securities											
U.S. government-sponsored agency guaranteed	\$ 679	\$	\$ 6	\$ 472	\$ (2,778)	\$ 2,825	\$	\$	\$	\$ 1,204	\$ 55
Prime	8				(6)					2	
Alt-A						40		(4)		36	
Subprime			1			6		(7)			
Non-U.S. residential			2			1,549				1,551	
Commercial					(11)	11					

Edgar Filing: CITIGROUP INC - Form 10-Q

Total investment																
mortgage-backed debt securities	\$	687	\$	9	\$	472	(\$	2,795)	\$	4,431	\$	(11)	\$	2,793	\$	55
U.S. Treasury and federal agency securities	\$	75	\$		\$	75	(\$	75)	\$	12	\$		\$	87	\$	
State and municipal		667		9		(151)		276		(210)				591		(3)
Foreign government		447		13		148		(236)		328		(216)		(103)		381
Corporate		989		(11)		68		(698)		136		(102)		(45)		337
Equity securities		1,453		101						(228)		(268)		1,058		16
Asset-backed securities		4,041		(160)		402		(54)		767		(77)		(1,567)		3,352
Other debt securities		120		(53)						52		(64)		(1)		54

196

Level 3 Fair Value Rollforward

<i>In millions of dollars</i>	Dec. 31, 2011	Principal transaction	Net realized/unrealized gains (losses) included in		Transfers into Level 3	Transfers out of Level 3	Purchases	Issuances	Sales	Settlements	Sept. 30, 2012	Unrealized gains (losses) still held
			(1)	(2)								
Non-marketable equity securities	8,318		411				343		(3,204)	(1,084)	4,784	139
Total investments	\$ 16,797	\$	\$ 319	\$ 1,165	\$ (4,009)	\$ 6,345	\$	\$ (4,112)	\$ (3,068)	\$ 13,437	\$	216
Loans	\$ 4,682	\$	\$ 17	\$ 1,004	\$ (25)	\$ 249	\$ 930	\$ (239)	\$ (1,554)	\$ 5,064	\$	65
Mortgage servicing rights	\$ 2,569	\$	\$ (462)	\$	\$	\$ 2	\$ 322	\$ (5)	\$ (506)	\$ 1,920	\$	(464)
Other financial assets measured on a recurring basis	\$ 2,245	\$	\$ 305	\$ 21	\$ (31)	\$ 3	\$ 1,264	\$ (46)	\$ (1,096)	\$ 2,665	\$	235
Liabilities												
Interest-bearing deposits	\$ 431	\$	\$ (105)	\$ 213	\$ (36)	\$	\$ 251	\$	\$ (203)	\$ 761	\$	(142)
Federal funds purchased and securities loaned or sold under agreements to repurchase	1,061	(89)			(14)			(211)	(84)	841		36
Trading account liabilities												
Securities sold, not yet purchased	412	(44)		18	(43)			164	(470)	125		(40)
Short-term borrowings	499	(76)		46	(11)		261		(772)	99		(26)
Long-term debt	6,904	6	89	712	(1,122)		1,823		(1,756)	6,466		(534)
Other financial liabilities measured on a recurring basis	3		(5)			(2)	2	(1)	(4)	3		(2)

Edgar Filing: CITIGROUP INC - Form 10-Q

<i>In millions of dollars</i>	Net realized/unrealized gains (losses) included in						Transfers in and/or out of		Unrealized gains (losses) still held(3)	
	Jun. 30, 2011	Principal transaction	Other(1)(2)	Level 3	Purchases	Issuances	Sales	Settlements	Sept. 30, 2011	
Assets										
Fed funds sold and securities borrowed or purchased under agreements to resell	\$ 3,431	\$ 209	\$	\$ 1,050	\$	\$	\$	\$	\$ 4,690	\$ 157
Trading securities										
Trading mortgage-backed securities										
U.S. government-sponsored agency guaranteed	\$ 947	\$ (140)	\$	\$ 225	\$ 224	\$ 35	\$ (177)	\$ (47)	\$ 1,067	\$ (167)
Prime	651	9		19	120		(135)	(4)	660	2
Alt-A	229			44	30		(57)	(7)	239	1
Subprime	723	7		(196)	50		(95)		489	44
Non-U.S. residential	323	(19)		(80)	37		(87)		174	(15)
Commercial	550	(15)		333	61		(73)	(24)	832	(61)
Total trading mortgage-backed securities	\$ 3,423	\$ (158)	\$	\$ 345	\$ 522	\$ 35	\$ (624)	\$ (82)	\$ 3,461	\$ (196)
U.S. Treasury and federal agencies securities										
U.S. Treasury	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Agency obligations	46	7		(48)			(5)			
Total U.S. Treasury and federal agencies securities	\$ 46	\$ 7	\$	\$ (48)	\$	\$	\$ (5)	\$	\$	\$
State and municipal	\$ 246	\$ 4	\$	\$ 3	\$ 79	\$	\$ (101)	\$	\$ 231	\$ 9
Foreign government	903	4		(30)	455		(337)		995	(28)
Corporate	4,680	(120)		244	507		(888)	(318)	4,105	(86)
Equity securities	648	(172)		(81)	33		(162)		266	(77)
Asset-backed securities	6,609	(240)		287	660		(1,040)	(2)	6,274	(235)
Other debt securities	2,322	(128)		727	795		(699)	(4)	3,013	3
Total trading securities	\$ 18,877	\$ (803)	\$	\$ 1,447	\$ 3,051	\$ 35	\$ (3,856)	\$ (406)	\$ 18,345	\$ (610)
Trading derivatives, net(4)										
Interest rate contracts	201	7		393	4		(4)	(66)	535	115
Foreign exchange contracts	(539)	(72)		62	11		(2)	35	(505)	(66)
Equity contracts	(1,845)	212		(126)	124		(57)	(225)	(1,917)	(572)
Commodity contracts	(1,059)	225		67			(8)	46	(729)	253
Credit derivatives	210	1,681		266				(182)	1,975	1,750
Total trading derivatives, net(4)	\$ (3,032)	\$ 2,053	\$	\$ 662	\$ 139	\$	\$ (71)	\$ (392)	\$ (641)	\$ 1,480
Investments										
Mortgage-backed securities										
U.S. government-sponsored agency guaranteed	\$ 59	\$	\$ (17)	\$	\$ 4	\$	\$	\$	\$ 46	\$ (17)
Prime	23		(2)	13			(17)	(1)	16	
Alt-A	1		(1)							
Subprime										
Commercial			(7)	29	3		(22)		3	
Total investment mortgage-backed debt securities	\$ 83	\$	\$ (27)	\$ 42	\$ 7	\$	\$ (39)	\$ (1)	\$ 65	\$ (17)
U.S. Treasury and federal agencies securities										
State and municipal	355		35	(4)	5		(3)		388	35
Foreign government	329		14	(60)	127		(4)	(53)	353	11
Corporate	993		(107)	(11)	56		(37)	(88)	806	(83)
Equity securities	1,621		4	(5)			(4)	(110)	1,506	(14)

Edgar Filing: CITIGROUP INC - Form 10-Q

<i>In millions of dollars</i>	Net realized/unrealized gains (losses) included in		Transfers in and/or out of Level 3	Purchases	Issuances	Sales	Settlements	Sept. 30, 2011	Unrealized gains (losses) still held(3)	
	Jun. 30, 2011	Principal transaction(1)								Other(2)
Asset-backed securities	4,475		(2)	(23)	19		(223)	4,246		
Other debt securities	653		8			(285)	(103)	273	(24)	
Non-marketable equity securities	8,181		(143)	(24)	804	(616)	(457)	7,745	(128)	
Total investments	\$ 16,690	\$	(218)	(85)	\$ 1,018	\$ (988)	(1,035)	\$ 15,382	\$ (220)	
Loans	\$ 3,590	\$	(164)	\$ 635	\$	\$ 847	(18)	(244)	\$ 4,646	\$ (126)
Mortgage servicing rights	\$ 4,258	\$	(1,327)	\$	\$	\$ 125	(204)	\$ 2,852	\$ (1,327)	
Other financial assets measured on a recurring basis	\$ 2,449	\$	57	(56)	\$	\$ 142	(114)	(98)	\$ 2,380	\$ 63
Liabilities										
Interest-bearing deposits	\$ 586	\$	40	(124)	\$	\$ 37	\$	\$ 459	\$ (45)	
Federal funds purchased and securities loaned or sold under agreements to repurchase	1,078	(39)		(19)				1,098		
Trading account liabilities										
Securities sold, not yet purchased	447	(83)		97		238	(141)	724	(14)	
Short-term borrowings	611	48		(377)		354	(66)	474	(1)	
Long-term debt	7,287	59	106	(276)		228	(355)	6,719	(50)	
Other financial liabilities measured on a recurring basis	16		(1)	2		1	(13)	7	(3)	

Edgar Filing: CITIGROUP INC - Form 10-Q

<i>In millions of dollars</i>	Net realized/unrealized gains (losses) included in		Transfers in and/or out of Level 3	Purchases	Issuances	Sales	Settlements	Sept. 30, 2011	Unrealized gains (losses) still held(3)
	Dec. 31, 2010	Principal transactions(1)							
Assets									
Fed funds sold and securities borrowed or purchased under agreements to resell									
	\$ 4,911	\$ 80	\$ (301)	\$	\$	\$	\$	\$ 4,690	\$ 79
Trading securities									
Trading mortgage-backed securities									
U.S. government-sponsored agency guaranteed									
	\$ 831	\$ (59)	\$ 314	\$ 579	\$ 35	\$ (529)	\$ (104)	\$ 1,067	\$ (113)
Prime	594	93	16	1,435		(1,468)	(10)	660	43
Alt-A	385	11	28	1,607		(1,773)	(19)	239	1
Subprime	1,125	(5)	(133)	501		(961)	(38)	489	98
Non-U.S. residential	224	18	(48)	328		(348)		174	(26)
Commercial	418	81	397	400		(440)	(24)	832	1
Total trading mortgage-backed securities	\$ 3,577	\$ 139	\$ 574	\$ 4,850	\$ 35	\$ (5,519)	\$ (195)	\$ 3,461	\$ 4
U.S. Treasury and federal agencies securities									
U.S. Treasury									
Agency obligations	72	9	(45)	5		(41)			
Total U.S. Treasury and federal agencies securities	\$ 72	\$ 9	\$ (45)	\$ 5	\$	\$ (41)	\$	\$	\$
State and municipal									
Foreign government	208	56	110	1,048		(1,191)		231	2
Corporate	566	11	131	1,314		(640)	(387)	995	(23)
Equity securities	5,004	20	1,469	2,985		(3,258)	(2,115)	4,105	(237)
Asset-backed securities	776	(101)	(250)	161		(320)		266	(85)
Other debt securities	7,620	311	501	4,398		(5,173)	(1,383)	6,274	(361)
Total trading securities	\$ 19,656	\$ 298	\$ 3,081	\$ 16,876	\$ 35	\$ (17,517)	\$ (4,084)	\$ 18,345	\$ (699)
Trading derivatives, net(4)									
Interest rate contracts	(730)	(108)	1,102	8		(15)	278	535	258
Foreign exchange contracts	(336)	8	(76)	11		(2)	(110)	(505)	(226)
Equity contracts	(1,639)	409	(191)	180		(217)	(459)	(1,917)	(811)
Commodity contracts	(1,023)	378	(33)	2		(68)	15	(729)	(247)
Credit derivatives	2,296	1,098	(1)				(1,418)	1,975	2,101
Total trading derivatives, net(4)	\$ (1,432)	\$ 1,785	\$ 801	\$ 201	\$	\$ (302)	\$ (1,694)	\$ (641)	\$ 1,075
Investments									
Mortgage-backed securities									
U.S. government-sponsored agency guaranteed									
Prime	\$ 22	\$	\$ (15)	\$ 37	\$ 9	\$ (7)	\$	\$ 46	\$ (31)
Alt-A	166		(1)	(109)	7	(46)	(1)	16	
Subprime	1		(1)						
Commercial	527		(4)	(510)	42	(52)		3	
Total investment mortgage-backed debt securities	\$ 716	\$	\$ (21)	\$ (582)	\$ 58	\$ (105)	\$ (1)	\$ 65	\$ (31)
U.S. Treasury and federal agencies securities									
State and municipal	\$ 17	\$	\$ (15)	\$	\$	\$ (2)	\$	\$	\$
Foreign government	504		(12)	(59)	38	(83)		388	(22)
Corporate	358		11	(36)	233	(67)	(146)	353	2
Equity securities	525		(101)	13	527	(54)	(104)	806	289
Asset-backed securities	2,055		(53)	(34)		(13)	(449)	1,506	(4)
Other debt securities	5,424		39	30	106	(447)	(906)	4,246	5
Non-marketable equity securities	727		(3)	67	35	(287)	(266)	273	(24)
Total investment securities	\$ 6,960	\$ 437	\$ (862)	\$ 4,152	\$ (1,733)	\$ (1,209)	\$ 7,745	\$ 111	\$

Edgar Filing: CITIGROUP INC - Form 10-Q

In millions of dollars	Net realized/unrealized gains (losses) included in								Sept. 30, 2011	Unrealized gains (losses) still held(3)
	Dec. 31, 2010	Principal transaction	Other(1)(2)	Transfers in and/or out of Level 3	Purchases	Issuances	Sales	Settlements		
Total investments	\$ 17,286	\$	\$ 297	\$ (1,478)	\$ 5,149	\$	\$ (2,791)	\$ (3,081)	\$ 15,382	\$ 326
Loans	\$ 3,213	\$	\$ (317)	\$ 390	\$ 248	\$ 1,876	\$ (18)	\$ (746)	\$ 4,646	\$ (282)
Mortgage servicing rights	\$ 4,554	\$	\$ (1,426)	\$	\$	\$ 230	\$	\$ (506)	\$ 2,852	\$ (1,426)
Other financial assets measured on a recurring basis	\$ 2,509	\$	\$ 48	\$ (100)	\$ 57	\$ 380	\$ (172)	\$ (342)	\$ 2,380	\$ 91
Liabilities										
Interest-bearing deposits	\$ 277	\$	\$ 13	\$ (73)	\$	\$ 281	\$	\$ (13)	\$ 459	\$ (101)
Federal funds purchased and securities loaned or sold under agreements to repurchase	1,261	(28)		81			(165)	(107)	1,098	
Trading account liabilities										
Securities sold, not yet purchased	187	10		296			385	(134)	724	(24)
Short-term borrowings	802	192		(255)		522		(403)	474	(6)
Long-term debt	8,494	(18)	272	(648)		1,161		(2,034)	6,719	69
Other financial liabilities measured on a recurring basis	19		(18)	9	1	13	(1)	(52)	7	(9)

- (1) Changes in fair value for available-for-sale investments (debt securities) are recorded in *Accumulated other comprehensive income (loss)*, while gains and losses from sales are recorded in *Realized gains (losses) from sales of investments* on the Consolidated Statement of Income.
- (2) Unrealized gains (losses) on MSRs are recorded in *Other revenue* on the Consolidated Statement of Income.
- (3) Represents the amount of total gains or losses for the period, included in earnings (and *Accumulated other comprehensive income (loss)* for changes in fair value for available-for-sale investments), attributable to the change in fair value relating to assets and liabilities classified as Level 3 that are still held at September 30, 2012 and 2011.
- (4) Total Level 3 derivative assets and liabilities have been netted in these tables for presentation purposes only.

Level 3 Fair Value Rollforward

The following were the significant Level 3 transfers for the period June 30, 2012 to September 30, 2012:

Transfers of U.S. government-sponsored agency guaranteed mortgage backed securities in *Investments* of \$0.5 billion from Level 2 to Level 3, consisting of securities for which the pricing was unobservable.

Approximately \$1.3 billion of U.S. government-sponsored agency guaranteed mortgage backed securities in *Investments* were newly issued at June 30, 2012, and therefore had limited trading activity and were previously classified as Level 3. As trading activity in these securities increased and pricing became observable, these positions were transferred to Level 2.

In addition, the period from June 30, 2012 to September 30, 2012 included sales of non-marketable equity securities classified as *Investments* of \$1.5 billion relating to the sale of EMI Music.

The following were the significant Level 3 transfers for the period December 31, 2011 to September 30, 2012:

Edgar Filing: CITIGROUP INC - Form 10-Q

Transfers of U.S. government-sponsored agency guaranteed mortgage backed securities in *Investments* of \$0.5 billion from Level 2 to Level 3, consisting of securities for which the pricing was unobservable.

Transfers of \$2.8 billion of U.S. government-sponsored agency guaranteed mortgage backed securities in *Investments* from Level 3 to Level 2, including newly issued securities previously classified as Level 3. As trading activity in these securities increased and pricing became observable, these positions were transferred to Level 2.

Transfers of other debt trading securities from Level 2 to Level 3 of \$1.0 billion, the majority of which consisted of trading loans for which there were a reduced number of contributors to external pricing services.

Transfers of *Long-term debt* of \$1.1 billion from Level 3 to Level 2 related mainly to structured debt for which the underlyings became more observable.

In addition, the period from December 31, 2011 to September 30, 2012 included sales of non-marketable equity securities classified as *Investments* of \$2.8 billion relating to the sale of EMI Music and EMI Music Publishing.

The following were the significant Level 3 transfers for the period June 30, 2011 to September 30, 2011:

Transfers of *Federal funds sold and securities borrowed or purchased under agreements to resell* of \$1.1 billion from Level 2 to Level 3, driven primarily by transfers of certain collateralized long-dated callable reverse repos (structured reverse repos). The Company has noted that there is more transparency and observability for repo curves (used in the determination of the fair value of structured reverse repos) with a tenor of five years or less; thus, structured reverse repos that are expected to mature beyond the five-year point are generally classified as Level 3. The primary factor driving the change in expected maturities in structured reverse repo transactions is the embedded call option feature that enables the investor (the Company) to elect to terminate the trade early. During the three months ended September 30, 2011, the decrease in interest rates caused the estimated maturity dates of certain structured reverse repos to lengthen to more than five years, resulting in the transfer from Level 2 to Level 3.

Edgar Filing: CITIGROUP INC - Form 10-Q

Transfers of *Loans* of \$0.6 billion from Level 2 to Level 3, due to a lack of observable prices for certain loans.

The following were the significant Level 3 transfers for the period December 31, 2010 to September 30, 2011:

Transfers of *Loans* from Level 2 to Level 3 of \$0.4 billion, due to a lack of observable prices for certain loans.

In addition to the Level 3 transfers, the Level 3 roll-forward table above for the period December 31, 2010 to September 30, 2011 included:

The reclassification of \$4.3 billion of securities from *Investments* held-to-maturity to *Trading account assets* during the first quarter of 2011. These reclassifications have been included in purchases in the Level 3 roll-forward table above. The Level 3 assets reclassified, and subsequently sold, included \$2.8 billion of trading mortgage-backed securities (of which \$1.5 billion were Alt-A, \$1.0 billion were prime, \$0.2 billion were subprime and \$0.1 billion were commercial), \$0.9 billion of state and municipal debt securities, \$0.3 billion of corporate debt securities and \$0.2 billion of asset-backed securities.

Purchases of non-marketable equity securities classified as *Investments* included approximately \$2.8 billion relating to Citi's acquisition of the share capital of Maltby Acquisitions Limited, the holding company that controls EMI Group Ltd., in the first quarter of 2011.

Valuation Techniques and Inputs for Level 3 Fair Value Measurements

The Company's Level 3 inventory consists of both cash securities and derivatives of varying complexities. The valuation methodologies applied to measure the fair value of these positions include discounted cash flow analyses, internal models and comparative analysis. A position is classified within Level 3 of the fair value hierarchy when at least one input is unobservable and is considered significant to its valuation. The specific reason for why an input is deemed unobservable varies. For example, at least one significant input to the pricing model is not observable in the market, at least one significant input has been adjusted to make it more representative of the position being valued, or the price quote available does not reflect sufficient trading activities.

The following table presents the valuation techniques covering the majority of Level 3 inventory and the most significant unobservable inputs used in Level 3 fair value measurements as of September 30, 2012. Differences between this table and amounts presented in the Level 3 fair value roll-forward table represent individually immaterial items that have been measured using a variety of valuation techniques other than those listed.

Valuation Techniques and Inputs for Level 3 Fair Value Measurements

	Fair Value (in millions)	Methodology	Input	Low(1)(2)	High(1)(2)
Assets					
Federal funds sold and securities borrowed or purchased under agreements to resell	\$ 4,677	Cash flow	Interest Rate	0.97%	1.39%
Trading and investment securities					
Mortgage-backed securities	\$ 5,872	Price-based Cash flow	Price Yield	\$ 0.00 0.00%	\$ 122.69 27.88%
State and municipal, foreign government, corporate, and other debt securities	\$ 6,661	Price-based Yield Analysis Internal model Comparables Analysis Cash flow	Price Yield Credit Spread Recovery Rate	\$ 0.00 0.00% 0 bps 0.00%	\$ 159.63 30.00% 723 bps 100.00%
Equity securities	\$ 1,301	Cash flow Price-based	Yield Price	9.00% \$ 0.00	10.00% \$ 650.00
Asset-backed securities	\$ 8,474	Price-based Cash flow	Price Yield Weighted Average Life (WAL)	\$ 0.00 0.00% 2.1 years	\$ 128.64 29.72% 24.8 years
Non-marketable equity	\$ 4,784	Price-based Comparables Analysis Cash flow	Discount to price Fund NAV EBITDA Multiples Price-to-book ratio Cost of capital	\$ 0.00 \$ 0.00 4.00 0.9 8.50%	\$ 36.00 310,794,142 14.50 1.56 25.00%
Derivatives Gross(3)					
Interest rate contracts (gross)	\$ 4,482	Internal Model Cash flow	Interest Rate (IR) Volatility Yield Credit Spread Interest Rate Mean Reversion	0.10% 0.05% 0 bps 0.00% 20.00%	100.00% 3.00% 750 bps 13.00% 20.00%
Foreign exchange contracts (gross)	\$ 2,052	Internal Model	IR Volatility Foreign Exchange (FX) Volatility IR-FX Correlation FX-Credit Correlation Recovery Rate	0.10% 2.00% 40.00% 65.00% 20.00%	0.63% 51.02% 60.00% 100.00% 40.00%
Equity contracts (gross)(4)	\$ 4,747	Internal Model Cash flow	Equity Volatility Equity Forward Equity-Equity Correlation Equity-IR Correlation Price	3.86% 77.00% 10.00% 23.50% \$ 0.00	113.83% 111.10% 99.90% 49.00% \$ 36,109.13
Commodity contracts (gross)	\$ 2,694	Internal Model	Forward Price Commodity Correlation Commodity Volatility	37.45% (77.00)% 5.00%	112.13% 95.00% 136.00%
Credit derivatives (gross)	\$ 8,618	Internal Model Price-based	Price Recovery Rate Credit Correlation Credit Spread Upfront Points	\$ 0.00 9.00% 5.00% 0 bps 3.50	\$ 124.78 78.00% 95.00% 2,980 bps 100.00
Nontrading derivatives and other financial assets and liabilities measured on a recurring basis	\$ 2,668	Comparables Analysis	Price	\$ 100.00	\$ 100.00

Edgar Filing: CITIGROUP INC - Form 10-Q

(gross)(3)		Internal Model	Redemption Rate	30.62%	99.50%
Loans	\$ 4,917	Price-based Yield Analysis	Price Credit Spread Future Evolution of	\$ 0.44 0 bps	\$ 103.05 723 bps
Mortgage servicing rights	\$ 1,920	Internal Model Cash flow	NAV Yield Prepayment Period	\$ 0.00 0.00%	\$ 100.00 38.10 2.2 yrs 7.5 yrs

203

Edgar Filing: CITIGROUP INC - Form 10-Q

	Fair Value (in millions)	Methodology	Input	Low(1)(2)	High(1)(2)
Liabilities					
Interest-bearing deposits	\$ 761	Internal Model	Equity Volatility	11.32%	72.70%
			Forward Price	37.45%	112.13%
			Equity Forward	98.60%	111.10%
			Equity-IR Correlation	23.50%	49.00%
			Equity-Equity Correlation	63.00%	98.00%
Federal funds purchased and securities loaned or sold under agreements to repurchase	841	Internal Model	Interest Rate	0.23%	5.18%
Trading account liabilities					
Securities sold, not yet purchased	125	Price-based Cash flow	Price WAL Yield	\$ 0.00 2.1 years 0.00%	\$ 500.00 24.8 years 21.54%
Short-term borrowings and long-term debt	\$ 6,669	Internal Model	Equity Volatility	12.50%	44.70%
		Price-based	Equity Forward	77.00%	110.10%
		Yield Analysis	IR Volatility	0.10%	0.63%
			Price	\$ 0.44	\$ 103.05
			Equity-Equity Correlation	10.00%	99.90%

- (1) Some inputs are shown as zero due to rounding.
- (2) When the low and high inputs are the same, there is either a constant input applied to all positions, or the methodology involving the input applies to one large position only.
- (3) Both trading and nontrading account derivatives assets and liabilities are presented on a gross absolute value basis.
- (4) Includes hybrid products.

Sensitivity to Unobservable Inputs and Interrelationships between Unobservable Inputs

The impact of key unobservable inputs on the Level 3 fair value measurements may not be independent of one another. In addition, the amount and direction of the impact on a fair value measurement for a given change in an unobservable input depends on the nature of the instrument as well as whether the Company holds the instrument as an asset or a liability. For certain instruments, the pricing, hedging, and risk management are sensitive to the correlation between various inputs rather than on the analysis and aggregation of the individual inputs.

The following section describes the sensitivities and interrelationships of the most significant unobservable inputs used by the Company in Level 3 fair value measurements.

Correlation

Correlation is a measure of the co-movement between two variables. A variety of correlation-related assumptions are required for a wide range of instruments including equity and credit baskets, foreign-exchange options, CDOs backed by loans or bonds, mortgages, subprime mortgages and many other instruments. For almost all of these instruments, correlations are not observable in the market and must be estimated using historical information. Estimating correlation can be especially difficult where it may vary over time. Extracting correlation information from market data requires significant assumptions regarding the informational efficiency of the market (for example, swaption markets). Changes in correlation levels can have a major impact, favorable or unfavorable, on the value of an instrument, depending on its nature. A change in the default correlation of the fair value of the underlying bonds comprising a CDO structure would affect the fair value of the senior tranche. For example, an increase in the default correlation of the underlying bonds would reduce the fair value of the senior tranche because highly correlated instruments produce larger losses in the event of default and a part of these losses would become attributable to the senior tranche. That same change in default correlation would have a different impact on junior tranches of the same structure.

Volatility

Edgar Filing: CITIGROUP INC - Form 10-Q

Volatility represents the speed and severity of market price changes and is a key factor in pricing options. Typically, instruments can become more expensive if volatility increases. For example, as an index becomes more volatile, the cost to Citi of maintaining a given level of exposure increases because more frequent rebalancing of the portfolio is required. Volatility generally depends on the tenor of the underlying instrument and the strike price or level defined in the contract. Volatilities for certain combinations of tenor and strike are not observable. The general relationship between changes in the value of a portfolio to changes in volatility also depends on changes in interest rates and the level of the underlying index. Generally, long option positions (assets) benefit from increases in volatility, whereas short option positions (liabilities) will suffer losses. Some instruments are more sensitive to changes in volatility than others. For example, an at the money option would experience a larger percentage change in its fair value than a deep in the money option. In addition, the fair value of an option with more than one underlying security (for example, an option on a basket of bonds) depends on the volatility of the individual underlying securities as well as their correlations.

Yield

Adjusted yield is generally used to discount the projected future principal and interest cash flows on instruments, such as asset-backed securities. Adjusted yield is impacted by changes in the interest rate environment and relevant credit spreads.

Sometimes, the yield of an instrument is not observable in the market and must be estimated from historical data or from yields of similar securities. This estimated yield may need to be adjusted to capture the characteristics of the security being valued. In other situations, the estimated yield may not represent sufficient market liquidity and must be adjusted as well. Whenever the amount of the adjustment is significant to the value of the security, the fair value measurement is classified as Level 3.

Prepayment

Voluntary unscheduled payments (prepayments) change the future cash flows for the investor and thereby change the fair value of the security. The effect of prepayments is more pronounced for residential mortgage-backed securities. An increase in prepayment in speed or magnitude generally creates losses for the holder of these securities. Prepayment is generally negatively correlated with delinquency and interest rate. A combination of low prepayment and high delinquencies amplify each input's negative impact on mortgage securities' valuation. As prepayment speeds change, the weighted average life of the security changes, which impacts the valuation either positively or negatively, depending upon the nature of the security and the direction of the change in the weighted average life.

Recovery

Recovery is the proportion of the total outstanding balance of a bond or loan that is expected to be collected in a liquidation scenario. For many credit securities (such as asset-backed securities), there is no directly observable market input for recovery, but indications of recovery levels are available from pricing services. The assumed recovery of a security may differ from its actual recovery that will be observable in the future. The recovery rate impacts the valuation of credit securities. Generally, an increase in the recovery rate assumption increases the fair value of the security. An increase in loss severity, the inverse of the recovery rate, reduces the amount of principal available for distribution and as a result, decreases the fair value of the security.

Credit Spread

Credit spread is a component of the security representing its credit quality. Credit spread reflects the market perception of changes in prepayment, delinquency, and recovery rates, therefore capturing the impact of other variables on the fair value. Changes in credit spread affect the fair value of securities differently depending on the characteristics and maturity profile of the security. For example, credit spread is a more significant driver of the fair value measurement of a high yield bond as compared to an investment grade bond. Generally, the credit spread for an investment grade bond is also more observable and less volatile than its high yield counterpart.

Mean Reversion

A number of financial instruments require an estimate of the rate at which the interest rate reverts to its long term average. Changes in this estimate can significantly affect the fair value of these instruments. However, sometimes there is insufficient external market data to calibrate this parameter, especially when pricing more complex instruments. The level of mean reversion affects the correlation between short- and long-term interest rates. The fair values of more complex instruments, such as Bermudan swaptions (options with multiple exercise dates) and constant maturity spread options, are more sensitive to the changes in this correlation as compared to less complex instruments, such as caps and floors.

Qualitative Discussion of the Ranges of Significant Unobservable Inputs

The following section describes the ranges of the most significant unobservable inputs used by the Company in Level 3 fair value measurements. The level of aggregation and the diversity of instruments held by the Company lead to a wide range of unobservable inputs that may not be evenly distributed across the Level 3 inventory.

Correlation

There are many different types of correlation inputs, for example, credit correlation, cross-asset correlation (such as equity-interest rate correlation), and same-asset correlation (such as interest rate-interest rate correlation). Correlation inputs are generally used to value hybrid and exotic instruments. Generally, same-asset correlation inputs have a narrower range than cross-asset correlation inputs. However, due to the complex and unique nature of these instruments, the ranges for correlation inputs can vary widely across portfolios.

Volatility

Similar to correlation, asset-specific volatility inputs vary widely by asset type. For example, ranges for foreign exchange volatility are generally lower and narrower than equity volatility. Equity volatilities are wider due to the nature of the equities market and the terms of certain exotic instruments. For most instruments, the interest rate volatility input is on the lower end of the range; however, for certain structured or exotic instruments (such as market-linked deposits or exotic interest rate derivatives) the range is much wider.

Yield

Ranges for the yield inputs vary significantly depending upon the type of security. For example, securities that typically have lower yields, such as municipal bonds, will fall on the lower end of the range, while more illiquid securities or securities with lower credit quality, such as certain residual tranche asset-backed securities, will have much higher yield inputs.

Credit Spread

Credit spread is relevant primarily for fixed income and credit instruments; however, the ranges for the credit spread input can vary across instruments. For example, certain fixed income instruments, such as certificates of deposit, typically

Edgar Filing: CITIGROUP INC - Form 10-Q

have lower credit spreads, whereas certain derivative instruments with high-risk counterparties are typically subject to higher credit spreads when they are uncollateralized or have a longer tenor. Other instruments, such as credit default swaps, also have credit spreads that vary with the attributes of the underlying obligor. Stronger companies have tighter credit spreads, and weaker companies have wider credit spreads.

Price

The price input is relevant for both fixed income and equity instruments. Generally, for fixed income instruments, the price input ranges from zero to 100. Relatively illiquid assets that have experienced significant losses since issuance, such as certain asset-backed securities, are at the lower end of the range, whereas most investment grade corporate bonds will fall in the middle to the higher end of the range. For certain structured debt securities with embedded derivatives, the price input may be above 100 to reflect the unique terms of the instrument. For equity securities, the range of price inputs varies depending on the nature of the position, the number of shares outstanding and other factors.

Items Measured at Fair Value on a Nonrecurring Basis

Certain assets and liabilities are measured at fair value on a nonrecurring basis and therefore are not included in the tables above. These include assets measured at cost that have been written down to fair value during the periods as a result of an impairment. In addition, these assets include loans held-for-sale and other real estate owned that are measured at the lower of cost or market (LOCOM).

The following table presents the carrying amounts of all assets that were still held as of September 30, 2012 and December 31, 2011, and for which a nonrecurring fair value measurement was recorded during the nine and twelve months then ended:

<i>In millions of dollars</i>	Fair value	Level 2	Level 3
September 30, 2012			
Loans held-for-sale	\$ 1,853	\$ 637	\$ 1,216
Other real estate owned	207	44	163
Loans(1)	5,296	4,830	466
Other assets(2)	4,725	4,725	
Total assets at fair value on a nonrecurring basis	\$ 12,081	\$ 10,236	\$ 1,845

(1) Represents loans held for investment whose carrying amount is based on the fair value of the underlying collateral, including primarily real-estate secured loans.

(2) Represents Citi's remaining 35% investment in the Morgan Stanley Smith Barney joint venture whose carrying amount is the agreed purchase price. See Note 11 to the Consolidated Financial Statements.

<i>In millions of dollars</i>	Fair value	Level 2	Level 3
December 31, 2011			
Loans held-for-sale	\$ 2,644	\$ 1,668	\$ 976
Other real estate owned	271	88	183
Loans(1)	3,911	3,185	726
Total assets at fair value on a nonrecurring basis	\$ 6,826	\$ 4,941	\$ 1,885

(1) Represents loans held for investment whose carrying amount is based on the fair value of the underlying collateral, including primarily real-estate secured loans.

The fair value of loans-held-for-sale is determined where possible using quoted secondary-market prices. If no such quoted price exists, the fair value of a loan is determined using quoted prices for a similar asset or assets, adjusted for the specific attributes of that loan. Fair value for the other real estate owned is based on appraisals. For loans whose carrying amount is based on the fair value of the underlying collateral, the

Edgar Filing: CITIGROUP INC - Form 10-Q

fair values depend on the type of collateral. Fair value of the collateral is typically estimated based on quoted market prices if available, appraisals or other internal valuation techniques.

Where the fair value of the related collateral is based on an unadjusted appraised value, the loan is generally classified as Level 2. Where significant adjustments are made to the appraised value, the loan is classified as Level 3. Additionally, for corporate loans, appraisals of the collateral are often based on sales of similar assets; however, because the prices of similar assets require significant adjustments to reflect the unique features of the underlying collateral, these fair value measurements are generally classified as Level 3.

Valuation Techniques and Inputs for Level 3 Nonrecurring Fair Value Measurements

The following table presents the valuation techniques covering the majority of Level 3 nonrecurring fair value measurements and the most significant unobservable inputs used in those measurements as of September 30, 2012:

<i>In millions of dollars</i>	Fair Value	Methodology	Input	Low	High
Loans held-for-sale	\$ 1,216	Price-based	Price	\$ 38.96	\$ 100.00
		Cash flow	Yield	15.00%	15.00%
Other real estate owned	154	Price-based	Discount to price	\$ 11.00	\$ 40.00
			Price(1)	\$ 0.00	\$ 18,604,507
Loans(2)	466	Price-based	Discount to price	\$ 25.00	\$ 34.00
		Recovery Analysis	Recovery Rate	0.00%	100.00%

- (1) Prices for other real estate owned are based on appraised values.
- (2) Represents loans held for investment whose carrying amounts are based on the fair value of the underlying collateral, including primarily real-estate secured loans.

Nonrecurring Fair Value Changes

The following table presents total nonrecurring fair value measurements for the period, included in earnings, attributable to the change in fair value relating to assets that are still held at September 30, 2012 and 2011:

<i>In millions of dollars</i>	Three Months Ended Sept. 30, 2012	Nine Months Ended Sept. 30, 2012
Loans held-for-sale	\$ (12)	\$ (11)
Other real estate owned	(7)	(22)
Loans(1)	(957)	(1,461)
Other assets(2)	(3,340)	(3,340)
Total nonrecurring fair value gains (losses)	\$ (4,316)	\$ (4,834)

- (1) Represents loans held for investment whose carrying amount is based on the fair value of the underlying collateral, including primarily real-estate loans.
- (2) Third quarter of 2012 includes the recognition of a \$3,340 million impairment charge related to the carrying value of Citi's remaining 35% interest in the Morgan Stanley Smith Barney joint venture. See Note 11 to the Consolidated Financial Statements.

<i>In millions of dollars</i>	Three Months Ended Sept. 30, 2011	Nine Months Ended Sept. 30, 2011
Loans held-for-sale	\$ (114)	\$ (215)
Other real estate owned	(56)	(74)
Loans(1)	(376)	(855)
Total nonrecurring fair value gains (losses)	\$ (546)	\$ (1,144)

-
- (1) Represents loans held for investment whose carrying amount is based on the fair value of the underlying collateral, including primarily real-estate loans.

Estimated Fair Value of Financial Instruments Not Carried at Fair Value

The table below presents the carrying value and fair value of Citigroup's financial instruments which are not carried at fair value. The table below therefore excludes items measured at fair value on a recurring basis presented in the tables above.

The disclosure also excludes leases, affiliate investments, pension and benefit obligations and insurance policy claim reserves. In addition, contract-holder fund amounts exclude certain insurance contracts. Also, as required, the disclosure excludes the effect of taxes, any premium or discount that could result from offering for sale at one time the entire holdings of a particular instrument, excess fair value associated with deposits with no fixed maturity and other expenses that would be incurred in a market transaction. In addition, the table excludes the values of non-financial assets and liabilities, as well as a wide range of franchise, relationship and intangible values, which are integral to a full assessment of Citigroup's financial position and the value of its net assets.

The fair value represents management's best estimates based on a range of methodologies and assumptions. The carrying value of short-term financial instruments not accounted for at fair value, as well as receivables and payables arising in the ordinary course of business, approximates fair value because of the relatively short period of time between their origination and expected realization. Quoted market prices are used when available for investments and for liabilities, such as long-term debt not carried at fair value. For loans not accounted for at fair value, cash flows are discounted at quoted secondary market rates or estimated market rates if available. Otherwise, sales of comparable loan portfolios or current market origination rates for loans with similar terms and risk characteristics are used. Expected credit losses are either embedded in the estimated future cash flows or incorporated as an adjustment to the discount rate used. The value of collateral is also considered. For liabilities such as long-term debt not accounted for at fair value and without quoted market prices, market borrowing rates of interest are used to discount contractual cash flows.

Edgar Filing: CITIGROUP INC - Form 10-Q

<i>In billions of dollars</i>	September 30, 2012		Estimated fair value		
	Carrying value	Estimated fair value	Level 1	Level 2	Level 3
Assets					
Investments	\$ 19.0	\$ 19.3	\$ 2.9	\$ 14.8	\$ 1.6
Federal funds sold and securities borrowed or purchased under agreements to resell	111.0	111.0		103.3	7.7
Loans(1)(2)	624.4	614.0		5.0	609.0
Other financial assets(2)(3)	266.5	266.5	9.5	195.0	62.0
Liabilities					
Deposits	\$ 942.8	\$ 941.3	\$	\$ 767.7	\$ 173.6
Federal funds purchased and securities loaned or sold under agreements to repurchase	100.9	100.9		100.8	0.1
Long-term debt	244.5	247.2		198.9	48.3
Other financial liabilities(4)	136.6	136.6		28.6	108.0

<i>In billions of dollars</i>	December 31, 2011	
	Carrying value	Estimated fair value
Assets		
Investments	\$ 19.4	\$ 18.4
Federal funds sold and securities borrowed or purchased under agreements to resell	133.0	133.0
Loans(1)(2)	609.3	598.7
Other financial assets(2)(3)	245.7	245.7
Liabilities		
Deposits	\$ 864.6	\$ 864.5
Federal funds purchased and securities loaned or sold under agreements to repurchase	100.7	100.7
Long-term debt	299.3	289.7
Other financial liabilities(4)	141.1	141.1

- (1) The carrying value of loans is net of the *Allowance for loan losses* of \$25.9 billion for September 30, 2012 and \$30.1 billion for December 31, 2011. In addition, the carrying values exclude \$2.7 billion and \$2.5 billion of lease finance receivables at September 30, 2012 and December 31, 2011, respectively.
- (2) Includes items measured at fair value on a nonrecurring basis.
- (3) Includes cash and due from banks, deposits with banks, brokerage receivables, reinsurance recoverable and other financial instruments included in *Other assets* on the Consolidated Balance Sheet, for all of which the carrying value is a reasonable estimate of fair value.
- (4) Includes brokerage payables, separate and variable accounts, short-term borrowings (carried at cost) and other financial instruments included in *Other liabilities* on the Consolidated Balance Sheet, for all of which the carrying value is a reasonable estimate of fair value.

Fair values vary from period to period based on changes in a wide range of factors, including interest rates, credit quality, and market perceptions of value and as existing assets and liabilities run off and new transactions are entered into.

The estimated fair values of loans reflect changes in credit status since the loans were made, changes in interest rates in the case of fixed-rate loans, and premium values at origination of certain loans. The carrying values (reduced by the *Allowance for loan losses*) exceeded the estimated fair values of Citigroup's loans, in aggregate, by \$10.4 billion and by \$10.6 billion at September 30, 2012 and December 31, 2011, respectively. At September 30, 2012, the carrying values, net of allowances, exceeded the estimated fair values by \$8.7 billion and \$1.7 billion

Edgar Filing: CITIGROUP INC - Form 10-Q

for Consumer loans and Corporate loans, respectively.

The estimated fair values of the Company's corporate unfunded lending commitments at September 30, 2012 and December 31, 2011 were liabilities of \$6.2 billion and \$4.7 billion, respectively, which are substantially fair valued at Level 3. The Company does not estimate the fair values of consumer unfunded lending commitments, which are generally cancelable by providing notice to the borrower.

20. FAIR VALUE ELECTIONS

The Company may elect to report most financial instruments and certain other items at fair value on an instrument-by-instrument basis with changes in fair value reported in earnings. The election is made upon the acquisition of an eligible financial asset, financial liability or firm commitment or when certain specified reconsideration events occur. The fair value election may not be revoked once an election is made. The changes in fair value are recorded in current earnings. Additional discussion regarding the applicable areas in which fair value elections were made is presented in Note 19 to the Consolidated Financial Statements.

All servicing rights are recognized initially at fair value. The Company has elected fair value accounting for its mortgage servicing rights. See Note 17 to the Consolidated Financial Statements for further discussions regarding the accounting and reporting of MSRs.

The following table presents, as of September 30, 2012 and December 31, 2011, the fair value of those positions selected for fair value accounting, as well as the changes in fair value gains and losses for the nine months ended September 30, 2012 and 2011:

<i>In millions of dollars</i>	Fair value at		Changes in fair value gains (losses) for the nine months ended September 30,	
	September 30, 2012	December 31, 2011	2012	2011
Assets				
Federal funds sold and securities borrowed or purchased under agreements to resell				
Selected portfolios of securities purchased under agreements to resell and securities borrowed(1)	\$ 166,506	\$ 142,862	\$ (192)	\$ (23)
Trading account assets	12,317	14,179	934	(1,030)
Investments	488	526	(39)	243
Loans				
Certain Corporate loans(2)	4,103	3,939	100	78
Certain Consumer loans(2)	1,256	1,326	(78)	(280)
Total loans	\$ 5,359	\$ 5,265	\$ 22	\$ (202)
Other assets				
MSRs	\$ 1,920	\$ 2,569	\$ (462)	\$ (1,426)
Certain mortgage loans held for sale	4,174	6,213	281	158
Certain equity method investments	46	47	(1)	(11)
Total other assets	\$ 6,140	\$ 8,829	\$ (182)	\$ (1,279)
Total assets	\$ 190,810	\$ 171,661	\$ 543	\$ (2,291)
Liabilities				
Interest-bearing deposits	\$ 1,864	\$ 1,326	\$ (109)	\$ 55
Federal funds purchased and securities loaned or sold under agreements to repurchase				
Selected portfolios of securities sold under agreements to repurchase and securities loaned(1)	123,459	97,712	40	(106)
Trading account liabilities	1,852	1,763	(140)	604
Short-term borrowings	761	1,354	42	194
Long-term debt	27,336	24,172	(1,811)	2,501
Total liabilities	\$ 155,272	\$ 126,327	\$ (1,978)	\$ 3,248

(1)

Reflects netting of the amounts due from securities purchased under agreements to resell and the amounts owed under securities sold under agreements to repurchase.

(2)

Includes mortgage loans held by mortgage loan securitization VIEs consolidated upon the adoption of SFAS 167 on January 1, 2010.

Own Debt Valuation Adjustments for Structured Debt

Own debt valuation adjustments are recognized on Citi's debt liabilities for which the fair value option has been elected using Citi's credit spreads observed in the bond market. The fair value of debt liabilities for which the fair value option is elected (other than non-recourse and similar liabilities) is impacted by the narrowing or widening of the Company's credit spreads. The estimated change in the fair value of these debt liabilities due to such changes in the Company's own credit risk (or instrument-specific credit risk) was a loss of \$560 million and a gain of \$1,606 million for the three months ended September 30, 2012 and 2011, respectively, and a loss of \$1,552 million and a gain of \$1,734 million for the nine months ended September 30, 2012 and 2011, respectively. Changes in fair value resulting from changes in instrument-specific credit risk were estimated by incorporating the Company's current credit spreads observable in the bond market into the relevant valuation technique used to value each liability as described above.

The Fair Value Option for Financial Assets and Financial Liabilities

Selected portfolios of securities purchased under agreements to resell, securities borrowed, securities sold under agreements to repurchase, securities loaned and certain non-collateralized short-term borrowings

The Company elected the fair value option for certain portfolios of fixed-income securities purchased under agreements to resell and fixed-income securities sold under agreements to repurchase, securities borrowed, securities loaned (and certain non-collateralized short-term borrowings) on broker-dealer entities in the United States, United Kingdom and Japan. In each case, the election was made because the related interest-rate risk is managed on a portfolio basis, primarily with derivative instruments that are accounted for at fair value through earnings.

Changes in fair value for transactions in these portfolios are recorded in *Principal transactions*. The related interest revenue and interest expense are measured based on the contractual rates specified in the transactions and are reported as interest revenue and expense in the Consolidated Statement of Income.

Selected letters of credit and revolving loans hedged by credit default swaps or participation notes

The Company has elected the fair value option for certain letters of credit that are hedged with derivative instruments or participation notes. Citigroup elected the fair value option for these transactions because the risk is managed on a fair value basis and mitigates accounting mismatches.

There was no notional amount of these unfunded letters of credit at September 30, 2012 and \$0.6 billion at December 31, 2011. The amount funded was insignificant with no amounts 90 days or more past due or on non-accrual status at September 30, 2012 and December 31, 2011.

These items have been classified in *Trading account assets* or *Trading account liabilities* on the Consolidated Balance Sheet. Changes in fair value of these items are classified in *Principal transactions* in the Company's Consolidated Statement of Income.

Certain loans and other credit products

Citigroup has elected the fair value option for certain originated and purchased loans, including certain unfunded loan products, such as guarantees and letters of credit, executed by Citigroup's lending and trading businesses. None of these credit products are highly leveraged financing commitments. Significant groups of transactions include loans and unfunded loan products that are expected to be either sold or securitized in the near term, or transactions where the economic risks are hedged with derivative instruments such as purchased credit default swaps or total return swaps where the Company pays the total return on the underlying loans to a third party. Citigroup has elected the fair value option to mitigate accounting mismatches in cases where hedge accounting is complex and to achieve operational simplifications. Fair value was not elected for most lending transactions across the Company, including where management objectives would not be met.

Edgar Filing: CITIGROUP INC - Form 10-Q

The following table provides information about certain credit products carried at fair value at September 30, 2012 and December 31, 2011:

<i>In millions of dollars</i>	September 30, 2012		December 31, 2011	
	Trading assets	Loans	Trading assets	Loans
Carrying amount reported on the Consolidated Balance Sheet	\$ 12,263	\$ 3,927	\$ 14,150	\$ 3,735
Aggregate unpaid principal balance in excess of (less than) fair value	(8)	(51)	540	(54)
Balance of non-accrual loans or loans more than 90 days past due	105		134	
Aggregate unpaid principal balance in excess of fair value for non-accrual loans or loans more than 90 days past due	43		43	

In addition to the amounts reported above, \$1,745 million and \$648 million of unfunded loan commitments related to certain credit products selected for fair value accounting were outstanding as of September 30, 2012 and December 31, 2011, respectively.

Changes in fair value of funded and unfunded credit products are classified in *Principal transactions* in the Company's Consolidated Statement of Income. Related interest revenue is measured based on the contractual interest rates and reported as *Interest revenue on Trading account assets* or loan interest depending on the balance sheet classifications of the credit products. The changes in fair value for the nine months ended September 30, 2012 and 2011 due to instrument-specific credit risk totaled to a gain of \$46 million and \$55 million, respectively.

Certain investments in private equity and real estate ventures and certain equity method investments

Citigroup invests in private equity and real estate ventures for the purpose of earning investment returns and for capital appreciation. The Company has elected the fair value option for certain of these ventures, because such investments are considered similar to many private equity or hedge fund activities in Citi's investment companies, which are reported at fair value. The fair value option brings consistency in the accounting and evaluation of these investments. All investments (debt and equity) in such private equity and real estate entities are accounted for at fair value. These investments are classified as *Investments* on Citigroup's Consolidated Balance Sheet.

Citigroup also holds various non-strategic investments in leveraged buyout funds and other hedge funds for which the Company elected fair value accounting to reduce operational and accounting complexity. Since the funds account for all of their underlying assets at fair value, the impact of applying the equity method to Citigroup's investment in these funds was equivalent to fair value accounting. These investments are classified as *Other assets* on Citigroup's Consolidated Balance Sheet.

Changes in the fair values of these investments are classified in *Other revenue* in the Company's Consolidated Statement of Income.

Certain mortgage loans (HFS)

Citigroup has elected the fair value option for certain purchased and originated prime fixed-rate and conforming adjustable-rate first mortgage loans HFS. These loans are intended for sale or securitization and are hedged with derivative instruments. The Company has elected the fair value option to mitigate accounting mismatches in cases where hedge accounting is complex and to achieve operational simplifications.

Edgar Filing: CITIGROUP INC - Form 10-Q

The following table provides information about certain mortgage loans HFS carried at fair value at September 30, 2012 and December 31, 2011:

<i>In millions of dollars</i>	September 30, 2012	December 31, 2011
Carrying amount reported on the Consolidated Balance Sheet	\$ 4,174	\$ 6,213
Aggregate fair value in excess of unpaid principal balance	302	274
Balance of non-accrual loans or loans more than 90 days past due		
Aggregate unpaid principal balance in excess of fair value for non-accrual loans or loans more than 90 days past due		

The changes in fair values of these mortgage loans are reported in *Other revenue* in the Company's Consolidated Statement of Income. There was no change in fair value during the nine months ended September 30, 2012 due to instrument-specific credit risk. The change in fair value during the nine months ended September 30, 2011 due to instrument-specific credit risk resulted in a loss of \$0.2 million. Related interest income continues to be measured based on the contractual interest rates and reported as such in the Consolidated Statement of Income.

Certain consolidated VIEs

The Company has elected the fair value option for all qualified assets and liabilities of certain VIEs that were consolidated upon the adoption of SFAS 167 on January 1, 2010, including certain private label mortgage securitizations, mutual fund deferred sales commissions and collateralized loan obligation VIEs. The Company elected the fair value option for these VIEs as the Company believes this method better reflects the economic risks, since substantially all of the Company's retained interests in these entities are carried at fair value.

With respect to the consolidated mortgage VIEs, the Company determined the fair value for the mortgage loans and long-term debt utilizing internal valuation techniques. The fair value of the long-term debt measured using internal valuation techniques is verified, where possible, to prices obtained from independent vendors. Vendors compile prices from various sources and may apply matrix pricing for similar securities when no price is observable. Security pricing associated with long-term debt that is valued using observable inputs is classified as Level 2 and debt that is valued using one or more significant unobservable inputs is classified as Level 3. The fair value of mortgage loans of each VIE is derived from the security pricing. When substantially all of the long-term debt of a VIE is valued using Level 2 inputs, the corresponding mortgage loans are classified as Level 2. Otherwise, the mortgage loans of a VIE are classified as Level 3.

With respect to the consolidated mortgage VIEs for which the fair value option was elected, the mortgage loans are classified as *Loans* on Citigroup's Consolidated Balance Sheet. The changes in fair value of the loans are reported as *Other revenue* in the Company's Consolidated Statement of Income. Related interest revenue is measured based on the contractual interest rates and reported as *Interest revenue* in the Company's Consolidated Statement of Income. Information about these mortgage loans is included in the table below. The change in fair value of these loans due to instrument-specific credit risk was a loss of \$78 million and \$280 million for the nine months ended September 30, 2012 and 2011, respectively.

The debt issued by these consolidated VIEs is classified as long-term debt on Citigroup's Consolidated Balance Sheet. The changes in fair value for the majority of these liabilities are reported in *Other revenue* in the Company's Consolidated Statement of Income. Related interest expense is measured based on the contractual interest rates and reported as such in the Consolidated Statement of Income. The aggregate unpaid principal balance of long-term debt of these consolidated VIEs exceeded the aggregate fair value by \$894 million and \$984 million as of September 30, 2012 and December 31, 2011, respectively.

Edgar Filing: CITIGROUP INC - Form 10-Q

The following table provides information about Corporate and Consumer loans of consolidated VIEs carried at fair value at September 30, 2012 and December 31, 2011:

<i>In millions of dollars</i>	September 30, 2012		December 31, 2011	
	Corporate loans	Consumer loans	Corporate loans	Consumer loans
Carrying amount reported on the Consolidated Balance Sheet	\$ 170	\$ 1,219	\$ 198	\$ 1,292
Aggregate unpaid principal balance in excess of fair value	355	326	394	436
Balance of non-accrual loans or loans more than 90 days past due	33	120	23	86
Aggregate unpaid principal balance in excess of fair value for non-accrual loans or loans more than 90 days past due	37	114	42	120

Certain structured liabilities

The Company has elected the fair value option for certain structured liabilities whose performance is linked to structured interest rates, inflation, currency, equity, referenced credit or commodity risks (structured liabilities). The Company elected the fair value option, because these exposures are considered to be trading-related positions and, therefore, are managed on a fair value basis. These positions will continue to be classified as debt, deposits or derivatives (*Trading account liabilities*) on the Company's Consolidated Balance Sheet according to their legal form.

The change in fair value for these structured liabilities is reported in *Principal transactions* in the Company's Consolidated Statement of Income. Changes in fair value for these structured liabilities include an economic component for accrued interest which is included in the change in fair value reported in *Principal transactions*.

Certain non-structured liabilities

The Company has elected the fair value option for certain non-structured liabilities with fixed and floating interest rates (non-structured liabilities). The Company has elected the fair value option where the interest-rate risk of such liabilities is economically hedged with derivative contracts or the proceeds are used to purchase financial assets that will also be accounted for at fair value through earnings. The election has been made to mitigate accounting mismatches and to achieve operational simplifications. These positions are reported in *Short-term borrowings* and *Long-term debt* on the Company's Consolidated Balance Sheet. The change in fair value for these non-structured liabilities is reported in *Principal transactions* in the Company's Consolidated Statement of Income.

Related interest expense on non-structured liabilities is measured based on the contractual interest rates and reported as such in the Consolidated Statement of Income.

The following table provides information about long-term debt carried at fair value, excluding the debt issued by the consolidated VIEs, at September 30, 2012 and December 31, 2011:

<i>In millions of dollars</i>	September 30, 2012	December 31, 2011
Carrying amount reported on the Consolidated Balance Sheet	\$ 25,942	\$ 22,614
Aggregate unpaid principal balance in excess of (less than) fair value	(3,884)	1,680

The following table provides information about short-term borrowings carried at fair value at September 30, 2012 and December 31, 2011:

<i>In millions of dollars</i>	September 30, 2012	December 31, 2011
Carrying amount reported on the Consolidated Balance Sheet	\$ 761	\$ 1,354
Aggregate unpaid principal balance in excess of (less than) fair value	(187)	49

21. GUARANTEES AND COMMITMENTS

The Company provides a variety of guarantees and indemnifications to Citigroup customers to enhance their credit standing and enable them to complete a wide variety of business transactions. For certain contracts meeting the definition of a guarantee, the guarantor must recognize, at inception, a liability for the fair value of the obligation undertaken in issuing the guarantee.

In addition, the guarantor must disclose the maximum potential amount of future payments the guarantor could be required to make under the guarantee, if there were a total default by the guaranteed parties. The determination of the maximum potential future payments is based on the notional amount of the guarantees without consideration of possible recoveries under recourse provisions or from collateral held or pledged. As such, the Company believes such amounts bear no relationship to the anticipated losses, if any, on these guarantees. The following tables present information about the Company's guarantees at September 30, 2012 and December 31, 2011:

<i>In billions of dollars at September 30, 2012 except carrying value in millions</i>	Maximum potential amount of future payments			Carrying value (in millions)
	Expire within 1 year	Expire after 1 year	Total amount outstanding	
Financial standby letters of credit	\$ 22.6	\$ 77.2	\$ 99.8	\$ 481.4
Performance guarantees	7.2	5.2	12.4	42.2
Derivative instruments considered to be guarantees	13.7	8.7	22.4	1,725.8
Loans sold with recourse		0.4	0.4	90.4
Securities lending indemnifications(1)	86.7		86.7	
Credit card merchant processing(1)	70.3		70.3	
Custody indemnifications and other		29.0	29.0	36.2
Total	\$ 200.5	\$ 120.5	\$ 321.0	\$ 2,376.0

- (1) The carrying values of securities lending indemnifications and credit card merchant processing are not material, as the Company has determined that the amount and probability of potential liabilities arising from these guarantees are not significant.

<i>In billions of dollars at December 31, 2011 except carrying value in millions</i>	Maximum potential amount of future payments			Carrying value (in millions)
	Expire within 1 year	Expire after 1 year	Total amount outstanding	
Financial standby letters of credit	\$ 25.2	\$ 79.5	\$ 104.7	\$ 417.5
Performance guarantees	7.8	4.5	12.3	43.9
Derivative instruments considered to be guarantees	7.2	8.0	15.2	2,065.9
Loans sold with recourse		0.4	0.4	89.6
Securities lending indemnifications(1)	90.9		90.9	
Credit card merchant processing(1)	70.2		70.2	
Custody indemnifications and other		40.0	40.0	30.7
Total	\$ 201.3	\$ 132.4	\$ 333.7	\$ 2,647.6

- (1) The carrying values of securities lending indemnifications and credit card merchant processing are not material, as the Company has determined that the amount and probability of potential liabilities arising from these guarantees are not significant.

Financial standby letters of credit

Citigroup issues standby letters of credit which substitute its own credit for that of the borrower. If a letter of credit is drawn down, the borrower is obligated to repay Citigroup. Standby letters of credit protect a third party from defaults on contractual obligations. Financial standby letters of credit include guarantees of payment of insurance premiums and reinsurance risks that support industrial revenue bond underwriting and settlement of payment obligations to clearing houses, and also support options and purchases of securities or are in lieu of escrow deposit accounts. Financial standbys also backstop loans, credit facilities, promissory notes and trade acceptances.

Performance guarantees

Performance guarantees and letters of credit are issued to guarantee a customer's tender bid on a construction or systems-installation project or to guarantee completion of such projects in accordance with contract terms. They are also issued to support a customer's obligation to supply specified products, commodities, or maintenance or warranty services to a third party.

Derivative instruments considered to be guarantees

Derivatives are financial instruments whose cash flows are based on a notional amount and an underlying instrument, where there is little or no initial investment, and whose terms require or permit net settlement. Derivatives may be used for a variety of reasons, including risk management, or to enhance returns. Financial institutions often act as intermediaries for their clients, helping clients reduce their risks. However, derivatives may also be used to take a risk position.

The derivative instruments considered to be guarantees, which are presented in the tables above, include only those instruments that require Citi to make payments to the counterparty based on changes in an underlying instrument that is related to an asset, a liability, or an equity security held by the guaranteed party. More specifically, derivative instruments considered to be guarantees include certain over-the-counter written put options where the counterparty is not a bank, hedge fund or broker-dealer (such counterparties are considered to be dealers in these markets and may, therefore, not hold the underlying instruments). However, credit derivatives sold by the Company are excluded from the tables above as they are disclosed separately in Note 18 to the Consolidated Financial Statements. In addition, non-credit derivative contracts that are cash settled and for which the Company is unable to assert that it is probable the counterparty held the underlying instrument at the inception of the contract also are excluded from the tables above.

In instances where the Company's maximum potential future payment is unlimited, the notional amount of the contract is disclosed.

Loans sold with recourse

Loans sold with recourse represent the Company's obligations to reimburse the buyers for loan losses under certain circumstances. Recourse refers to the clause in a sales agreement under which a lender will fully reimburse the buyer/investor for any losses resulting from the purchased loans. This may be accomplished by the seller's taking back any loans that become delinquent.

In addition to the amounts shown in the tables above, the repurchase reserve for Citigroup residential mortgages representations and warranties was \$1,516 million and \$1,188 million at September 30, 2012 and December 31, 2011, respectively, and these amounts are included in *Other liabilities* on the Consolidated Balance Sheet.

Repurchase Reserve Whole Loan Sales

The repurchase reserve estimation process for potential residential mortgage whole loan representation and warranty claims is subject to various assumptions. The assumptions used to calculate this repurchase reserve include numerous estimates and judgments and thus contain a level of uncertainty and risk that, if different from actual results, could have a material impact on the reserve amounts. As of September 30, 2012, the most significant assumptions used to calculate the reserve levels are:

correlation between loan characteristics and repurchase claims;

claims appeal success rates; and

estimated loss per repurchase or make-whole payment.

As referenced above, the repurchase reserve estimation process for potential whole loan representation and warranty claims relies on various assumptions that involve numerous estimates and judgments, including with respect to certain future events, and thus entails inherent uncertainty. As of September 30, 2012, Citi estimates that the range of reasonably possible loss for whole loan sale representation and warranty claims in excess of amounts accrued could be up to \$0.6 billion. This estimate was derived by modifying the key assumptions discussed above to reflect management's judgment regarding reasonably possible adverse changes to those assumptions. Citi's estimate of reasonably possible loss is based on currently available information, significant judgment and numerous assumptions that are subject to change.

Repurchase Reserve Private-Label Securitizations

The pace at which Citi has received repurchase claims for breaches of representations and warranties on its private-label securitizations remains volatile and has continued to increase. To date, the Company has received actual repurchase claims for breaches of representations and warranties related to private-label securitizations at a sporadic and unpredictable rate, and most of the claims received are not yet resolved. Thus, Citi cannot estimate probable future repurchases from such private-label securitizations. Rather, at the present time, Citi views repurchase claims related to private-label securitizations as episodic, such that repurchase reserves are currently expected to be recorded principally on the basis of estimated losses arising from actual claims received, rather than predictions regarding claims estimated to be received or paid in the future.

Securities lending indemnifications

Owners of securities frequently lend those securities for a fee to other parties who may sell them short or deliver them to another party to satisfy some other obligation. Banks may administer such securities lending programs for their clients. Securities lending indemnifications are issued by the bank to guarantee that a securities lending customer will be made whole in the event that the security borrower does not return the security

subject to the lending agreement and collateral held is insufficient to cover the market value of the security.

Credit card merchant processing

Credit card merchant processing guarantees represent the Company's indirect obligations in connection with the processing of private label and bank card transactions on behalf of merchants.

Citigroup's primary credit card business is the issuance of credit cards to individuals. In addition, the Company: (a) provides transaction processing services to various merchants with respect to its private-label cards and (b) has potential liability for bank card transaction processing services. The nature of the liability in either case arises as a result of a billing dispute between a merchant and a cardholder that is ultimately resolved in the cardholder's favor. The merchant is liable to refund the amount to the cardholder. In general, if the credit card processing company is unable to collect this amount from the merchant, the credit card processing company bears the loss for the amount of the credit or refund paid to the cardholder.

With regard to (a) above, the Company continues to have the primary contingent liability with respect to its portfolio of private-label merchants. The risk of loss is mitigated as the cash flows between the Company and the merchant are settled on a net basis and the Company has the right to offset any payments with cash flows otherwise due to the merchant. To further mitigate this risk the Company may delay settlement, require a merchant to make an escrow deposit, include event triggers to provide the Company with more financial and operational control in the event of the financial deterioration of the merchant, or require various credit enhancements (including letters of credit and bank guarantees). In the unlikely event that a private-label merchant is unable to deliver products, services or a refund to its private-label cardholders, the Company is contingently liable to credit or refund cardholders.

With regard to (b) above, the Company has a potential liability for bank card transactions where Citi provides the transaction processing services as well as those where a third party provides the services and Citi acts as a secondary guarantor, should that processor fail to perform.

The Company's maximum potential contingent liability related to both bank card and private-label merchant processing services is estimated to be the total volume of credit card transactions that meet the requirements to be valid charge back transactions at any given time. At September 30, 2012 and December 31, 2011, this maximum potential exposure was estimated to be \$70 billion.

However, the Company believes that the maximum exposure is not representative of the actual potential loss exposure based on the Company's historical experience. This contingent liability is unlikely to arise, as most products and services are delivered when purchased and amounts are refunded when items are returned to merchants. The Company assesses the probability and amount of its contingent liability related to merchant processing based on the financial strength of the primary guarantor, the extent and nature of unresolved charge-backs and its historical loss experience. At September 30, 2012 and December 31, 2011, the losses incurred and the carrying amounts of the Company's contingent obligations related to merchant processing activities were immaterial.

Custody indemnifications

Custody indemnifications are issued to guarantee that custody clients will be made whole in the event that a third-party subcustodian or depository institution fails to safeguard clients' assets.

Other guarantees and indemnifications

Credit Card Protection Programs

The Company, through its credit card business, provides various cardholder protection programs on several of its card products, including programs that provide insurance coverage for rental cars, coverage for certain losses associated with purchased products, price protection for certain purchases and protection for lost luggage. These guarantees are not included in the table, since the total outstanding amount of the guarantees and the Company's maximum exposure to loss cannot be quantified. The protection is limited to certain types of purchases and certain types of losses and it is not possible to quantify the purchases that would qualify for these benefits at any given time. The Company assesses the probability and amount of its potential liability related to these programs based on the extent and nature of its historical loss experience. At September 30, 2012 and December 31, 2011, the actual and estimated losses incurred and the carrying value of the Company's obligations related to these programs were immaterial.

Other Representation and Warranty Indemnifications

In the normal course of business, the Company provides standard representations and warranties to counterparties in contracts in connection with numerous transactions and also provides indemnifications, including indemnifications that protect the counterparties to the contracts in the event that additional taxes are owed due either to a change in the tax law or an adverse interpretation of the tax law. Counterparties to these

transactions provide the Company with comparable indemnifications. While such representations, warranties and indemnifications are essential components of many contractual relationships, they do not represent the underlying business purpose for the transactions. The indemnification clauses are often standard contractual terms related to the Company's own performance under the terms of a contract and are entered into in the normal course of business based on an assessment that the risk of loss is remote. Often these clauses are intended to ensure that terms of a contract are met at inception. No compensation is received for these standard representations and warranties, and it is not possible to determine their fair value because they rarely, if ever, result in a payment. In many cases, there are no stated or notional amounts included in the indemnification clauses and the contingencies potentially triggering the obligation to indemnify have not occurred and are not expected to occur. These indemnifications are not included in the tables above.

Value-Transfer Networks

The Company is a member of, or shareholder in, hundreds of value-transfer networks (VTNs) (payment, clearing and settlement systems as well as exchanges) around the world. As a condition of membership, many of these VTNs require that members stand ready to pay a pro rata share of the losses incurred by the organization due to another member's default on its obligations. The Company's potential obligations may be limited to its membership interests in the VTNs, contributions to

Edgar Filing: CITIGROUP INC - Form 10-Q

the VTN's funds, or, in limited cases, the obligation may be unlimited. The maximum exposure cannot be estimated as this would require an assessment of future claims that have not yet occurred. We believe the risk of loss is remote given historical experience with the VTNs. Accordingly, the Company's participation in VTNs is not reported in the Company's guarantees tables above and there are no amounts reflected on the Consolidated Balance Sheet as of September 30, 2012 or December 31, 2011 for potential obligations that could arise from the Company's involvement with VTN associations.

Long-Term Care Insurance Indemnification

In the sale of an insurance subsidiary, the Company provided an indemnification to an insurance company for policyholder claims and other liabilities relating to a book of long-term care (LTC) business (for the entire term of the LTC policies) that is fully reinsured by another insurance company. The reinsurer has funded two trusts with securities whose fair value (approximately \$4.9 billion at September 30, 2012 and \$4.4 billion at December 31, 2011) is designed to cover the insurance company's statutory liabilities for the LTC policies. The assets in these trusts are evaluated and adjusted periodically to ensure that the fair value of the assets continues to cover the estimated statutory liabilities related to the LTC policies, as those statutory liabilities change over time. If the reinsurer fails to perform under the reinsurance agreement for any reason, including insolvency, and the assets in the two trusts are insufficient or unavailable to the ceding insurance company, then Citigroup must indemnify the ceding insurance company for any losses actually incurred in connection with the LTC policies. Since both events would have to occur before Citi would become responsible for any payment to the ceding insurance company pursuant to its indemnification obligation and the likelihood of such events occurring is currently not probable, there is no liability reflected in the Consolidated Balance Sheet as of September 30, 2012 related to this indemnification. However, Citi continues to closely monitor its potential exposure under this indemnification obligation.

Carrying Value Guarantees and Indemnifications

At September 30, 2012 and December 31, 2011, the total carrying amounts of the liabilities related to the guarantees and indemnifications included in the tables above amounted to approximately \$2.4 billion and \$2.6 billion, respectively. The carrying value of derivative instruments is included in either *Trading liabilities* or *Other liabilities*, depending upon whether the derivative was entered into for trading or non-trading purposes. The carrying value of financial and performance guarantees is included in *Other liabilities*. For loans sold with recourse, the carrying value of the liability is included in *Other liabilities*. In addition, at September 30, 2012 and December 31, 2011, *Other liabilities* on the Consolidated Balance Sheet include an allowance for credit losses of \$1,063 million and \$1,136 million, respectively, relating to letters of credit and unfunded lending commitments.

Collateral

Cash collateral available to the Company to reimburse losses realized under these guarantees and indemnifications amounted to \$39 billion and \$35 billion at September 30, 2012 and December 31, 2011, respectively. Securities and other marketable assets held as collateral amounted to \$56 billion and \$65 billion at September 30, 2012 and December 31, 2011, respectively, the majority of which collateral is held to reimburse losses realized under securities lending indemnifications. Additionally, letters of credit in favor of the Company held as collateral amounted to \$2.3 billion and \$1.5 billion at September 30, 2012 and December 31, 2011, respectively. Other property may also be available to the Company to cover losses under certain guarantees and indemnifications; however, the value of such property has not been determined.

Performance risk

Citi evaluates the performance risk of its guarantees based on the assigned referenced counterparty internal or external ratings. Where external ratings are used, investment-grade ratings are considered to be Baa/BBB and above, while anything below is considered non-investment grade. The Citi internal ratings are in line with the related external rating system. On certain underlying referenced credits or entities, ratings are not available. Such referenced credits are included in the "not rated" category. The maximum potential amount of the future payments related to guarantees and credit derivatives sold is determined to be the notional amount of these contracts, which is the par amount of the assets guaranteed.

Edgar Filing: CITIGROUP INC - Form 10-Q

Presented in the tables below are the maximum potential amounts of future payments that are classified based upon internal and external credit ratings as of September 30, 2012 and December 31, 2011. As previously mentioned, the determination of the maximum potential future payments is based on the notional amount of the guarantees without consideration of possible recoveries under recourse provisions or from collateral held or pledged. As such, the Company believes such amounts bear no relationship to the anticipated losses, if any, on these guarantees.

<i>In billions of dollars as of September 30, 2012</i>	Maximum potential amount of future payments			
	Investment grade	Non-investment Grade	Not rated	Total
Financial standby letters of credit	\$ 79.2	\$ 11.2	\$ 9.4	\$ 99.8
Performance guarantees	7.1	3.3	2.0	12.4
Derivative instruments deemed to be guarantees			22.4	22.4
Loans sold with recourse			0.4	0.4
Securities lending indemnifications			86.7	86.7
Credit card merchant processing			70.3	70.3
Custody indemnifications and other	29.0			29.0
Total	\$ 115.3	\$ 14.5	\$ 191.2	\$ 321.0

<i>In billions of dollars as of December 31, 2011</i>	Maximum potential amount of future payments			
	Investment grade	Non-investment Grade	Not rated	Total
Financial standby letters of credit	\$ 79.3	\$ 17.2	\$ 8.2	\$ 104.7
Performance guarantees	6.9	3.2	2.2	12.3
Derivative instruments deemed to be guarantees			15.2	15.2
Loans sold with recourse			0.4	0.4
Securities lending indemnifications			90.9	90.9
Credit card merchant processing			70.2	70.2
Custody indemnifications and other	40.0			40.0
Total	\$ 126.2	\$ 20.4	\$ 187.1	\$ 333.7

Credit Commitments and Lines of Credit

The table below summarizes Citigroup's credit commitments as of September 30, 2012 and December 31, 2011:

<i>In millions of dollars</i>	U.S.	Outside of U.S.	September 30, 2012	December 31, 2011
Commercial and similar letters of credit	\$ 1,455	\$ 6,522	\$ 7,977	\$ 8,910
One- to four-family residential mortgages	3,073	1,438	4,511	3,504
Revolving open-end loans secured by one- to four-family residential properties	15,249	2,988	18,237	19,326
Commercial real estate, construction and land development	1,625	889	2,514	1,968
Credit card lines	490,618	135,149	625,767	653,985
Commercial and other consumer loan commitments	145,004	88,645	233,649	224,109
Other commitments and contingencies	1,041	683	1,724	3,201
Total	\$ 658,065	\$ 236,314	\$ 894,379	\$ 915,003

The majority of unused commitments are contingent upon customers' maintaining specific credit standards. Commercial commitments generally have floating interest rates and fixed expiration dates and may require payment of fees. Such fees (net of certain direct costs) are deferred and, upon exercise of the commitment, amortized over the life of the loan or, if exercise is deemed remote, amortized over the commitment period.

Commercial and similar letters of credit

A commercial letter of credit is an instrument by which Citigroup substitutes its credit for that of a customer to enable the customer to finance the purchase of goods or to incur other commitments. Citigroup issues a letter on behalf of its client to a supplier and agrees to pay the supplier upon presentation of documentary evidence that the supplier has performed in accordance with the terms of the letter of credit. When a letter of credit is drawn, the customer is then required to reimburse Citigroup.

One- to four-family residential mortgages

A one- to four-family residential mortgage commitment is a written confirmation from Citigroup to a seller of a property that the bank will advance the specified sums enabling the buyer to complete the purchase.

Revolving open-end loans secured by one- to four-family residential properties

Revolving open-end loans secured by one- to four-family residential properties are essentially home equity lines of credit. A home equity line of credit is a loan secured by a primary residence or second home to the extent of the excess of fair market value over the debt outstanding for the first mortgage.

Commercial real estate, construction and land development

Commercial real estate, construction and land development include unused portions of commitments to extend credit for the purpose of financing commercial and multifamily residential properties as well as land development projects.

Both secured-by-real-estate and unsecured commitments are included in this line, as well as undistributed loan proceeds, where there is an obligation to advance for construction progress payments. However, this line only includes those extensions of credit that, once funded, will be classified as *Total loans, net* on the Consolidated Balance Sheet.

Credit card lines

Citigroup provides credit to customers by issuing credit cards. The credit card lines are unconditionally cancellable by the issuer.

Commercial and other consumer loan commitments

Commercial and other consumer loan commitments include overdraft and liquidity facilities, as well as commercial commitments to make or purchase loans, to purchase third-party receivables, to provide note issuance or revolving underwriting facilities and to invest in the form of

Edgar Filing: CITIGROUP INC - Form 10-Q

equity. Amounts include \$61 billion and \$65 billion with an original maturity of less than one year at September 30, 2012 and December 31, 2011, respectively.

In addition, included in this line item are highly leveraged financing commitments, which are agreements that provide funding to a borrower with higher levels of debt (measured by the ratio of debt capital to equity capital of the borrower) than is generally considered normal for other companies. This type of financing is commonly employed in corporate acquisitions, management buy-outs and similar transactions.

Other commitments and contingencies

Other commitments and contingencies include all other transactions related to commitments and contingencies not reported on the lines above.

22. CONTINGENCIES

The following information supplements and amends, as applicable, the disclosures in Note 29 to the Consolidated Financial Statements of Citigroup's 2011 Annual Report on Form 10-K and Note 22 to the Consolidated Financial Statements of Citigroup's Quarterly Reports on Form 10-Q for the quarters ended March 31, 2012 and June 30, 2012. For purposes of this Note, Citigroup and its affiliates and subsidiaries, as well as their current and former officers, directors and employees, are sometimes collectively referred to as Citigroup and Related Parties.

In accordance with ASC 450 (formerly SFAS 5), Citigroup establishes accruals for litigation and regulatory matters when Citigroup believes it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated. Once established, accruals are adjusted from time to time, as appropriate, in light of additional information. The amount of loss ultimately incurred in relation to matters for which an accrual has been established may be substantially higher or lower than the amounts accrued for those matters.

If Citigroup has not accrued for a matter because the matter does not meet the criteria for accrual (as set forth above), or Citigroup believes an exposure to loss exists in excess of the amount accrued for a particular matter, in each case assuming a material loss is reasonably possible, Citigroup discloses the matter. In addition, for such matters, Citigroup discloses an estimate of the aggregate reasonably possible loss or range of loss in excess of the amounts accrued for those matters as to which an estimate can be made. At September 30, 2012, Citigroup's estimate was materially unchanged from its estimate of approximately \$4 billion at December 31, 2011, as more fully described in Note 29 to the Consolidated Financial Statements in the 2011 Annual Report on Form 10-K.

As available information changes, the matters for which Citigroup is able to estimate, and the estimates themselves, will change. In addition, while many estimates presented in financial statements and other financial disclosure involve significant judgment and may be subject to significant uncertainty, estimates of the range of reasonably possible loss arising from litigation and regulatory proceedings are subject to particular uncertainties. For example, at the time of making an estimate, Citigroup may have only preliminary, incomplete or inaccurate information about the facts underlying the claim; its assumptions about the future rulings of the court or other tribunal on significant issues, or the behavior and incentives of adverse parties or regulators, may prove to be wrong; and the outcomes it is attempting to predict are often not amenable to the use of statistical or other quantitative analytical tools. In addition, from time to time an outcome may occur that Citigroup had not accounted for in its estimates because it had deemed such an outcome to be remote. For all these reasons, the amount of loss in excess of accruals ultimately incurred for the matters as to which an estimate has been made could be substantially higher or lower than the range of loss included in the estimate.

Subject to the foregoing, it is the opinion of Citigroup's management, based on current knowledge and after taking into account its current legal accruals, that the eventual outcome of all matters described in this Note would not be likely to have a material adverse effect on the consolidated financial condition of Citigroup. Nonetheless, given the substantial or indeterminate amounts sought in certain of these matters, and the inherent unpredictability of such matters, an adverse outcome in certain of these matters could, from time to time, have a material adverse effect on Citigroup's consolidated results of operations or cash flows in particular quarterly or annual periods.

For further information on ASC 450 and Citigroup's accounting and disclosure framework for litigation and regulatory matters, see Note 29 to the Consolidated Financial Statements of Citigroup's 2011 Annual Report on Form 10-K.

Credit Crisis-Related Litigation and Other Matters

Citigroup continues to cooperate fully in response to subpoenas and requests for information from the Securities and Exchange Commission, the Department of Justice and subdivisions thereof, bank regulators, and other federal and state government agencies and authorities in connection with formal and informal (and, in many instances, industry-wide) inquiries concerning Citigroup's mortgage-related conduct and business activities, and other matters related to the credit crisis.

Mortgage-Related Litigation and Other Matters

Securities Actions: On August 29, 2012, the United States District Court for the Southern District of New York issued an order preliminarily approving the parties' settlement in *IN RE CITIGROUP INC. SECURITIES LITIGATION*, pursuant to which Citigroup has agreed to pay \$590 million. A fairness hearing is scheduled for January 15, 2013. Additional information relating to this action is publicly available in court filings under the docket number 07 Civ. 9901 (S.D.N.Y.) (Stein, J.).

On August 30, 2012, Rentokil-Initial Pension Scheme filed a putative class action complaint against Citigroup and Related Parties on behalf of purchasers of 26 Citigroup offerings of medium term Euro Notes issued between October 12, 2005 and February 25, 2009. The complaint asserts claims under Section 90 of the Financial Services and Markets Act 2000 and includes allegations similar to those asserted in *IN RE CITIGROUP INC. BOND LITIGATION*. Additional information relating to this action is publicly available in court filings under the docket number 12 Civ. 6653 (S.D.N.Y.) (Stein, J.).

Edgar Filing: CITIGROUP INC - Form 10-Q

ERISA Matters: On October 15, 2012, the United States Supreme Court denied plaintiffs-appellants' petition for a writ of certiorari seeking review of the United States Court of Appeals for the Second Circuit's decision affirming the district court's dismissal of plaintiffs' complaint in *GRAY v. CITIGROUP INC.* Additional information relating to this action is publicly available in court filings under the docket numbers 07 Civ. 9790 (S.D.N.Y.) (Stein, J.), 09-3804-cv (2d Cir.), and No. 11-1531 (S. Ct.).

Beginning on October 28, 2011, several putative class actions were filed in the United States District Court for the Southern District of New York by current or former Citigroup employees asserting claims under ERISA against Citigroup and Related Parties alleged to have served as ERISA plan fiduciaries from 2008 to 2009. On July 27, 2012, these actions were consolidated under the caption *IN RE CITIGROUP ERISA LITIGATION II*, and on September 14, 2012, plaintiffs filed a consolidated complaint. Additional information relating to this

Edgar Filing: CITIGROUP INC - Form 10-Q

action is publicly available in court filings under the docket number 11 Civ. 7672 (S.D.N.Y.) (Koeltl, J.).

Mortgage-Backed Securities and CDO Investor Actions and Repurchase Claims: On July 27, 2012, John Hancock Life Insurance Co. and several affiliated entities filed a complaint in the United States District Court for the District of Minnesota against various defendants, including Citigroup Global Markets Inc. (CGMI), asserting disclosure claims arising out of purchases of RMBS. Additional information relating to this action is publicly available in court filings under the docket number 12 Civ. 01841 (D. Minn.) (Montgomery, J.).

On July 27, 2012, Royal Park Investments SA/NV filed a summons with notice in New York Supreme Court against various defendants, including Citigroup and Related Parties, asserting disclosure claims arising out of purchases of RMBS. Additional information relating to this action is publicly available in court filings under the docket number 652607/2012 (N.Y. Sup. Ct.).

On August 10, 2012, the Federal Deposit Insurance Corporation filed complaints in the Alabama Circuit Court of Montgomery County and the United States District Courts for the Southern District of New York and the Central District of California against various defendants, including Citigroup and Related Parties, asserting disclosure claims arising out of RMBS purchases by a failed bank for which the FDIC is acting as receiver. Additional information relating to these actions is publicly available in court filings under the docket numbers 12 Civ. 6911 (C.D. Cal.) (Pfaelzer, J.), 12 Civ. 6166 (S.D.N.Y.) (Stanton, J.), 12 Civ. 0790 (M.D. Al.) (Watkins, C.J.), 12 Civ. 0784 (M.D. Al.) (Watkins, C.J.), 12 Civ. 0791 (M.D. Al.) (Watkins, C.J.), and MDL No. 2265 (C.D. Cal.).

On August 14, 2012, a motions panel of the United States Court of Appeals for the Second Circuit granted defendants' motion for leave to appeal from the district court's denial of defendants' motion to dismiss in FEDERAL HOUSING FINANCE AGENCY v. UBS AMERICAS, INC., ET AL., a parallel case to FEDERAL HOUSING FINANCE AGENCY v. ALLY FINANCIAL INC., ET AL., FEDERAL HOUSING FINANCE AGENCY v. CITIGROUP INC., ET AL., and FEDERAL HOUSING FINANCE AGENCY v. JPMORGAN CHASE & CO., ET AL. Additional information relating to these actions is publicly available in court filings under the docket numbers 11 Civ. 5201, 6188, 6196 and 7010 (S.D.N.Y.) (Cote, J.) and 12-2547-cv (2d Cir.).

On September 5, 2012, IKB International S.A. and IKB Deutsche Industriebank AG filed a summons with notice in New York Supreme Court against Citigroup and Related Parties. Additional information relating to this action is publicly available in court filings under the docket number 653100/2012 (N.Y. Sup. Ct.).

On September 19, 2012, the Illinois state court denied defendants' motions to dismiss in FEDERAL HOME LOAN BANK OF CHICAGO v. BANC OF AMERICA FUNDING CORP., ET AL. Additional information relating to this action is publicly available in court filings under docket number 10-CH-45033 (Ill. Cir. Ct.) (Pantle, J.).

On September 28, 2012, the Massachusetts state court denied in part and granted in part defendants' motion to dismiss in CAMBRIDGE PLACE INVESTMENT MANAGEMENT, INC. v. MORGAN STANLEY & CO., INC., ET AL. Additional information relating to this action is publicly available in court filings under the docket numbers 10-2741-BLS1 (Mass. Super. Ct.) (Billings, J.) and 11-0555-BLS1 (Mass. Super. Ct.) (Billings, J.).

On October 15, 2012, the United States District Court for the Southern District of New York granted lead plaintiffs' amended motion for class certification in NEW JERSEY CARPENTERS HEALTH FUND V. RESIDENTIAL CAPITAL LLC, ET AL., having previously denied lead plaintiffs' motion for class certification on January 18, 2011. Plaintiffs in this action allege violations of Sections 11, 12, and 15 of the Securities Act of 1933 and assert disclosure claims on behalf of a putative class of purchasers of mortgage-backed securities issued by Residential Accredited Loans, Inc. pursuant or traceable to prospectus materials filed on March 3, 2006 and April 3, 2007. CGMI is one of the underwriter defendants. Additional information relating to this action is publicly available in court filings under the docket number 08 CV 8781 (S.D.N.Y.) (Baer, J.).

Interbank Offered Rates-Related Litigation and Other Matters

In connection with the investigations and inquiries regarding submissions made by panel banks to bodies that publish various interbank offered rates, certain Citigroup subsidiaries have received additional requests for information and documents from various domestic and overseas regulators and enforcement agencies, including the Monetary Authority of Singapore and a consortium of state Attorneys General. Citigroup continues to cooperate with the inquiries and investigations and respond to the requests.

Citigroup and Citibank, N.A., along with other U.S. Dollar (USD) LIBOR panel banks, are defendants in the multidistrict litigation (MDL) proceeding before Judge Buchwald in the United States District Court for the Southern District of New York captioned IN RE LIBOR-BASED FINANCIAL INSTRUMENTS ANTITRUST LITIGATION, appearing under docket number 1:11-md-2262 (S.D.N.Y.). Judge Buchwald has appointed interim lead class counsel for, and consolidated amended complaints have been filed on behalf of, three separate putative classes of plaintiffs: (1) over-the-counter (OTC) purchasers of derivative instruments tied to USD LIBOR; (2) purchasers of exchange-traded derivative instruments tied to USD LIBOR; and (3) indirect OTC purchasers of U.S. debt securities. Each of these putative classes alleges that the panel bank defendants conspired to suppress USD LIBOR in violation of the Sherman Act and/or the Commodity Exchange Act, thereby causing

Edgar Filing: CITIGROUP INC - Form 10-Q

plaintiffs to suffer losses on the instruments they purchased. Also consolidated into the MDL proceeding are individual civil actions commenced by various Charles Schwab entities that allege that the panel bank defendants conspired to suppress the USD LIBOR rates in violation of the Sherman Act, the Racketeer Influenced and Corrupt Organizations Act (RICO), and California state law, causing the Schwab entities to suffer losses on USD LIBOR-linked financial instruments that they owned. Plaintiffs in these actions seek compensatory damages and restitution for losses caused by the alleged violations, as well as treble damages under the Sherman Act. The Schwab and OTC plaintiffs also seek injunctive relief.

Citigroup and Citibank, N.A., along with other defendants, have moved to dismiss all of the above actions that were consolidated into the MDL proceeding as of June 29, 2012. Briefing on the motion to dismiss was completed on September

Edgar Filing: CITIGROUP INC - Form 10-Q

27, 2012. Judge Buchwald has stayed all subsequently filed actions that fall within the scope of the MDL until she resolves the motion to dismiss. Citigroup and/or Citibank, N.A. are named in five such stayed actions.

The stayed actions include two similar lawsuits filed on behalf of putative classes of community and other banks, savings and loans institutions and credit unions that allegedly suffered losses on loans they made at interest rates tied to USD LIBOR and a further lawsuit filed on behalf of a putative class of persons and entities who purchased derivative instruments tied to USD LIBOR from certain third party commercial banks and insurance companies. Additional information relating to these actions is publicly available in court filings under docket numbers 1:12-cv-4205 (S.D.N.Y.) (Buchwald, J.), 1:12-cv 5723 (S.D.N.Y.) (Buchwald, J.) and 1:12-cv-5822 (S.D.N.Y.) (Buchwald, J.).

In addition, on August 8, 2012, a new putative class action captioned LIEBERMAN ET AL. V. CREDIT SUISSE GROUP AG was filed in the Southern District of New York against various USD LIBOR panel banks, including Citibank, on behalf of purchasers who owned a preferred equity security on which dividends were payable at a rate linked to USD LIBOR. Plaintiffs in this action assert unjust enrichment and antitrust claims under the laws of various states, alleging that the panel banks colluded to artificially suppress USD LIBOR, thereby lowering the dividends plaintiffs received on their securities. On October 4, 2012, another new putative class action captioned ADAMS ET AL. V. BANK OF AMERICA CORP. was filed in the Southern District of New York against various USD LIBOR panel banks and their affiliates, including Citigroup and Citibank, N.A., on behalf of a putative class of individual adjustable rate mortgage borrowers. Plaintiffs allege that the panel banks manipulated USD LIBOR to raise rates on certain dates in order to increase plaintiffs' payment obligations, in violation of federal and New York state antitrust law. The plaintiffs in these actions seek compensatory damages, treble damages, and injunctive relief. Judge Buchwald has consolidated these cases into the MDL proceeding. Additional information relating to these actions is publicly available in court filings under docket numbers 1:12-cv-6056 (S.D.N.Y.) (Buchwald, J.) and 1:12-cv-7461 (S.D.N.Y.) (Buchwald, J.).

In addition, on April 30, 2012, an action was filed in the same court on behalf of a putative class of persons and entities who transacted in exchange-traded Euroyen futures and option contracts between June 2006 and September 2010. This action, captioned LAYDON V. MIZUHO BANK LTD. ET AL., is not part of the MDL. The complaint names as defendants banks that are or were members of the panels making submissions used in the calculation of Japanese Yen LIBOR and the Tokyo Inter-Bank Offered Rate (TIBOR), and certain affiliates of some of those banks, including Citibank, N.A. and Citibank, Japan Ltd. The complaint alleges that the plaintiffs were injured as a result of purported manipulation of those reference interest rates, and asserts claims arising under the Commodity Exchange Act, the Sherman Act, and state consumer protection statutes. Plaintiffs seek compensatory damages, treble damages under the Sherman Act, and injunctive relief. Judge Daniels has issued an order directing the plaintiffs to file an amended complaint by November 30, 2012. Additional information relating to this action is publicly available in court filings under the docket number 12-cv-3419 (S.D.N.Y.) (Daniels, J.).

KIKOs

As of September 30, 2012, 85 civil lawsuits had been filed in district courts by small and medium-size export businesses against a Citigroup subsidiary (CKI). To date, 82 cases have been decided at the district court level, and CKI has prevailed in 64 of those decisions. In the other 18 decisions, plaintiffs were awarded only a portion of the damages sought. The damage awards total in the aggregate approximately \$28.8 million.

Of the 82 cases decided at the district court level, 60 have been appealed to the high court, including the 18 in which an adverse decision was rendered against CKI in the district court. Of the eight appeals decided at high court level, CKI prevailed in four cases, and in the other four plaintiffs were awarded partial damages, which increased the aggregate damages awarded against CKI by a further \$8.5 million. CKI is appealing the four adverse decisions to the Supreme Court.

Tribune Company Bankruptcy

On July 23, 2012, the United States Bankruptcy Court for the District of Delaware confirmed the fourth amended plan of reorganization. Certain parties are appealing that decision. Additional information relating to this action is publicly available in court filings under the docket numbers 08-13141 (Bankr. D. Del.) (Carey, J.) and 12 Civ. 01072, 01073, 00128, 01106 and 01100 (D. Del.) (Sleet, C.J.).

Interchange Litigation

On October 19, 2012, the class plaintiffs in the putative class actions filed the parties' settlement agreement with the court as part of a motion for preliminary approval of the settlement. A preliminary approval hearing has been scheduled for November 9, 2012. Visa and MasterCard also entered into a settlement agreement with the merchants that filed individual, non-class actions. While Citigroup and Related Parties are not parties to the individual merchant non-class settlement agreement, they are contributing to that settlement, and the agreement provides for a release of claims against Citigroup and Related Parties.

Settlement Payments

Edgar Filing: CITIGROUP INC - Form 10-Q

Payments required in settlement agreements described above have been made or are covered by existing litigation accruals.

* * *

Additional matters asserting claims similar to those described above may be filed in the future.

23. CONDENSED CONSOLIDATING FINANCIAL STATEMENTS SCHEDULES

These condensed Consolidating Financial Statements schedules are presented for purposes of additional analysis, but should be considered in relation to the Consolidated Financial Statements of Citigroup taken as a whole.

Citigroup Parent Company

The holding company, Citigroup Inc.

Citigroup Funding Inc. (CFI)

CFI is a first-tier subsidiary of Citigroup, which issues commercial paper, medium-term notes and structured equity-linked and credit-linked notes, all of which are guaranteed by Citigroup.

Other Citigroup Subsidiaries and consolidating adjustments

Includes all other subsidiaries of Citigroup, intercompany eliminations, income (loss) from discontinued operations, Citigroup parent company elimination of distributed and undistributed income of subsidiaries and investment in subsidiaries.

During the third quarter of 2012, Citi de-registered the public debt of Citigroup Global Markets Holdings Inc. (CGMHI), CitiFinancial Credit Company (CCC) and Associates First Capital Corporation (AFCC) pursuant to Section 15 of the Securities and Exchange Act of 1934. The public debt of each of CGMHI, CCC and AFCC continues to be guaranteed by Citigroup Inc. However, as a result of the deregistration of the public debt of these entities, they are no longer required to be included in the Condensed Consolidating Financial Statement Schedules of Citi's Annual and Quarterly Reports filed with the U.S. Securities and Exchange Commission.

Condensed Consolidating Statements of Income and Comprehensive Income

<i>In millions of dollars</i>	Three Months Ended September 30, 2012			
	Citigroup parent company	CFI	Other Citigroup subsidiaries, eliminations and income from discontinued operations	Citigroup consolidated
Revenues				
Dividends from subsidiaries	\$ 2,800	\$	\$ (2,800)	\$
Interest revenue	4	22	16,908	16,934
Interest revenue intercompany	767	252	(1,019)	
Interest expense	1,678	252	3,091	5,021
Interest expense intercompany	(100)	(47)	147	
Net interest revenue	\$ (807)	\$ 69	\$ 12,651	\$ 11,913
Commissions and fees	\$	\$	\$ 3,304	\$ 3,304
Commissions and fees intercompany				
Principal transactions	62	(972)	1,886	976
Principal transactions intercompany	9	542	(551)	
Other income	(642)	50	(1,650)	(2,242)
Other income intercompany	762	(121)	(641)	
Total non-interest revenues	\$ 191	\$ (501)	\$ 2,348	\$ 2,038
Total revenues, net of interest expense	\$ 2,184	\$ (432)	\$ 12,199	\$ 13,951
Provisions for credit losses and for benefits and claims	\$	\$	\$ 2,695	\$ 2,695
Expenses				
Compensation and benefits	\$ 32	\$	\$ 6,100	\$ 6,132
Compensation and benefits intercompany	2		(2)	
Other expense	239		5,849	6,088
Other expense intercompany	40	1	(41)	
Total operating expenses	\$ 313	\$ 1	\$ 11,906	\$ 12,220
Income (loss) before taxes and equity in undistributed income of subsidiaries	\$ 1,871	\$ (433)	\$ (2,402)	\$ (964)
Provision (benefit) for income taxes	(975)	(161)	(352)	(1,488)
Equity in undistributed income of subsidiaries	(2,378)		2,378	
Income (loss) from continuing operations	\$ 468	\$ (272)	\$ 328	\$ 524
Income (loss) from discontinued operations, net of taxes			(31)	(31)
Net income (loss) before attribution of noncontrolling interests	\$ 468	\$ (272)	\$ 297	\$ 493
Net income (loss) attributable to noncontrolling interests			25	25
Net income (loss) after attribution of noncontrolling interests	\$ 468	\$ (272)	\$ 272	\$ 468
Comprehensive income (loss)				
Net income (loss) before attribution of noncontrolling interests	\$ 468	\$ (272)	\$ 297	\$ 493
Citigroup's other comprehensive income (loss)	2,183			2,183
Other comprehensive income (loss) attributable to noncontrolling interests			48	48

Edgar Filing: CITIGROUP INC - Form 10-Q

Total comprehensive income (loss) before attribution of noncontrolling interests	\$	2,651	\$	(272)	\$	345	\$	2,724
Total comprehensive income (loss) attributable to noncontrolling interests						73		73
Citigroup's comprehensive income (loss)	\$	2,651	\$	(272)	\$	272	\$	2,651

224

Condensed Consolidating Statements of Income and Comprehensive Income

<i>In millions of dollars</i>	Three Months Ended September 30, 2011			
	Citigroup parent company	CFI	Other Citigroup subsidiaries, eliminations and income from discontinued operations	Citigroup consolidated
Revenues				
Dividends from subsidiaries	\$ 3,200	\$	\$ (3,200)	\$
Interest revenue	50		18,095	18,145
Interest revenue intercompany	827	661	(1,488)	
Interest expense	2,006	558	3,467	6,031
Interest expense intercompany	(120)	(16)	136	
Net interest revenue	\$ (1,009)	\$ 119	\$ 13,004	\$ 12,114
Commissions and fees	\$	\$	\$ 3,043	\$ 3,043
Commissions and fees intercompany				
Principal transactions	(44)	1,534	613	2,103
Principal transactions intercompany		(740)	740	
Other income	(3,405)	(84)	7,060	3,571
Other income intercompany	3,823	156	(3,979)	
Total non-interest revenues	\$ 374	\$ 866	\$ 7,477	\$ 8,717
Total revenues, net of interest expense	\$ 2,565	\$ 985	\$ 17,281	\$ 20,831
Provisions for credit losses and for benefits and claims	\$	\$	\$ 3,351	\$ 3,351
Expenses				
Compensation and benefits	\$ (15)	\$	\$ 6,238	\$ 6,223
Compensation and benefits intercompany	1		(1)	
Other expense	176		6,061	6,237
Other expense intercompany	100	5	(105)	
Total operating expenses	\$ 262	\$ 5	\$ 12,193	\$ 12,460
Income (loss) before taxes and equity in undistributed income of subsidiaries	\$ 2,303	\$ 980	\$ 1,737	\$ 5,020
Provision (benefit) for income taxes	(300)	395	1,183	1,278
Equity in undistributed income of subsidiaries	1,168		(1,168)	
Income (loss) from continuing operations	\$ 3,771	\$ 585	\$ (614)	\$ 3,742
Income (loss) from discontinued operations, net of taxes			1	1
Net income (loss) before attribution of noncontrolling interests	\$ 3,771	\$ 585	\$ (613)	\$ 3,743
Net income (loss) attributable to noncontrolling interests			(28)	(28)
Net income (loss) after attribution of noncontrolling interests	\$ 3,771	\$ 585	\$ (585)	\$ 3,771
Comprehensive income (loss)				
Net income (loss) before attribution of noncontrolling interests	\$ 3,771	\$ 585	\$ (613)	\$ 3,743
Citigroup's other comprehensive income (loss)	(4,822)			(4,822)
Other comprehensive income (loss) attributable to noncontrolling interests			(115)	(115)

Edgar Filing: CITIGROUP INC - Form 10-Q

Total comprehensive income (loss) before attribution of noncontrolling interests	\$	(1,051)	\$	585	\$	(728)	\$	(1,194)
Total comprehensive income (loss) attributable to noncontrolling interests						(143)		(143)
Citigroup's comprehensive income (loss)	\$	(1,051)	\$	585	\$	(585)	\$	(1,051)

225

Condensed Consolidating Statements of Income and Comprehensive Income

<i>In millions of dollars</i>	Citigroup parent company	Nine Months Ended September 30, 2012			Citigroup consolidated
		CFI	Other Citigroup subsidiaries, eliminations and income from discontinued operations		
Revenues					
Dividends from subsidiaries	\$ 7,680	\$	\$	(7,680)	\$
Interest revenue	122	36		51,202	51,360
Interest revenue intercompany	2,515	884		(3,399)	
Interest expense	5,440	893		9,574	15,907
Interest expense intercompany	(328)	(350)		678	
Net interest revenue	\$ (2,475)	\$ 377	\$	37,551	\$ 35,453
Commissions and fees	\$	\$	\$	9,521	\$ 9,521
Commissions and fees intercompany					
Principal transactions	84	(1,869)		6,332	4,547
Principal transactions intercompany	15	772		(787)	
Other income	(138)	54		2,562	2,478
Other income intercompany	499	(189)		(310)	
Total non-interest revenues	\$ 460	\$ (1,232)	\$	17,318	\$ 16,546
Total revenues, net of interest expense	\$ 5,665	\$ (855)	\$	47,189	\$ 51,999
Provisions for credit losses and for benefits and claims	\$	\$	\$	8,520	\$ 8,520
Expenses					
Compensation and benefits	\$ 86	\$	\$	18,558	\$ 18,644
Compensation and benefits intercompany	6			(6)	
Other expense	839	1		17,189	18,029
Other expense intercompany	223	3		(226)	
Total operating expenses	\$ 1,154	\$ 4	\$	35,515	\$ 36,673
Income (loss) before taxes and equity in undistributed income of subsidiaries					
	\$ 4,511	\$ (859)	\$	3,154	\$ 6,806
Provision (benefit) for income taxes	(1,224)	(324)		1,781	233
Equity in undistributed income of subsidiaries	610			(610)	
Income (loss) from continuing operations	\$ 6,345	\$ (535)	\$	763	\$ 6,573
Income (loss) from discontinued operations, net of taxes				(37)	(37)
Net income (loss) before attribution of noncontrolling interests	\$ 6,345	\$ (535)	\$	726	\$ 6,536
Net income (loss) attributable to noncontrolling interests				191	191
Net income (loss) after attribution of noncontrolling interests	\$ 6,345	\$ (535)	\$	535	\$ 6,345
Comprehensive income (loss)					
Net income (loss) before attribution of noncontrolling interests	\$ 6,345	\$ (535)	\$	726	\$ 6,536
Citigroup's other comprehensive income (loss)	2,222				2,222
Other comprehensive income (loss) attributable to noncontrolling interests				59	59
Total comprehensive income (loss) before attribution of noncontrolling interests	\$ 8,567	\$ (535)	\$	785	\$ 8,817

Edgar Filing: CITIGROUP INC - Form 10-Q

Total comprehensive income (loss) attributable to noncontrolling interests

250

250

Citigroup's comprehensive income (loss)

\$ 8,567 \$ (535) \$

535 \$ 8,567

226

Condensed Consolidating Statements of Income and Comprehensive Income

<i>In millions of dollars</i>	Nine Months Ended September 30, 2011			
	Citigroup Parent company	CFI	Other Citigroup subsidiaries, eliminations and income from discontinued operations	Citigroup consolidated
Revenues				
Dividends from subsidiaries	\$ 10,370	\$	(10,370)	\$
Interest revenue	155		54,731	54,886
Interest revenue intercompany	2,590	1,854	(4,444)	
Interest expense	6,164	1,595	10,763	18,522
Interest expense intercompany	(401)	285	116	
Net interest revenue	\$ (3,018)	\$ (26)	\$ 39,408	\$ 36,364
Commissions and fees	\$	\$	9,968	\$ 9,968
Commissions and fees intercompany				
Principal transactions	9	1,997	5,880	7,886
Principal transactions intercompany	1	(1,031)	1,030	
Other income	(4,823)	(73)	11,857	6,961
Other income intercompany	5,090	64	(5,154)	
Total non-interest revenues	\$ 277	\$ 957	\$ 23,581	\$ 24,815
Total revenues, net of interest expense	\$ 7,629	\$ 931	\$ 52,619	\$ 61,179
Provisions for credit losses and for benefits and claims	\$	\$	9,922	\$ 9,922
Expenses				
Compensation and benefits	\$ 51	\$	19,250	\$ 19,301
Compensation and benefits intercompany	5		(5)	
Other expense	753	1	17,667	18,421
Other expense intercompany	302	7	(309)	
Total operating expenses	\$ 1,111	\$ 8	\$ 36,603	\$ 37,722
Income (loss) before taxes and equity in undistributed income of subsidiaries				
	\$ 6,518	\$ 923	\$ 6,094	\$ 13,535
Provision (benefit) for income taxes	(1,633)	324	4,739	3,430
Equity in undistributed income of subsidiaries	1,960		(1,960)	
Income (loss) from continuing operations	\$ 10,111	\$ 599	\$ (605)	\$ 10,105
Income (loss) from discontinued operations, net of taxes			112	112
Net income (loss) before attribution of noncontrolling interests	\$ 10,111	\$ 599	\$ (493)	\$ 10,217
Net income (loss) attributable to noncontrolling interests			106	106
Net income (loss) after attribution of noncontrolling interests	\$ 10,111	\$ 599	\$ (599)	\$ 10,111
Comprehensive income (loss)				
Net income (loss) before attribution of noncontrolling interests	\$ 10,111	\$ 599	\$ (493)	\$ 10,217
Citigroup's other comprehensive income (loss)	(767)			(767)
Other comprehensive income (loss) attributable to noncontrolling interests			(62)	(62)
Total comprehensive income (loss) before attribution of noncontrolling interests	\$ 9,344	\$ 599	\$ (555)	\$ 9,388

Edgar Filing: CITIGROUP INC - Form 10-Q

Total comprehensive income (loss) attributable to noncontrolling interests

44

44

Citigroup's comprehensive income (loss)

\$ 9,344

\$

599

\$

(599)

\$

9,344

(599)

\$

9,344

227

Condensed Consolidating Balance Sheet

<i>In millions of dollars</i>	September 30, 2012			
	Citigroup Parent company	CFI	Other Citigroup subsidiaries and eliminations	Citigroup consolidated
Assets				
Cash and due from banks	\$	\$ 51	\$ 33,751	\$ 33,802
Cash and due from banks intercompany	37	25	(62)	
Federal funds sold and resale agreements			277,542	277,542
Federal funds sold and resale agreements intercompany				
Trading account assets		12	315,189	315,201
Trading account assets intercompany	54	140	(194)	
Investments	1,788		293,686	295,474
Loans, net of unearned income			658,423	658,423
Loans, net of unearned income intercompany		44,732	(44,732)	
Allowance for loan losses			(25,916)	(25,916)
Total loans, net	\$	\$ 44,732	\$ 587,775	\$ 632,507
Advances to subsidiaries	92,434		(92,434)	
Investments in subsidiaries	197,879		(197,879)	
Other assets	23,037	81	353,658	376,776
Other assets intercompany	61,684	163	(61,847)	
Assets of discontinued operations held for sale			44	44
Total assets	\$ 376,913	\$ 45,204	\$ 1,509,229	\$ 1,931,346
Liabilities and equity				
Deposits	\$	\$	\$ 944,644	\$ 944,644
Federal funds purchased and securities loaned or sold			224,370	224,370
Federal funds purchased and securities loaned or sold intercompany	185		(185)	
Trading account liabilities			129,990	129,990
Trading account liabilities intercompany	47	138	(185)	
Short-term borrowings	16	866	48,282	49,164
Short-term borrowings intercompany		209	(209)	
Long-term debt	154,333	37,461	80,068	271,862
Long-term debt intercompany		4,767	(4,767)	
Advances from subsidiaries	19,119		(19,119)	
Other liabilities	5,512	272	116,794	122,578
Other liabilities intercompany	10,924	43	(10,967)	
Liabilities of discontinued operations held for sale				
Total liabilities	\$ 190,136	\$ 43,756	\$ 1,508,716	\$ 1,742,608
Citigroup stockholders' equity	186,777	1,448	(1,448)	186,777
Noncontrolling interests			1,961	1,961
Total equity	\$ 186,777	\$ 1,448	\$ 513	\$ 188,738
Total liabilities and equity	\$ 376,913	\$ 45,204	\$ 1,509,229	\$ 1,931,346

Condensed Consolidating Balance Sheet

<i>In millions of dollars</i>	December 31, 2011			
	Citigroup Parent company	CFI	Other Citigroup subsidiaries and eliminations	Citigroup consolidated
Assets				
Cash and due from banks	\$	\$	\$ 28,701	\$ 28,701
Cash and due from banks intercompany		3	(3)	
Federal funds sold and resale agreements			275,849	275,849
Federal funds sold and resale agreements intercompany				
Trading account assets		7	18	291,709
Trading account assets intercompany		92	269	(361)
Investments		37,477		255,936
Loans, net of unearned income				293,413
Loans, net of unearned income intercompany			58,039	647,242
Allowance for loan losses				(58,039)
				(30,115)
Total loans, net		\$ 58,039	\$ 559,088	\$ 617,127
Advances to subsidiaries	\$ 108,644		(108,644)	
Investments in subsidiaries		194,979	(194,979)	
Other assets		35,776	367	330,911
Other assets intercompany		29,935	3,257	(33,192)
Total assets	\$ 406,913	\$ 61,950	\$ 1,405,015	\$ 1,873,878
Liabilities and equity				
Deposits	\$	\$	\$ 865,936	\$ 865,936
Federal funds purchased and securities loaned or sold			198,373	198,373
Federal funds purchased and securities loaned or sold intercompany		185	(185)	
Trading account liabilities			298	125,784
Trading account liabilities intercompany		96	90	(186)
Short-term borrowings		13	7,133	47,295
Short-term borrowings intercompany			3,153	(3,153)
Long-term debt		181,702	45,081	96,722
Long-term debt intercompany			2,971	(2,971)
Advances from subsidiaries		17,046		(17,046)
Other liabilities		19,625	889	105,454
Other liabilities intercompany		10,440	352	(10,792)
Total liabilities	\$ 229,107	\$ 59,967	\$ 1,405,231	\$ 1,694,305
Citigroup stockholders' equity	\$ 177,806	\$ 1,983	\$ (1,983)	\$ 177,806
Noncontrolling interests			1,767	1,767
Total equity	\$ 177,806	\$ 1,983	\$ (216)	\$ 179,573
Total liabilities and equity	\$ 406,913	\$ 61,950	\$ 1,405,015	\$ 1,873,878

Condensed Consolidating Statements of Cash Flows

<i>In millions of dollars</i>	Nine Months Ended September 30, 2012			
	Citigroup Parent company	CFI	Other Citigroup subsidiaries and eliminations	Citigroup consolidated
Net cash provided by (used in) operating activities of continuing operations	\$ (26,455)	\$ 452	\$ 33,567	\$ 7,564
Cash flows from investing activities of continuing operations				
Change in loans	\$	\$ 14,822	\$ (28,377)	\$ (13,555)
Proceeds from sales of loans			4,874	4,874
Purchases of investments	(5,701)		(182,865)	(188,566)
Proceeds from sales of investments	37,056		77,178	114,234
Proceeds from maturities of investments	4,190		76,003	80,193
Changes in investments and advances intercompany	16,380		(16,380)	
Other investing activities	1		(15,244)	(15,243)
Net cash provided by (used in) investing activities of continuing operations	\$ 51,926	\$ 14,822	\$ (84,811)	\$ (18,063)
Cash flows from financing activities of continuing operations				
Dividends paid	\$ (104)	\$	\$	\$ (104)
Treasury stock acquired	(4)			(4)
Proceeds/(repayments) from issuance of long-term debt third-party, net	(27,224)	(7,978)	(22,725)	(57,927)
Proceeds/(repayments) from issuance of long-term debt intercompany, net		1,930	(1,930)	
Change in deposits			78,708	78,708
Net change in short-term borrowings and other investment banking and brokerage borrowings third-party		(6,329)	1,302	(5,027)
Net change in short-term borrowings and other advances intercompany	2,089	(2,888)	799	
Capital contributions from parent				
Other financing activities	(194)	67	(67)	(194)
Net cash (used in) provided by financing activities of continuing operations	\$ (25,437)	\$ (15,198)	\$ 56,087	\$ 15,452
Effect of exchange rate changes on cash and due from banks	\$	\$	\$ 148	\$ 148
Net cash provided by (used in) discontinued operations	\$	\$	\$	\$
Net increase (decrease) in cash and due from banks	\$ 34	\$ 76	\$ 4,991	\$ 5,101
Cash and due from banks at beginning of period	3		28,698	28,701
Cash and due from banks at end of period	\$ 37	\$ 76	\$ 33,689	\$ 33,802
Supplemental disclosure of cash flow information for continuing operations				
Cash paid during the year for				
Income taxes	\$ 40	\$ 56	\$ 2,486	\$ 2,582
Interest	5,981	861	8,343	15,185
Non-cash investing activities				
Transfers to repossessed assets	\$	\$	\$ 391	\$ 391

Condensed Consolidating Statements of Cash Flows

<i>In millions of dollars</i>	Nine Months Ended September 30, 2011			
	Citigroup parent company	CFI	Other Citigroup subsidiaries and eliminations	Citigroup consolidated
Net cash (used in) provided by operating activities	\$ (9,397)	\$ 2,189	\$ 38,028	\$ 30,820
Cash flows from investing activities				
Change in loans	\$	\$ 31,465	\$ (37,854)	\$ (6,389)
Proceeds from sales and securitizations of loans			8,941	8,941
Purchases of investments	(31,805)		(222,606)	(254,411)
Proceeds from sales of investments	3,079		156,075	159,154
Proceeds from maturities of investments	20,292		92,117	112,409
Changes in investments and advances intercompany	31,088		(31,088)	
Business acquisitions	(10)		10	
Other investing activities			192	192
Net cash provided by (used in) investing activities	\$ 22,644	\$ 31,465	\$ (34,213)	\$ 19,896
Cash flows from financing activities				
Dividends paid	\$ (75)	\$	\$ 6	\$ (69)
Treasury stock acquired	(1)			(1)
Proceeds/(Repayments) from issuance of long-term debt third-party, net	(13,602)	(4,161)	(32,028)	(49,791)
Proceeds/(Repayments) from issuance of long-term debt intercompany, net		32	(32)	
Change in deposits			6,326	6,326
Net change in short-term borrowings and other investment banking and brokerage borrowings third-party		(1,007)	(12,865)	(13,872)
Net change in short-term borrowings and other advances intercompany	(3,100)	(28,441)	31,541	
Capital contributions from parent				
Other financing activities	3,522	(77)	77	3,522
Net cash used in financing activities	\$ (13,256)	\$ (33,654)	\$ (6,975)	\$ (53,885)
Effect of exchange rate changes on cash and due from banks	\$	\$	\$ 1,478	\$ 1,478
Net cash used in discontinued operations	\$	\$	\$ 2,669	\$ 2,669
Net increase (decrease) in cash and due from banks	\$ (9)	\$	\$ 987	\$ 978
Cash and due from banks at beginning of period	11		27,961	27,972
Cash and due from banks at end of period	\$ 2	\$	\$ 28,948	\$ 28,950
Supplemental disclosure of cash flow information				
Cash paid during the year for:				
Income taxes	\$ 115	\$ (326)	\$ 2,828	\$ 2,617
Interest	6,899	464	8,019	15,382
Non-cash investing activities:				
Transfers to repossessed assets	\$	\$	\$ 1,038	\$ 1,038
Transfers to trading account assets from investments (held-to-maturity)			12,700	12,700

24. SUBSEQUENT EVENTS

Hurricane Sandy

On October 29 and 30, 2012, the metropolitan New York City region and New Jersey suffered severe damage from Hurricane Sandy. Citi continues to assess the impact on Citi's facilities and customers in the affected areas and what impact, if any, the storm could have on its results of operations for the fourth quarter of 2012.

Preferred Stock Issuance

On October 29, 2012, Citi issued \$1.5 billion of non-cumulative Preferred Stock (callable beginning January 30, 2023) at a dividend rate of 5.95%.

LEGAL PROCEEDINGS

For a discussion of Citigroup's litigation and related matters, see Note 22 to the Consolidated Financial Statements.

UNREGISTERED SALES OF EQUITY AND USE OF PROCEEDS**Unregistered Sales of Equity Securities**

None.

Share Repurchases

Under its long-standing repurchase program, Citigroup may buy back common shares in the market or otherwise from time to time. This program is used for many purposes, including offsetting dilution from stock-based compensation programs. The following table summarizes Citigroup's share repurchases during the first nine months of 2012:

<i>In millions, except per share amounts</i>	Total shares purchased(1)	Average price paid per share	Approximate dollar value of shares that may yet be purchased under the plan or programs
First quarter 2012			
Open market repurchases(1)	0.1	\$ 36.58	\$ 6,726
Employee transactions(2)	1.4	29.26	N/A
Total first quarter 2012	1.5	\$ 29.85	\$ 6,726
Second quarter 2012			
Open market repurchases(1)		\$	\$ 6,726
Employee transactions(2)	0.1	32.62	N/A
Total second quarter 2012	0.1	32.62	\$ 6,726
July 2012			
Open market repurchases(1)		\$	\$ 6,726
Employee transactions(2)			N/A
August 2012			
Open market repurchases(1)		\$	\$ 6,726
Employee transactions(2)			N/A
September 2012			
Open market repurchases(1)		\$	\$ 6,726
Employee transactions(2)			N/A
Total third quarter 2012			\$ 6,726
Year-to-date 2012			
Open market repurchases(1)	0.1	\$ 36.58	\$ 6,726
Employee transactions(2)	1.5	29.40	N/A
Total year-to-date 2012	1.6	\$ 29.96	\$ 6,726

(1) Open market repurchases are transacted under an existing authorized share repurchase plan. Since 2000, the Board of Directors has authorized the repurchase of shares in the aggregate amount of \$40 billion under Citi's existing share repurchase plan.

(2) Consists of shares added to treasury stock related to activity on employee stock option program exercises, where the employee delivers existing shares to cover the option exercise, or under Citi's employee restricted or deferred stock program, where shares are withheld to satisfy tax requirements.

N/A Not applicable

For so long as the U.S. government continues to hold any Citigroup trust preferred securities acquired pursuant to the exchange offers consummated in 2009, Citigroup is, subject to certain exemptions, generally restricted from redeeming or repurchasing any of its equity or trust preferred securities, or paying regular cash dividends in excess of \$0.01 per share of common stock per quarter, which restriction may be waived.

Exhibits

See Exhibit Index.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on the 6th day of November, 2012.

CITIGROUP INC.

(Registrant)

By /s/ JOHN C. GERSPACH

John C. Gerspach
Chief Financial Officer
(Principal Financial Officer)

By /s/ JEFFREY R. WALSH

Jeffrey R. Walsh
Controller and Chief Accounting Officer
(Principal Accounting Officer)

235

EXHIBIT INDEX

- 3.01+ Restated Certificate of Incorporation of Citigroup Inc., as amended, as in effect on the date hereof.
- 10.01*+ Form of Citigroup Inc. 2013 CAP/DCAP Agreement.
- 12.01+ Calculation of Ratio of Income to Fixed Charges.
- 12.02+ Calculation of Ratio of Income to Fixed Charges (including preferred stock dividends).
- 31.01+ Certification of principal executive officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.02+ Certification of principal financial officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32.01+ Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 101.01+ Financial statements from the Quarterly Report on Form 10-Q of Citigroup Inc. for the quarter ended September 30, 2012, filed on November 6, 2012, formatted in XBRL: (i) the Consolidated Statement of Income, (ii) the Consolidated Balance Sheet, (iii) the Consolidated Statement of Changes in Equity, (iv) the Consolidated Statement of Cash Flows and (v) the Notes to Consolidated Financial Statements.

The total amount of securities authorized pursuant to any instrument defining rights of holders of long-term debt of the Company does not exceed 10% of the total assets of the Company and its consolidated subsidiaries. The Company will furnish copies of any such instrument to the Securities and Exchange Commission upon request.

*
Denotes a management contract or compensatory plan or arrangement.

+
Filed herewith

QuickLinks

OVERVIEW

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

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

THIRD QUARTER 2012 EXECUTIVE SUMMARY

THIRD QUARTER 2012 RESULTS

RESULTS OF OPERATIONS

SUMMARY OF SELECTED FINANCIAL DATA Page 1

SUMMARY OF SELECTED FINANCIAL DATA Page 2

SEGMENT AND BUSINESS INCOME (LOSS) AND REVENUES

CITIGROUP INCOME

CITIGROUP REVENUES

CITICORP

GLOBAL CONSUMER BANKING

NORTH AMERICA REGIONAL CONSUMER BANKING

3Q12 vs. 3Q11

3Q12 YTD vs. 3Q11 YTD

EMEA REGIONAL CONSUMER BANKING

3Q12 vs. 3Q11

3Q12 YTD vs. 3Q11 YTD

LATIN AMERICA REGIONAL CONSUMER BANKING

3Q12 vs. 3Q11

3Q12 YTD vs. 3Q11 YTD

ASIA REGIONAL CONSUMER BANKING

3Q12 vs. 3Q11

3Q12 YTD vs. 3Q11 YTD

INSTITUTIONAL CLIENTS GROUP

SECURITIES AND BANKING

3Q12 vs. 3Q11

3Q12 YTD vs. 3Q11 YTD

TRANSACTION SERVICES

3Q12 vs. 3Q11

3Q12 YTD vs. 3Q11 YTD

CITI HOLDINGS

BROKERAGE AND ASSET MANAGEMENT

3Q12 vs. 3Q11

3Q12 YTD vs. 3Q11 YTD

LOCAL CONSUMER LENDING

3Q12 vs. 3Q11

3Q12 YTD vs. 3Q11 YTD

Payment Protection Insurance

SPECIAL ASSET POOL

3Q12 vs. 3Q11

3Q12 YTD vs. 3Q11 YTD

CORPORATE/OTHER

3Q12 vs. 3Q11

3Q12 YTD vs. 3Q11 YTD

BALANCE SHEET REVIEW

ASSETS

Cash and Deposits with Banks

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

Trading Account Assets

Investments

Loans

Other Assets

LIABILITIES

Deposits

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

Trading Account Liabilities

Debt

Other Liabilities

SEGMENT BALANCE SHEET AT SEPTEMBER 30, 2012(1)

CAPITAL RESOURCES AND LIQUIDITY

CAPITAL RESOURCES

Overview

Capital Ratios Under Current Regulatory Guidelines

Components of Capital Under Current Regulatory Guidelines

Risk-Weighted Assets

Basel II.5 and III

Components of Tier 1 Common Capital and Risk-Weighted Assets under Basel III

Common Stockholders' Equity

Tangible Common Equity and Tangible Book Value Per Share

Capital Resources of Citigroup's Subsidiary U.S. Depository Institutions

Citibank, N.A. Capital Tiers and Capital Ratios Under Current Regulatory Guidelines

Impact of Changes on Capital Ratios Under Current Regulatory Guidelines

Broker-Dealer Subsidiaries

FUNDING AND LIQUIDITY

Overview

Aggregate Liquidity Resources

Deposits

Long-Term Debt

Short-Term Debt

Liquidity Management and Measures

Credit Ratings

Citi's Debt Ratings as of September 30, 2012

OFF-BALANCE-SHEET ARRANGEMENTS

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

MANAGING GLOBAL RISK

CREDIT RISK

Loans Outstanding

Details of Credit Loss Experience

Allowance for Loan Losses (continued)

Non-Accrual Loans and Assets and Renegotiated Loans

Non-Accrual Loans

Non-Accrual Loans and Assets (continued)

Renegotiated Loans

National Mortgage Settlement

Consumer Mortgage FICO and LTV

Residential First Mortgages In billions of dollars

Home Equity Loans In billions of dollars

Mortgage Servicing Rights

Citigroup Residential Mortgages Representations and Warranties

CONSUMER LOAN DETAILS

Consumer Loan Delinquency Amounts and Ratios

Consumer Loan Net Credit Losses and Ratios

CORPORATE LOAN DETAILS

Corporate Credit Portfolio

Portfolio Mix

Credit Risk Mitigation

Rating of Hedged Exposure

Industry of Hedged Exposure

MARKET RISK

Non-Trading Portfolios Interest Rate Exposure (IRE)

Value at Risk for Trading Portfolios

INTEREST REVENUE/EXPENSE AND YIELDS

AVERAGE BALANCES AND INTEREST RATES ASSETS(1)(2)(3)(4)

Taxable Equivalent Basis

AVERAGE BALANCES AND INTEREST RATES LIABILITIES AND EQUITY, AND NET INTEREST REVENUE(1)(2)(3)(4)

Taxable Equivalent Basis

Edgar Filing: CITIGROUP INC - Form 10-Q

AVERAGE BALANCES AND INTEREST RATES ASSETS(1)(2)(3)(4)

Taxable Equivalent Basis

AVERAGE BALANCES AND INTEREST RATES LIABILITIES AND EQUITY, AND NET INTEREST REVENUE(1)(2)(3)(4)

Taxable Equivalent Basis

ANALYSIS OF CHANGES IN INTEREST REVENUE(1)(2)(3)

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

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

COUNTRY RISK

Sovereign, Financial Institution and Corporate Exposures

FAIR VALUE ADJUSTMENTS FOR DERIVATIVES AND STRUCTURED DEBT

Fair Valuation Adjustments for Derivatives

Own Debt Valuation Adjustments for Structured Debt

CREDIT DERIVATIVES

September 30, 2012

December 31, 2011

INCOME TAXES

Deferred Tax Assets

Jurisdiction/Component

Other

DISCLOSURE CONTROLS AND PROCEDURES

FORWARD-LOOKING STATEMENTS

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF INCOME (Unaudited)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Unaudited)

CONSOLIDATED BALANCE SHEET

CONSOLIDATED BALANCE SHEET (Continued)

CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY (Unaudited)

CONSOLIDATED STATEMENT OF CASH FLOWS (Unaudited)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Principles of Consolidation

Significant Accounting Policies

ACCOUNTING CHANGES

OCC Chapter 7 Bankruptcy Guidance

Presentation of Comprehensive Income

Credit Quality and Allowance for Credit Losses Disclosures

Troubled Debt Restructurings (TDRs)

Repurchase Agreements Assessment of Effective Control

Fair Value Measurement

Deferred Asset Acquisition Costs

FUTURE APPLICATION OF ACCOUNTING STANDARDS

Testing Indefinite-Lived Intangible Assets for Impairment

Offsetting

Potential Amendments to Current Accounting Standards

Sale of Certain Citi Capital Advisors Business

Sale of Egg Banking PLC Credit Card Business

Combined Results for Discontinued Operations

Cash flows from discontinued operations

Stock Award, Stock Option and Deferred Cash Award Programs

Other Incentive Compensation

Pension and Postretirement Plans

Net (Benefit) Expense

Contributions

Postemployment Plans

Overview

Securities Available-for-Sale

Debt Securities Held-to-Maturity

Evaluating Investments for Other-Than-Temporary Impairment

Recognition and Measurement of OTTI

Investments in Alternative Investment Funds that Calculate Net Asset Value per Share

Consumer Loans

Consumer Loan Delinquency and Non-Accrual Details at September 30, 2012

Consumer Loan Delinquency and Non-Accrual Details at December 31, 2011

Impaired Consumer Loans

Impaired Consumer Loans

Consumer Troubled Debt Restructurings

Three months ended September 30, 2012

Nine months ended September 30, 2012

Corporate Loans

Corporate Loan Delinquency and Non-Accrual Details at September 30, 2012

Corporate Loan Delinquency and Non-Accrual Details at December 31, 2011

Corporate Loans Credit Quality Indicators at September 30, 2012 and December 31, 2011

Non-Accrual Corporate Loans

Corporate Troubled Debt Restructurings

Allowance for Credit Losses and Investment in Loans

Goodwill

Intangible Assets

Short-Term Borrowings

Long-Term Debt

Managed Loans

Funding, Liquidity Facilities and Subordinated Interests

Master Trust Liabilities (at par value)

Omni Trust Liabilities (at par value)

Mortgage Servicing Rights

Key Assumptions and Retained Interests Citi Holdings

Derivative Notionals

Derivative Mark-to-Market (MTM) Receivables/Payables

Accounting for Derivative Hedging

Fair Value Hedges

Cash Flow Hedges

Net Investment Hedges

Credit Derivatives

Credit-Risk-Related Contingent Features in Derivatives

Fair Value Hierarchy

Determination of Fair Value

Valuation Process for Level 3 Fair Value Measurements

Items Measured at Fair Value on a Recurring Basis

Fair Value Levels

Fair Value Levels

Changes in Level 3 Fair Value Category

Level 3 Fair Value Rollforward

Level 3 Fair Value Rollforward

Level 3 Fair Value Rollforward

Level 3 Fair Value Rollforward

Valuation Techniques and Inputs for Level 3 Fair Value Measurements

Valuation Techniques and Inputs for Level 3 Fair Value Measurements

Sensitivity to Unobservable Inputs and Interrelationships between Unobservable Inputs

Qualitative Discussion of the Ranges of Significant Unobservable Inputs

Items Measured at Fair Value on a Nonrecurring Basis

Valuation Techniques and Inputs for Level 3 Nonrecurring Fair Value Measurements

Nonrecurring Fair Value Changes

Estimated Fair Value of Financial Instruments Not Carried at Fair Value

Own Debt Valuation Adjustments for Structured Debt

The Fair Value Option for Financial Assets and Financial Liabilities

Credit Commitments and Lines of Credit

Credit Crisis-Related Litigation and Other Matters

Interchange Litigation

Settlement Payments

Citigroup Parent Company

Citigroup Funding Inc. (CFI)

Other Citigroup Subsidiaries and consolidating adjustments

Edgar Filing: CITIGROUP INC - Form 10-Q

Condensed Consolidating Statements of Income and Comprehensive Income
Condensed Consolidating Statements of Income and Comprehensive Income

Condensed Consolidating Statements of Income and Comprehensive Income
Condensed Consolidating Statements of Income and Comprehensive Income

Condensed Consolidating Balance Sheet
Condensed Consolidating Balance Sheet

Condensed Consolidating Statements of Cash Flows
Condensed Consolidating Statements of Cash Flows

Hurricane Sandy

Preferred Stock Issuance

LEGAL PROCEEDINGS

UNREGISTERED SALES OF EQUITY AND USE OF PROCEEDS

Unregistered Sales of Equity Securities

Share Repurchases

Exhibits

SIGNATURES

EXHIBIT INDEX