CITIGROUP INC
Form 10-K
February 26, 2010

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

FORM 10-K

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

For the fiscal year ended December 31, 2009

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)	10043 (Zip code)

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

Securities registered pursuant to Section 12(b) of the Act: See Exhibit 99.02

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

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

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

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

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

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

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

X Large accelerated filer ¨ Accelerated filer ¨ Non-accelerated filer (Do not check if a smaller reporting company) ¨ 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 X No

The aggregate market value of Citigroup Inc. common stock held by non-affiliates of Citigroup Inc. on June 30, 2009 was approximately $16.3 billion.

Number of shares of common stock outstanding on January 31, 2010: 28,476,886,087

Documents Incorporated by Reference: Portions of the Registrant's Proxy Statement for the annual meeting of stockholders scheduled to be held on April 20, 2010, are incorporated by reference in this Form 10-K in response to Items 10, 11, 12, 13 and 14 of Part III.

10-K CROSS-REFERENCE INDEX

This Annual Report on Form 10-K incorporates the requirements of the accounting profession and the Securities and Exchange Commission, including a comprehensive explanation of 2009 results.

* For additional information regarding Citigroup's Directors, see "Corporate Governance," "Proposal 1: Election of Directors" and "Section 16(a) Beneficial Ownership Reporting Compliance" in the definitive Proxy Statement for Citigroup's Annual Meeting of Stockholders scheduled to be held on April 20, 2010, to be filed with the SEC (the Proxy Statement), incorporated herein by reference.

** See "Executive Compensation—The Personnel and Compensation Committee Report," "Compensation Discussion and Analysis" and "Compensation Tables" in the Proxy Statement, incorporated herein by reference.

*** See "About the Annual Meeting," "Stock Ownership" and "Proposal 3: Approval of Citigroup 2010 Stock Incentive Plan" in the Proxy Statement, incorporated herein by reference.

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

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

CITIGROUP'S 2009 ANNUAL REPORT ON FORM 10-K

OVERVIEW

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

Citigroup is now 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 140 countries.

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

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

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

*Note: See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Results of Operations—Citi Holdings” for a discussion of certain assets, totaling approximately $61 billion, that will be moved from Citi Holdings to Citicorp during the first quarter of 2010.

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

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

OVERVIEW (Continued)

On December 23, 2009, Citigroup repaid $20 billion of trust preferred securities held by the U.S. Treasury under the U.S. government's Troubled Asset Relief Program (TARP) and exited from the loss-sharing agreement, which covered a specified pool of assets, with the U.S. Treasury, FDIC and the Federal Reserve Bank of New York. In connection with the exiting from the loss-sharing agreement, $1.8 billion of the approximately $7.1 billion of additional trust preferred securities held by the U.S. Treasury and FDIC was cancelled. As a result of the repayment of TARP and the exit from the loss-sharing agreement, effective in 2010, Citi is no longer deemed to be a beneficiary of "exceptional financial assistance" under TARP.

Following these transactions, as of December 31, 2009 (i) the U.S. Treasury continued to hold approximately 7.7 billion shares, or approximately 27%, of Citi's common stock, (ii) the U.S. Treasury and FDIC continue to hold an aggregate of approximately $5.3 billion of Citi's trust preferred securities, and (iii) the U.S. Treasury continues to hold three warrants exercisable for an aggregate of approximately 465.1 million shares of Citi's common stock. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Executive Summary—Repayment of TARP and Exit from Loss-Sharing Agreement; Common and Preferred Stock Activities" for additional information.

At December 31, 2009, Citi had approximately 265,300 full-time employees and 3,700 part-time employees. At December 31, 2008, Citi had approximately 322,800 full-time and 4,100 part-time employees.

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

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

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

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

EXECUTIVE SUMMARY

Introduction

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, including consumer banking, credit cards, corporate and investment banking, securities brokerage and wealth management. Citigroup has approximately 200 million customer accounts and does business in more than 140 countries.

In response to the dramatic and profound changes in the market environment that became increasingly apparent through 2008, in early 2009, Citigroup decided to increase the focus on its core businesses and reorganized into three business segments for management and reporting purposes: Citicorp (Regional Consumer Banking and Institutional Clients Group); Citi Holdings (Brokerage and Asset Management, Local Consumer Lending, and Special Asset Pool); and Corporate/Other (Treasury, corporate expenses). Citi believes the realignment allows it to enhance the capabilities and performance of Citigroup's core assets, through Citicorp, as well as to tighten its focus on risk management and reduce and realize value from its non-core assets, through Citi Holdings.

Citigroup reported a net loss for 2009 of $1.6 billion, as compared to a $27.7 billion loss in 2008. Diluted EPS was a loss of $0.80 per share in 2009, versus a loss of $5.63 per share in 2008, and net revenue was $80.3 billion in 2009, versus $51.6 billion in 2008. Net interest revenue declined by $4.8 billion to $48.9 billion in 2009, generally as a result of lower average interest-earning assets, as the company continued its focus on de-risking its balance sheet and decreasing its total assets. Non-interest revenues improved by approximately $33.5 billion to $31.4 billion in 2009, primarily due to lower negative revenue marks in 2009. The decrease in net loss from year to year was primarily attributable to lower revenue marks in 2009 compared with 2008 (a pretax loss of $3.4 billion in 2009 versus a pretax loss of $38.5 billion in 2008), the $11.1 billion pretax Smith Barney gain on sale recorded in the second quarter of 2009 and a $1.4 billion pretax gain related to the exchange offers recognized in the third quarter of 2009. Partially offsetting these items were increasing credit loss provisions during the year and a $10.1 billion pretax loss associated with the repayment of TARP and the exit from the loss-sharing agreement with the U.S. government. Additionally, 2008 included a $9.6 billion pretax goodwill impairment, a $0.9 billion pretax impairment related to Nikko Asset Management, and $3.3 billion pretax of restructuring/repositioning charges. Continued strength of the core Citi franchise was demonstrated by strong revenues in Securities and Banking (S&B) (up 23% from 2008 levels, excluding credit value adjustments (CVA)) and continued stability in both the retail and institutional deposit bases. At December 31, 2009, total deposits were $836 billion, up 8% from December 31, 2008.

Despite very difficult market and economic conditions, Citicorp remained profitable with $14.8 billion in income from continuing operations in 2009 versus $6.2 billion in 2008, reflecting the strength of the underlying franchise, continued client focus, cost management and strengthened risk management. Citi Holdings recorded a loss of $8.2 billion in 2009 versus a $36.0 billion loss in 2008 as substantial reductions in negative revenue marks, cost cuts and the Smith Barney gain more than offset continued increases in credit costs within Local Consumer Lending. The gain related to the exchange offers and loss associated with TARP repayment and exiting the loss-sharing agreement was recorded in Corporate/Other.

Citigroup's 2009 financial results include the impact of 18 divestitures completed in 2009, including Smith Barney, Nikko Cordial Securities and Nikko Asset Management, and 19 divestitures completed in 2008, including Citi's German retail banking operations, CitiCapital and Redecard. These divestitures were completed in accordance with Citi's strategy of exiting non-core businesses, while optimizing value for shareholders.

Citi's effective tax rate on continuing operations in 2009 was 86%, versus 39% in 2008. The tax provision reflected a benefit arising from a higher proportion of income earned and indefinitely reinvested in countries with relatively lower tax rates, which accounted for 26 percentage points of the differential between the federal statutory tax rate and Citi's effective tax rate in 2009, as well as a higher proportion of income from tax-advantaged sources.

Repayment of TARP and Exit from Loss-Sharing Agreement; Common and Preferred Stock Activities

Background

In October and December 2008, Citigroup raised $25 billion and $20 billion, respectively, through the sale of preferred stock and warrants to purchase common stock to the U.S. Treasury as part of TARP. In January 2009, Citi issued approximately $7.1 billion of preferred stock to the U.S. Treasury and FDIC, as well as a warrant to purchase common stock to the U.S. Treasury, as consideration for the loss-sharing agreement with the U.S. Treasury, FDIC and the Federal Reserve Bank of New York covering a specified pool of Citigroup assets.

Pursuant to Citigroup's exchange offers consummated in July 2009, the $25 billion of TARP preferred stock issued to the U.S. Treasury in October 2008 was exchanged for approximately 7.7 billion shares of Citigroup common stock. At the same time, the $20 billion of TARP preferred stock issued to the U.S. Treasury in December 2008 and the approximately $7.1 billion of

preferred stock issued to the U.S. Treasury and FDIC as consideration for the loss-sharing agreement were exchanged for trust preferred securities. Prior to the exchange of the preferred stock held by the U.S. government pursuant to the exchange offers, Citigroup paid the U.S. government approximately $2.2 billion in preferred dividends on its investment in Citi, and has subsequently paid approximately $800 million in interest on the trust preferred securities issued pursuant to the exchange offers.

Repayment of TARP and Exit from loss-sharing agreement

On December 23, 2009, Citigroup repaid the $20 billion of TARP trust preferred securities held by the U.S. Treasury and exited the loss-sharing agreement. In connection with the exit of the loss-sharing agreement, $1.8 billion of the trust preferred securities held by the U.S. Treasury out of the approximately $7.1 billion of trust preferred securities issued in consideration for such agreement to the U.S. Treasury and FDIC was cancelled.

In connection with the repayment of TARP in December 2009, Citigroup raised an aggregate of approximately $20.3 billion in common equity. On December 22, 2009 Citigroup issued $17.0 billion of common stock, or approximately 5.4 billion shares, and $3.5 billion of tangible equity units (T-DECs) of which approximately $2.8 billion was recorded as common equity and $0.7 billion was recorded as long-term debt. On December 29, 2009, Citigroup raised an additional approximate $0.6 billion of common stock, or approximately 185 million shares, pursuant to exercise of the underwriters' overallotment option. In addition, in January 2010, Citigroup issued $1.7 billion of common stock equivalents to its employees in lieu of cash compensation they would have otherwise received. Subject to shareholder approval at Citi's annual shareholder meeting scheduled to be held on April 20, 2010, the common stock equivalents will be converted into common stock.

Following the repayment of TARP and exit from the loss-sharing agreement, as of December 31, 2009, the U.S. Treasury continues to hold approximately 7.7 billion shares, or approximately 27.0%, of Citi's common stock, not including the exercise of the warrants issued to the U.S. Treasury that remain outstanding, as described below. The U.S. Treasury has indicated that it intends to sell its holding in Citi common stock in 2010, subject to a 90-day lock-up period expiring on March 16, 2010. In addition, the U.S. Treasury and FDIC continue to hold an aggregate of approximately $5.3 billion of the trust preferred securities originally issued by Citi as consideration for the loss-sharing agreement.

As a result of Citi's repayment of the $20 billion of TARP trust preferred securities and the exit of the loss-sharing agreement, effective in 2010, Citi is no longer deemed to be a beneficiary of "exceptional financial assistance" under TARP.

Common stock warrants issued to the U.S. Treasury

The three warrants issued to the U.S. Treasury as part of TARP and the loss-sharing agreement remain outstanding as of December 31, 2009 following Citi's repayment of TARP and exit from the loss-sharing agreement.

Each of the warrants has a term of 10 years from the date of issuance. The warrant issued to the U.S. Treasury in October 2008 has an exercise price of $17.85 per share and is exercisable for approximately 210.1 million shares of common stock. The warrant issued to the U.S. Treasury in December 2008 has an exercise price of $10.61 per share and is exercisable for approximately 188.5 million shares of common stock. The warrant issued to the U.S. Treasury as part of the loss-sharing agreement in January 2009 also has an exercise price of $10.61 and is exercisable for approximately 66.5 million shares of common stock.

The following table summarizes Citigroup's issuances, exchanges and repayments of preferred and common stock and trust preferred securities during 2008 and 2009:

In millions of dollars, shares in millions		Preferred stock	Common stock and additional paid-in capital	Citigroup common stock outstanding
	Balance, December 31, 2007	$ —	$ 18,062	4,995
First quarter 2008	Issuance of $12.5 billion of convertible preferred stock in a private offering, $3.2 billion of convertible preferred stock in a public offering, and $3.7 billion of non-convertible preferred stock in public offerings	19,384	—	—
	Issuance of shares for Nikko Cordial acquisition	—	(3,485)	175
	Other activity (primarily employee benefit plans)	—	(3,391)	—
Second quarter 2008	Issuance of shares for Nikko Cordial acquisition	—	(15)	—
	Issuance of $8.0 billion of preferred stock in a public offering and $4.9 billion of common stock	8,040	4,911	194
	Other activity (primarily employee benefit plans)	—	569	—
Third quarter 2008	Other activity (primarily employee benefit plans)	—	290	—
Fourth quarter 2008	Issuance of $45 billion of preferred stock and warrants under TARP	43,203	1,797	—
	Preferred stock Series H discount accretion	37	—	—
	Other activity (primarily employee benefit plans)	—	484	86
	Balance, December 31, 2008	$ 70,664	$ 19,222	5,450
First quarter 2009	U.S. government loss-sharing agreement; issuance of $7.1 billion of preferred stock and warrants	3,530	88	—
	Reset of convertible preferred stock conversion price	—	1,285	—
	Preferred stock Series H discount accretion	52	—	—
	Other activity (primarily employee benefit plans)	—	(4,013)	63
	Balance, end of period	$ 74,246	$ 16,582	5,513
Second quarter 2009	Preferred stock Series H discount accretion	55	—	—
	Other activity (primarily employee benefit plans)	—	138	(5)
	Balance, end of period	$ 74,301	$ 16,720	5,508
Third quarter 2009 (1)	Exchange offers:			
	Private investors	(12,500)	21,839	3,846
	Public investors—convertible preferred stock	(3,146)	5,136	823
	Public investors—non-convertible preferred stock	(11,465)	9,149	3,351
	Public investors—trust preferred securities	—	4,532	1,660
	U.S. government matching of private exchange offer	(11,924)	10,653	3,846
	U.S. government matching of public exchange offer	(11,926)	10,654	3,846
	U.S. government TARP preferred stock converted to trust preferred securities	(19,514)	—	—
	Preferred stock held by U.S. Treasury and FDIC related to loss-sharing agreement (converted to trust preferred securities)	(3,530)	—	—
	Preferred stock Series H discount accretion	16	—	—
	Other activity (primarily employee benefit plans)	—	349	(16)
	Balance, end of period	$ 312	$ 79,032	22,864
Fourth quarter 2009	Issuance of new common equity and tangible equity units (T-DECs) pursuant to repayment of TARP and exiting of loss-sharing agreement	—	20,298	5,582
	Other activity (primarily employee benefit plans)	—	(902)	37
	Balance, December 31, 2009	$ 312	$ 98,428	28,483

(1) In addition to the U.S. government exchanges, pursuant to the exchange offers, private holders of approximately $12.5 billion aggregate liquidation value of Citi preferred stock exchanged such preferred stock for approximately 3.8 billion shares of Citi common stock. In addition, public holders of approximately $20.3 billion aggregate liquidation value of Citi preferred stock and trust preferred securities exchanged such securities for approximately 5.8 billion shares of Citi common stock.

Business Environment

The business environment for financial services firms continued to be challenging in 2009, particularly for firms with significant exposure to consumer credit. U.S. unemployment reached 10.1%, GDP continued to contract through the second quarter, housing markets remained weak, and personal and business bankruptcies increased. These factors drove substantial increases in credit costs across consumer and corporate portfolios. Credit spreads continued to widen earlier in the year, driving further declines in the value of credit-sensitive financial instruments. Equity markets were also very weak during early 2009. At its low point in March 2009, the S&P 500 had declined 55% from December 31, 2007 levels.

While these trends were negative for the economy and the financial services industry as a whole, they were accompanied by very high levels of volatility and wide spreads within fixed income markets during the first quarter of 2009, which provided substantial trading opportunities. As a result, fixed income capital markets businesses achieved high levels of revenue and profitability during the first quarter, offsetting some of the substantial credit losses incurred in consumer-oriented businesses, including mortgages and cards.

Beginning in late 2008, significant U.S. government actions were implemented to help stabilize the U.S. economy and restore confidence in the capital markets. The U.S. government had available over $700 billion to invest in financial institutions, including $45 billion in Citi, through TARP. In early 2009, a $787 billion stimulus bill was signed into law. A number of additional programs helped further stimulate demand in 2009, including the U.S. government's first-time home buyer credit programs. The U.S. government also directly supported the capital markets through various programs, including the Term Asset-Backed Securities Loan Facility (TALF) and the Temporary Liquidity Guarantee Program (TLGP), and through substantial direct purchases of mortgage-backed securities. These actions, combined with continued accommodative monetary policy on the part of the Federal Reserve Board, helped keep home mortgage rates near historic lows and worked to facilitate the continued flow of credit to consumers.

Late in 2009, some early positive economic signs were observed. U.S. GDP growth was positive in the third and fourth quarters. The S&P 500 finished the year up 23% from December 31, 2008, and up 67% from the trough level in March 2009, though still down 24% from December 31, 2007. Credit spreads, while still elevated, tightened significantly from peak levels in the early part of 2009. In the second half of the year, Citi began to observe some very early signs of stabilization and, in some areas, moderation in U.S. consumer credit trends as net credit losses declined sequentially during the third and fourth quarters, though remaining quite elevated. In addition, improving economic and market trends led to relatively stronger advisory and equity underwriting volumes in the fourth quarter. On the other hand, lower levels of market volatility and volumes resulted in diminished trading opportunities, which led to significant sequential declines in S&B revenues in the second half of the year. In certain key markets in Asia and Latin America, improvement in the labor markets and overall economic recovery was earlier, and somewhat stronger, than that observed in the U.S. Citi observed improving credit trends in key markets including South Korea, Mexico, Australia, Singapore and India, driven by improving economic conditions as well as Citi's loss mitigation efforts. Further, while EMEA continued to be affected by a challenging economic environment, labor markets began to show some improvement, particularly in Russia and Turkey, and there were some early signs of financial stability returning to some of Citi's key markets in the region.

While some economic and market improvements were observed in late 2009, Citi remains cautious, particularly with respect to its North American businesses, as U.S. unemployment remains high at 10.0% as of December 31, 2009, and housing markets remain relatively weak. In addition, there remains significant uncertainty regarding the pace of economic recovery and the impact of the U.S. government's unwinding of its extensive economic and market supports, which may accelerate in 2010. See "2010 Business Outlook" below.

Citigroup's Actions in Response to Market Challenges

During 2009, Citigroup sought to respond to market challenges and the profound changes in the market environment—changes in funding markets, operating models and client needs—including:

Citi restructured into two primary operating segments—Citicorp and Citi Holdings.

As described above, Citicorp comprises Citi's core franchise, while Citi Holdings consists of non-core businesses and assets that Citi intends to exit as quickly as practicable while seeking to optimize value for shareholders.

Citigroup continued to reduce operating expenses and headcount.

Citi's ongoing operating expenses in the fourth quarter of 2009 totaled $12.3 billion, down from $15.1 billion (excluding the goodwill impairment charge) in the fourth quarter of 2008 and $15.7 billion in the fourth quarter of 2007. The decline in expenses was primarily driven by divestitures and re-engineering efforts. In addition, Citi reduced headcount by over 100,000 to approximately 265,000 at December 31, 2009, compared to 375,000 at peak levels in 2007.

Citigroup strengthened its balance sheet.

- Citi increased its common capital ratios.
  Citi significantly increased its Tier 1 Common and Tangible Common Equity (TCE) ratios during 2009, primarily as a result of its exchange offers completed in the third quarter of 2009. At December 31, 2009, Citi's Tier 1 Common ratio was 9.6% and its TCE ratio was 10.9%, compared to 2.3% and 3.1% at December 31, 2008, respectively. In addition, Citi's Tier 1 Capital ratio was 11.7% at December 31, 2009. Tier 1 Common and related ratios are measures used and relied on by U.S. banking regulators; however, Tier 1 Common, TCE and related ratios are non-GAAP financial measures for SEC purposes. See "Capital Resources and Liquidity—Capital Resources" for additional information on these measures.

- Citi improved its liquidity position.
  Citigroup lengthened the maturity structure of its liabilities, increased balances of cash and highly liquid securities, continued to grow its deposit base, raised substantial equity capital and reduced illiquid assets, primarily in Citi Holdings. As a result, structural liquidity (defined as deposits, long-term debt and equity as a percentage of total assets) grew to 73% as of December 31, 2009, compared to 66% at December 31, 2008 and 63% at December 31, 2007. Citigroup had $193 billion of cash and deposits with banks as of December 31, 2009. Citi currently anticipates issuing less than $15 billion of Citigroup-level long-term debt in 2010 (down from $85 billion in 2009) due to its current strong liquidity position and anticipated asset reductions within Citi Holdings.

- Citi continued to de-risk and decrease the amount of its total assets.
  Citi's total assets were approximately $1.86 trillion as of December 31,2009, down from approximately $1.94 trillion at December 31, 2008 and $2.19 trillion at December 31, 2007. Consistent with Citi's strategy, Citi Holdings now represents less than 30% of Citi's total assets as of December 31, 2009, compared to 41% at the start of 2008. While Citi made progress in de-risking and decreasing total assets, particularly in Citi Holdings, these actions, together with an expansion of the Company's loss mitigation efforts and declining yields in the trading book, resulted in a 9% reduction in net interest revenue in 2009 versus 2008 and a decrease in Citi's net interest margin (NIM) to 2.65% at December 31, 2009 compared to 3.26% at December 31, 2008.

Citigroup increased its allowance for loan losses.
During 2009, Citi added a net build of $8.0 billion to its allowance for loan losses. The allowance for loan losses was $36 billion at December 31, 2009, or 6.1% of loans, compared to $29.6 billion, or 4.3% of loans, at year-end 2008. With the adoption of SFAS 166 and 167 in the first quarter of 2010, loan loss reserves would have been $49.4 billion, or 6.6% of loans, each as of December 31, 2009 and based on current estimates. The consumer loan loss reserve was $28.4 billion at December 31, 2009, representing 14.1 months of concurrent charge-off coverage, versus 13.1 months at December 31, 2008.

Citi began to make selected investments in its core businesses.
Within Regional Consumer Banking, Citi began making selected investments in its core businesses in the latter part of 2009. For example, in Asia, Citi invested in new customer acquisition in the emerging affluent segment and in card usage promotion. In Latin America, Citi invested in card account acquisition, with a focus on higher-quality new accounts, consistent with portfolio repositioning objectives. Citigroup also continued to invest in consumer banking technology, for example, in banking products in markets such as Singapore, Hong Kong and South Korea, where mobile phones and mobile banking have intersected in ways not yet seen in the U.S. Within Transaction Services, Citi continued to invest in technology to support its global network, including its investor services suite of products, prepaid and commercial cards offerings and launch of a new front end online banking technology that provides a diverse set of functionality beyond traditional transaction management and reporting. These and similar investments have increased, and will likely continue to increase, Citi's operating expenses.

2010 BUSINESS OUTLOOK
While showing signs of improvement, the macroeconomic environment going into 2010 remains challenging, with U.S. unemployment still elevated. The U.S. government has indicated its intention to continue scaling back programs put in place to support the market during 2008 and 2009. The impact of the U.S. government's exit from many of these programs is a source of uncertainty in 2010, as is the future course of monetary policy. In addition, the potential impact of new laws and regulations (e.g., The Credit Card Accountability Responsibility and Disclosure Act of 2009 (CARD Act)), potential new capital standards, and other legislative and regulatory initiatives is a source of significant additional uncertainty regarding the business and market environment.

Citigroup is maintaining a cautious stance in light of this uncertain market environment and continued macroeconomic headwinds. As it enters 2010, Citi is focused on maintaining high levels of capital and liquidity, rigorous risk management practices and cost discipline. In Citi Holdings, Citi will continue to focus on reducing assets, which could result in lower revenues and operating expenses in 2010. In Citicorp, the focus will remain on serving the company's core institutional, corporate and retail client base in the U.S. and around the world. Citi will continue to focus on credit loss mitigation and expense control, and may continue to invest in areas such as Asia and Latin America, where economic recovery and growth appear to be taking hold. Operating expenses may grow modestly in Citicorp in 2010, as a portion of the cost reductions achieved in Citi Holdings is re-invested in the core franchise.

Credit costs will likely remain a significant driver of Citigroup's results in 2010, particularly inNorth America, where credit trends will largely depend on the broader macroeconomic environment, as well as the impact of industry factors such as CARD Act implementation and the outcome of the Home Affordable Modification Program (HAMP) and other loss mitigation efforts. See "Results of Operations—Citicorp—North America Regional Consumer Banking," "—Citi Holdings—Local Consumer Lending" and "Managing Global Risk—Credit Risk" for additional information. Citi expects U.S. consumer net credit losses to increase modestly in the first quarter of 2010 from fourth quarter 2009 levels, due in part to expected seasonal patterns, after which there may be some slight improvement. However, net credit losses in the second half of 2010 will be dependent on the macroeconomic environment and success of the company's ongoing loss mitigation efforts. Changes to Citigroup's consumer loan loss reserve balances will continue to reflect the losses embedded in Citi's consumer loan portfolio due to underlying credit trends as well as the impact of Citi's forbearance programs. Citi currently expects NIM to remain under pressure due to its enhanced liquidity position and ongoing de-risking of the balance sheet.

RESULTS OF OPERATIONS

FIVE-YEAR SUMMARY OF SELECTED FINANCIAL DATA

Citigroup Inc. and Consolidated Subsidiaries

In millions of dollars, except per-share amounts, ratios and direct staff	2009 (1)	2008	2007	2006	2005
Net interest revenue	$ 48,914	$ 53,749	$ 45,389	$ 37,928	$ 37,494
Non-interest revenue	31,371	(2,150)	31,911	48,399	42,583
Revenues, net of interest expense	$ 80,285	$ 51,599	$ 77,300	$ 86,327	$ 80,077
Operating expenses	47,822	69,240	58,737	50,301	43,549
Provisions for credit losses and for benefits and claims	40,262	34,714	17,917	7,537	7,971
Income (loss) from continuing operations before income taxes	$ (7,799)	$ (52,355)	$ 646	$ 28,489	$ 28,557
Income taxes (benefits)	(6,733)	(20,326)	(2,546)	7,749	8,787
Income (loss) from continuing operations	$ (1,066)	$ (32,029)	$ 3,192	$ 20,740	$ 19,770
Income (loss) from discontinued operations, net of taxes (2)	(445)	4,002	708	1,087	5,417
Cumulative effect of accounting change, net of taxes (3)	—	—	—	—	(49)
Net income (loss) before attribution of noncontrolling interests	$ (1,511)	$ (28,027)	$ 3,900	$ 21,827	$ 25,138
Net income (loss) attributable to noncontrolling interests	95	(343)	283	289	549
Citigroup's net income (loss)	$ (1,606)	$ (27,684)	$ 3,617	$ 21,538	$ 24,589
Earnings per share					
Basic:					
Income (loss) from continuing operations	$ (0.76)	$ (6.39)	$ 0.53	$ 4.07	$ 3.69
Net income (loss)	(0.80)	(5.63)	0.68	4.29	4.74
Diluted:					
Income (loss) from continuing operations	$ (0.76)	$ (6.39)	$ 0.53	$ 4.05	$ 3.67
Net income (loss)	(0.80)	(5.63)	0.67	4.27	4.71
Dividends declared per common share	$ 0.01	$ 1.12	$ 2.16	$ 1.96	$ 1.76
At December 31					
Total assets	$ 1,856,646	$ 1,938,470	$ 2,187,480	$ 1,884,167	$ 1,493,886
Total deposits	835,903	774,185	826,230	712,041	591,828
Long-term debt	364,019	359,593	427,112	288,494	217,499
Mandatorily redeemable securities of subsidiary trusts	19,345	24,060	23,756	9,775	6,459
Common stockholders' equity	152,388	70,966	113,447	118,632	111,261
Total stockholders' equity	152,700	141,630	113,447	119,632	112,386
Direct staff (in thousands)	265	323	375	327	296
Ratios:					
Return on common stockholders' equity (4)	(9.4)%	(28.8)%	2.9%	18.8%	22.4%
Return on total stockholders' equity (4)	(1.1)	(20.9)	3.0	18.7	22.2
Tier 1 Capital	11.67%	11.92%	7.12%	8.59%	8.79%
Total Capital	15.25	15.70	10.70	11.65	12.02
Leverage (5)	6.89	6.08	4.03	5.16	5.35
Common stockholders' equity to assets	8.21%	3.66%	5.19%	6.30%	7.45%
Total stockholders' equity to assets	8.22	7.31	5.19	6.35	7.52
Dividend payout ratio (6)	NM	NM	322.4	45.9	37.4
Book value per common share	$ 5.35	$ 13.02	$ 22.71	$ 24.15	$ 22.34
Ratio of earnings to fixed charges and preferred stock dividends	NM	NM	1.01x	1.50x	1.79x

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

(2) Discontinued operations for 2005 to 2009 reflect the sale of Nikko Cordial Securities to Sumitomo Mitsui Banking Corporation, the sale of Citigroup's German retail banking operations to Crédit Mutuel, and the sale of CitiCapital's equipment finance unit to General Electric. In addition, discontinued operations for 2005 and 2006 include the operations and associated gain on sale of substantially all of Citigroup's asset management business, the majority of which closed on December 1, 2005. Discontinued operations from 2005 and 2006 also include the operations and associated gain on sale of Citigroup's Travelers Life & Annuity, substantially all of Citigroup's international insurance business and Citigroup's Argentine pension business to MetLife Inc., which closed on July 1, 2005. See Note 3 to the Consolidated Financial Statements.

(3)

Accounting change of $(49) million in 2005 represents the adoption of Financial Accounting Standards Board (FASB) Interpretation No. 47, Accounting for Conditional Asset Retirement Obligations, an interpretation of SFAS No. 143 (FIN 47) (now ASC 410-20, Asset Retirement and Environmental Obligations: Asset Retirement Obligations).

(4) 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 total stockholders' equity is calculated using net income divided by average stockholders' equity.

(5) Tier 1 Capital divided by each year's fourth quarter adjusted average total assets (hereinafter as adjusted average total assets).

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

NM Not meaningful

SEGMENT, BUSINESS AND PRODUCT—INCOME (LOSS) AND REVENUES

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

CITIGROUP INCOME (LOSS)

In millions of dollars	2009	2008	2007	% Change 2009 vs. 2008	% Change 2008 vs. 2007
Income (loss) from Continuing Operations					
CITICORP					
Regional Consumer Banking					
North America	$ 354	$ (1,578)	$ 1,867	NM	NM
EMEA	(209)	50	96	NM	(48)%
Latin America	323	(3,348)	1,616	NM	NM
Asia	1,423	1,736	2,010	(18)%	(14)
Total	$ 1,891	$ (3,140)	$ 5,589	NM	NM
Securities and Banking					
North America	$ 2,417	$ 2,275	$ 1,687	6%	35%
EMEA	3,393	656	1,595	NM	(59)
Latin America	1,512	1,048	1,436	44	(27)
Asia	1,830	1,973	1,795	(7)	10
Total	$ 9,152	$ 5,952	$ 6,513	54%	(9)%
Transaction Services					
North America	$ 615	$ 323	$ 209	90%	55%
EMEA	1,287	1,246	816	3	53
Latin America	604	588	463	3	27
Asia	1,230	1,196	968	3	24
Total	$ 3,736	$ 3,353	$ 2,456	11%	37%
Institutional Clients Group	$ 12,888	$ 9,305	$ 8,969	39%	4%
Total Citicorp	$ 14,779	$ 6,165	$ 14,558	NM	(58)%
CITI HOLDINGS					
Brokerage and Asset Management	$ 7,107	$ (764)	$ 1,707	NM	NM
Local Consumer Lending	(10,043)	(8,254)	1,712	(22)%	NM
Special Asset Pool	(5,303)	(26,994)	(12,111)	80	NM
Total Citi Holdings	$ (8,239)	$ (36,012)	$ (8,692)	77%	NM
Corporate/Other	$ (7,606)	$ (2,182)	$ (2,674)	NM	18%
Income (loss) from continuing operations	$ (1,066)	$ (32,029)	$ 3,192	97%	NM
Discontinued operations	$ (445)	$ 4,002	$ 708	NM	NM
Net income (loss) attributable to noncontrolling interests	95	(343)	283	NM	NM
Citigroup's net income (loss)	$ (1,606)	$ (27,684)	$ 3,617	94%	NM

NM Not meaningful

CITIGROUP REVENUES

In millions of dollars	2009	2008	2007	% Change 2009 vs. 2008	% Change 2008 vs. 2007
CITICORP					
Regional Consumer Banking					
North America	$ 7,246	$ 7,764	$ 9,773	(7)%	(21)%
EMEA	1,555	1,865	1,587	(17)	18
Latin America	7,354	8,758	8,279	(16)	6
Asia	6,616	7,287	7,004	(9)	4
Total	$ 22,771	$ 25,674	$ 26,643	(11)%	(4)%
Securities and Banking					
North America	$ 9,400	$ 10,987	$ 8,998	(14)%	22%
EMEA	10,035	6,006	7,756	67	(23)
Latin America	3,411	2,369	3,161	44	(25)
Asia	4,800	5,573	5,441	(14)	2
Total	$ 27,646	$ 24,935	$ 25,356	11%	(2)%
Transaction Services					
North America	$ 2,526	$ 2,161	$ 1,646	17%	31%
EMEA	3,389	3,677	2,999	(8)	23
Latin America	1,373	1,439	1,199	(5)	20
Asia	2,501	2,669	2,254	(6)	18
Total	$ 9,789	$ 9,946	$ 8,098	(2)%	23%
Institutional Clients Group	$ 37,435	$ 34,881	$ 33,454	7%	4%
Total Citicorp	$ 60,206	$ 60,555	$ 60,097	(1)%	1%
CITI HOLDINGS					
Brokerage and Asset Management	$ 15,135	$ 8,423	$ 10,659	80%	(21)%
Local Consumer Lending	19,182	24,453	26,750	(22)	(9)
Special Asset Pool	(3,682)	(39,574)	(17,896)	91	NM
Total Citi Holdings	$ 30,635	$ (6,698)	$ 19,513	NM	NM
Corporate/Other	$ (10,556)	$ (2,258)	$ (2,310)	NM	2%
Total net revenues	$ 80,285	$ 51,599	$ 77,300	56%	(33)%

NM Not meaningful

15

CITICORP

Citicorp is the company's global bank for consumers and businesses and represents Citi's core franchise. Citicorp is focused on providing best-in-class products and services to customers and leveraging Citigroup's unparalleled global network. Citicorp is physically present in nearly 100 countries, many for over 100 years, and offers services in over 140 countries. Citi believes this global network provides a strong foundation for servicing the broad financial services needs of large multinational clients and for meeting the needs of retail, private banking and commercial customers around the world. Citigroup's global footprint provides coverage of the world's emerging economies, which the company believes represents a strong area of growth. As discussed in the "Executive Summary," Citicorp remained profitable in 2008 and 2009, despite very difficult market conditions. At December 31, 2009, Citicorp had approximately $1.1 trillion of assets and $731 billion of deposits, representing approximately 60% of Citi's total assets and approximately 90% of its deposits.

Citicorp consists of the following businesses: Regional Consumer Banking (which includes retail banking and Citi-branded cards in four regions—North America, EMEA, Latin America and Asia) and Institutional Clients Group (which includes Securities and Banking and Transaction Services).

In millions of dollars	2009	2008	2007	% Change 2009 vs. 2008	% Change 2008 vs. 2007
Net interest revenue	$33,263	$33,970	$25,600	(2)%	33%
Non-interest revenue	26,943	26,585	34,497	1	(23)
Total revenues, net of interest expense	$60,206	$60,555	$60,097	(1)%	1%
Provisions for credit losses and for benefits and claims					
Net credit losses	$ 6,079	$ 4,941	$ 2,700	23%	83%
Credit reserve build	2,562	3,219	1,069	(20)	NM
Provision for loan losses	$ 8,641	$ 8,160	$ 3,769	6%	NM
Provision for benefits and claims	48	6	16	NM	(63)%
Provision for unfunded lending commitments	138	(191)	79	NM	NM
Total provisions for credit losses and for benefits and claims	$ 8,827	$ 7,975	$ 3,864	11%	NM
Total operating expenses	$31,725	$43,533	$36,437	(27)%	19%
Income from continuing operations before taxes	$19,654	$ 9,047	$19,796	NM	(54)%
Provisions for income taxes	4,875	2,882	5,238	69%	(45)
Income from continuing operations	$14,779	$ 6,165	$14,558	NM	(58)%
Net income attributable to noncontrolling interests	68	29	63	NM	(54)
Citicorp's net income	$14,711	$ 6,136	$14,495	NM	(58)%
Balance sheet data (in billions of dollars)					
Total EOP assets	$ 1,079	$ 1,002	$ 1,222	8%	(18)%
Average assets	$ 1,035	$ 1,256	$ 1,353	(18)%	(7)%
Total EOP deposits	$ 731	$ 673	$ 733	9%	(8)%

NM Not meaningful

REGIONAL CONSUMER BANKING

Regional Consumer Banking (RCB) consists of Citigroup's four regional consumer banks that provide traditional banking services to retail customers. RCB also contains Citigroup's branded cards business and small commercial banking business.RCB is a globally diversified business with nearly 4,000 branches in 39 countries around the world. During 2009, 68% of total RCB revenues were from outside North America. Additionally, the majority of international revenues and loans were from emerging economies in Asia, Latin America, and Central and Eastern Europe. At year-end 2009, RCB had $213 billion of assets and $290 billion of deposits.

In millions of dollars	2009	2008	2007	% Change 2009 vs. 2008	% Change 2008 vs. 2007
Net interest revenue	$15,524	$16,230	$13,896	(4)%	17%
Non-interest revenue	7,247	9,444	12,747	(23)	(26)
Total revenues, net of interest expense	$22,771	$25,674	$26,643	(11)%	(4)%
Total operating expenses	$14,157	$22,578	$15,625	(37)%	44%
Net credit losses	$ 5,356	$ 4,024	$ 2,390	33%	68%
Credit reserve build	1,705	2,070	902	(18)	NM
Provision for benefits and claims	48	6	15	NM	(60)
Provisions for loan losses and for benefits and claims	$ 7,109	$ 6,100	$ 3,307	17%	84%
Income (loss) from continuing operations before taxes	$ 1,505	$ (3,004)	$ 7,711	NM	NM
Income taxes (benefits)	(386)	136	2,122	NM	(94)%
Income (loss) from continuing operations	$ 1,891	$ (3,140)	$ 5,589	NM	NM
Net income attributable to noncontrolling interests	—	11	18	(100)%	(39)%
Net income (loss)	$ 1,891	$ (3,151)	$ 5,571	NM	NM
Average assets (in billions of dollars)	$ 196	$ 219	$ 199	(11)%	10%
Return on assets	0.96%	(1.44)%	2.80%		
Average deposits (in billions of dollars)	$ 271	$ 267	$ 256	1%	4%
Net credit losses as a percentage of average loans	4.47%	3.15%	2.08%		
Revenue by business					
Retail banking	$12,799	$13,700	$12,871	(7)%	6%
Citi-branded cards	9,972	11,974	13,772	(17)	(13)
Total	$22,771	$25,674	$26,643	(11)%	(4)%
Income (loss) from continuing operations by business					
Retail banking	$ 2,006	$ (3,965)	$ 2,400	NM	NM
Citi-branded cards	(115)	825	3,189	NM	(74)%
Total	$ 1,891	$ (3,140)	$ 5,589	NM	NM

NM Not meaningful

17

NORTH AMERICA REGIONAL CONSUMER BANKING

North America Regional Consumer Banking (NA RCB) provides traditional banking and Citi-branded card services to retail customers and small to mid-size businesses in the U.S. NA RCB'sapproximately 1,000 retail bank branches and 12 million retail customer accounts are largely concentrated in the greater metropolitan areas of New York, Los Angeles, San Francisco, Chicago, Miami, Washington, D.C., Boston, Philadelphia, and the larger cities in Texas. At December 31, 2009, NA RCB had approximately $7.2 billion of retail banking loans and $143.7 billion of deposits. In addition, NA RCB had approximately 23.1 million Citi-branded credit card accounts, with $82.7 billion in outstanding loan balances on a managed basis.

In millions of dollars	2009	2008	2007	% Change 2009 vs. 2008	% Change 2008 vs. 2007
Net interest revenue	$4,559	$ 3,662	$3,019	24%	21%
Non-interest revenue	2,687	4,102	6,754	(34)	(39)
Total revenues, net of interest expense	$7,246	$ 7,764	$9,773	(7)%	(21)%
Total operating expenses	$5,359	$ 8,388	$6,401	(36)%	31%
Net credit losses	$1,151	$ 615	$ 450	87%	37%
Credit reserve build/(release)	446	463	96	(4)	NM
Provisions for benefits and claims	48	5	(3)	NM	NM
Provision for loan losses and for benefits and claims	$1,645	$ 1,083	$ 543	52%	99%
Income (loss) from continuing operations before taxes	242	$(1,707)	$2,829	NM	NM
Income taxes (benefits)	(112)	(129)	962	13%	NM
Income (loss) from continuing operations	$ 354	$(1,578)	$1,867	NM	NM
Net income (loss) attributable to noncontrolling interests	—	—	—	—	—
Net income (loss)	$ 354	$(1,578)	$1,867	NM	NM
Average assets (in billions of dollars)	$ 34	$ 36	$ 39	(6)%	(8)%
Average deposits (in billions of dollars)	$ 137	$ 123	$ 120	11%	3%
Net credit losses as a percentage of average loans	5.84%	3.60%	2.68%		
Revenue by business					
Retail banking	$3,907	$ 3,770	$3,301	4%	14%
Citi-branded cards	3,339	3,994	6,472	(16)	(38)
Total	$7,246	$ 7,764	$9,773	(7)%	(21)%
Income (loss) from continuing operations by business					
Retail banking	$ 429	$(1,788)	$ 111	NM	NM
Citi-branded cards	(75)	210	1,756	NM	(88)%
Total	$ 354	$(1,578)	$1,867	NM	NM

NM Not meaningful

2009 vs. 2008

Revenues, net of interest expense declined 7%, primarily reflecting higher credit losses in the securitization trusts, which were offset by higher credit-card-securitization revenue, higher net interest margin in cards and higher volumes in retail banking.

Net interest revenue was up 24%, driven by the impact of pricing actions and lower funding costs in Citi-branded cards, and by higher deposit volumes in retail banking, with average deposits up 11% from the prior year.

Non-interest revenue declined 34%, driven by higher credit losses flowing through the securitization trusts partially offset by securitization revenue, and by the absence of a $349 million gain on the sale of Visa shares and a $170 million gain from a cards portfolio sale in the prior year.

Operating expenses declined 36% from the prior year. Excluding a 2008 goodwill impairment charge of $2.3 billion, expenses were down 12% reflecting the benefits from re-engineering efforts, lower marketing costs, and the absence of $217 million in repositioning charges in the prior year offset by the absence of a prior-year $159 million Visa litigation reserve release.

Provisions for loan losses and for benefits and claims increased $562 million, or 52%, primarily due to rising net credit losses in both cards and retail banking. Continued weakening of leading credit indicators and trends in the macroeconomic environment, including rising unemployment and higher bankruptcy filings, primarily drove higher credit costs. The cards managed net credit loss ratio increased 386 basis points to 9.58%, while the retail banking net credit loss ratio increased 75 basis points to 4.29% (see the "Managed Presentations" section below).

2008 vs. 2007

Revenues, net of interest expense decreased 21%, driven by lower securitization revenue and higher credit losses in the securitization trusts, which were partially offset by higher net interest margin in cards and higher revenues in retail banking. Lower securitization revenue was mainly driven by a write-down of $1.1 billion in the residual interest in securitized balances. The residual interest was primarily affected by deterioration in the projected credit loss assumption used to value the asset.

Net interest revenue was up 21%, mainly driven by lower funding costs.

Non-interest revenue decreased 39%, primarily due to lower securitization revenue, higher credit losses in the securitization trusts, and the absence of a $297 million gain on the sale of MasterCard shares in 2007. This decline was partially offset by a $349 million gain on the sale of Visa shares and a $170 million gain from a cards portfolio sale in 2008.

Operating expenses increased 31%, primarily driven by a $2.3 billion goodwill impairment charge in 2008. Excluding the charge, expenses were down 5% mainly reflecting the absence of a $292 million Visa litigation-related charge in 2007 and a $159 million Visa litigation reserve release in 2008, partially offset by $217 million repositioning charges in 2008.

Provisions for loan losses and for benefits and claims increased $540 million driven by higher net credit losses, up $165 million, and a higher loan loss reserve build, up $367 million, in both cards and retail banking. Higher credit costs reflected a weakening of leading credit indicators, including the continued acceleration in the rate at which delinquent cards customers advanced to write-off, as well as trends in the macroeconomic environment, including the housing market downturn and rising unemployment. The cards managed net credit loss ratio increased 191 basis points to 5.72%, while the retail banking net credit loss ratio increased 14 basis points to 3.54%.

Managed Presentations

Managed-basis (Managed) presentations detail certain non-GAAP financial measures. Managed presentations (applicable only to North American branded and retail partner credit card operations in NA RCB and Citi Holdings—Local Consumer Lending, respectively, as there are no deconsolidated credit card securitizations in any other region) include results from both the on-balance-sheet loans and off-balance-sheet loans, and exclude the impact of credit card securitizations activity. Managed presentations assume that securitized loans have not been sold and present the results of the securitized loans in the same manner as Citigroup's owned loans. Citigroup believes that Managed presentations are useful to investors because they are widely used by analysts and investors within the credit card industry. Managed presentations are commonly used by other companies within the financial services industry. See also the "2010 Outlook" for NA RCB below.

	2009	2008	2007
Managed credit losses as a percentage of average managed loans	9.14%	5.62%	3.81%
Impact from credit card securitizations	3.30%	2.02%	1.13%
Net credit losses as a percentage of average loans	5.84%	3.60%	2.68%

2010 Outlook

In 2010, NA RCB is expected to continue to operate in a challenging economic and credit environment. Revenues will be affected by the continued U.S. economic downturn that has impacted customer demand and credit performance, as well as by legislative and regulatory changes. Both retail banking and cards will continue to focus on tight expense control, productivity improvements, and effective credit management. With high levels of unemployment and bankruptcy filings in 2010, net credit losses, delinquencies and defaults are expected to remain at elevated levels during the year.

NA RCB results will also continue to be impacted by Citi's continued implementation of the CARD Act as well as the company's loss mitigation and forbearance programs, particularly in Citi's card and U.S. mortgage businesses. The majority of the provisions of the CARD Act will have taken effect by February 2010. The CARD Act implementation began to impact card revenues in the fourth quarter of 2009 as lower net interest rate revenue due to such implementation was partially mitigated by pricing actions. Management within NA RCB continues to review and revise the company's credit card business model to implement the required changes of the CARD Act, and this will likely continue throughout 2010. While management of NA RCB believes that it can mitigate a portion of the impact of the CARD Act, Citi currently estimates that the net impact of the CARD Act on NA RCB revenues for 2010 could be a reduction of approximately $400 to $600 million. See also "Results of Operations—Citi Holdings—Local Consumer Lending" and "Managing Global Risk—Credit Risk" below.

In addition, on January 1, 2010, Citi adopted SFAS No. 166, Accounting for Transfers of Financial Assets, an Amendment of FASB Statement No. 140 (SFAS 166) and SFAS No. 167 Amendments to FASB Interpretation No. 46(R) (SFAS 167). These new accounting standards will be applied prospectively and will require consolidation of certain credit card securitization trusts and the elimination of sale accounting for transfers of credit card receivables to those trusts. Under previous accounting standards, transfers of credit card receivables to the securitization trusts were accounted for as sales. Consequently, beginning in 2010, the financial results of NA RCB will vary from previously reported financial results prepared under the amended accounting standards. See Note 1 to the Consolidated Financial Statements for a discussion of "Future Application of Accounting Standards" for further detail.

19

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. Western Europe retail banking is included in Citi Holdings. EMEA RCB has repositioned its business, shifting from a strategy of widespread distribution to a focused strategy concentrating on larger urban markets within the region. An exception is Bank Handlowy, which has a mass market presence in Poland. The countries in which EMEA RCB has the largest presence are Poland, Turkey, Russia and the United Arab Emirates. At December 31, 2009, EMEA RCB had approximately 341 retail bank branches with approximately 4.2 million customer accounts, $5.2 billion in retail banking loans and $10.1 billion in deposits. In addition, the business had approximately 2.7 million Citi-branded card accounts with $3.0 billion in outstanding loan balances.

In millions of dollars	2009	2008	2007	% Change 2009 vs. 2008	% Change 2008 vs. 2007
Net interest revenue	$ 979	$1,269	$ 967	(23)%	31%
Non-interest revenue	576	596	620	(3)	(4)
Total revenues, net of interest expense	$1,555	$1,865	$1,587	(17)%	18%
Total operating expenses	$1,094	$1,500	$1,265	(27)%	19%
Net credit losses	$ 487	$ 237	$ 113	NM	NM
Credit reserve build/(release)	307	75	96	NM	(22)%
Provisions for loan losses	$ 794	$ 312	$ 209	NM	49%
Income (loss) from continuing operations before taxes	$ (333)	$ 53	$ 113	NM	(53)%
Income taxes (benefits)	(124)	3	17	NM	(82)
Income (loss) from continuing operations	$ (209)	$ 50	$ 96	NM	(48)%
Net income attributable to noncontrolling interests	—	12	18	(100)%	(33)
Net income (loss)	$ (209)	$ 38	$ 78	NM	(51)%
Average assets (in billions of dollars)	$ 11	$ 13	$ 10	(15)%	30%
Return on assets	(1.90)%	0.29%	0.78%		
Average deposits (in billions of dollars)	$ 9	$ 11	$ 9	(18)%	22%
Net credit losses as a percentage of average loans	5.81%	2.48%	1.56%		
Revenue by business					
Retail banking	$ 889	$1,160	$1,039	(23)%	12%
Citi-branded cards	666	705	548	(6)	29
Total	$1,555	$1,865	$1,587	(17)%	18%
Income (loss) from continuing operations by business					
Retail banking	$ (179)	$ (57)	$ (8)	NM	NM
Citi-branded cards	(30)	107	104	NM	3%
Total	$ (209)	$ 50	$ 96	NM	(48)%

NM Not meaningful

2009 vs. 2008

Revenues, net of interest expense declined 17%. More than half of the revenue decline is attributable to the impact of FX translation. Other drivers included lower wealth-management and lending revenues due to lower volumes and spread compression from credit tightening initiatives. Investment sales declined by 26% due to market conditions at the start of the year with assets under management increasing by 9% by year end.

Net interest revenue was 23% lower than the prior year due to external competitive pressure on rates and higher funding costs, with average loans for retail banking down 18% and average deposits down 18%.

Non-interest revenue decreased by 3%, primarily due to the impact of FX translation. Excluding FX there was marginal growth.

Operating expenses declined 27%, reflecting expense control actions, lower marketing expenses and the impact of FX translation. Cost savings were achieved by branch closures, headcount reductions and process re-engineering efforts.

Provisions for loan losses increased $482 million to $794 million. Net credit losses increased from $237 million to $487 million, while the loan loss reserve build increased from $75 million to $307 million. Higher credit costs reflected continued credit deterioration across the region.

2008 vs. 2007

Revenues, net of interest expense increased 18% due to growth in the size of the portfolio across Central and Eastern Europe and the Middle East. Investment sales declined by 39% with assets under management declining by 42% as a result of market conditions in the second half of 2008.

Net interest revenue was 31% higher than the prior year due to growth in the size of the portfolio across Central and Eastern Europe and the Middle East and growth in revolving balances. Average loans for retail banking were up 26%, cards were up 49% and average deposits were up 22%.

Non-interest revenue decreased by 4% due to reduced investment revenue as a result of market conditions.

Operating expenses increased 19%, reflecting growth in the portfolio and repositioning charges.

Provisions for loan losses increased 49% to $312 million. Net credit losses increased from $113 million to $237 million, while the Loan loss reserve build decreased by 22% to $75 million. Credit costs increased as a result of market conditions driving deterioration in the portfolio.

2010 Outlook

During 2010, EMEA RCB businesses are expected to operate in an environment of continued challenging economic and credit conditions. While key business drivers, including deposits, investment sales and card purchase sales, began to show some signs of improvement during the latter part of 2009, continued positive developments, if any, will depend on the success of EMEA RCB's strategy of concentrated focus on larger urban markets. Credit quality is currently anticipated to improve modestly with remedial programs and tighter origination standards reducing both delinquencies and credit losses, with some continued pockets of weakness in Poland and Hungary. Loan and card volume growth will continue to be controlled, driven by tighter origination standards.

LATIN AMERICA REGIONAL CONSUMER BANKING

Latin America Regional Consumer Banking (LATAM 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. LATAM RCB includes branch networks throughout Latin America as well as Banamex, Mexico's second largest bank with over 1,700 branches. At December 31, 2009,LATAM RCB had approximately 2,216 retail branches, with 16.6 million customer accounts, $18.2 billion in retail banking loan balances and $41.4 billion in deposits. In addition, the business had approximately 12.2 million Citi-branded card accounts with $12.2 billion in outstanding loan balances.

In millions of dollars	2009	2008	2007	% Change 2009 vs. 2008	% Change 2008 vs. 2007
Net interest revenue	$5,303	$ 6,391	$5,567	(17)%	15%
Non-interest revenue	2,051	2,367	2,712	(13)	(13)
Total revenues, net of interest expense	$7,354	$ 8,758	$8,279	(16)%	6%
Total operating expenses	$4,232	$ 8,857	$4,503	(52)%	97%
Net credit losses	$2,435	$ 2,205	$1,189	10%	85%
Credit reserve build/(release)	458	1,116	504	(59)	NM
Provision for benefits and claims	—	1	18	(100)	(94)
Provisions for loan losses and for benefits and claims	$2,893	$ 3,322	$1,711	(13)%	94%
Income (loss) from continuing operations before taxes	$ 229	$(3,421)	$2,065	NM	NM
Income taxes (benefits)	(94)	(73)	449	(29)%	NM
Income (loss) from continuing operations	$ 323	$(3,348)	$1,616	NM	NM
Net income attributable to noncontrolling interests	—	—	1	—	(100)%
Net income (loss)	$ 323	$(3,348)	$1,615	NM	NM
Average assets (in billions of dollars)	61	$ 76	$ 63	(20)%	21%
Return on assets	0.53%	(4.41)%	2.56%		
Average deposits (in billions of dollars)	$ 36	$ 40	$ 38	(10)%	5%
Net credit losses as a percentage of average loans	8.60%	7.11%	4.57%		
Revenue by business					
Retail banking	$3,872	$ 4,097	$3,979	(5)%	3%
Citi-branded cards	3,482	4,661	4,300	(25)	8
Total	$7,354	$ 8,758	$8,279	(16)%	6%
Income (loss) from continuing operations by business					
Retail banking	$ 547	$(3,500)	$ 812	NM	NM
Citi-branded cards	(224)	152	804	NM	(81)%
Total	$ 323	$(3,348)	$1,616	NM	NM

NM Not meaningful

2009 vs. 2008

Revenues, net of interest expense declined 16%, driven by the impact of FX translation as well as lower activity in the branded cards business.

Net interest revenue decreased 17%, mainly driven by FX translation impact as well as lower volumes and spread compression in the branded cards business that offset the growth in loans, deposits and investment products in the retail business.

Non interest revenue decreased 13%, driven also by FX impact and lower branded cards fee income from lower customer activity.

Operating expenses decreased 52%, primarily driven by the absence of a goodwill impairment charge of $4.3 billion in 2008, the benefit associated with the FX impact and saves from restructuring actions implemented primarily at the end of 2008. The $125 million related to 2008 restructuring charges was offset by an expense benefit of $257 million related to a legal vehicle restructuring in 2008. Expenses increased slightly in the fourth quarter of 2009 primarily due to selected marketing and investment spending.

Provisions for loan losses and for benefits and claims decreased 13% primarily reflecting lower loan loss reserve builds as a result of lower volumes, improved portfolio quality and lower net credit losses in the branded cards portfolio primarily in Mexico due to repositioning in the portfolio.

2008 vs. 2007

Revenues, net of interest expense increased 6% compared to the prior year, associated with higher volumes and partially offset by the extraordinary gains recorded in 2007: a $235 million gain on the sale of Visa shares and a $78 million gain on the sale of MasterCard shares.

Net interest revenue increased 15% driven by higher volumes in both the branded cards and retail businesses.

Non-interest revenue declined, driven by the 2007 Visa and MasterCard extraordinary gains.

Operating expenses growth of 97% was mainly driven by goodwill impairment of $4.3 billion in 2008, and to a lesser extent, restructuring charges of $125 million. Partially offsetting these increases was a $257 million expense benefit related to a legal vehicle restructuring.

Provisions for loan losses and for benefits and claims increased 94%, primarily driven by higher loan loss reserve builds in 2008 reflecting portfolio growth and market conditions.

2010 Outlook

Improving economic conditions across the region, including the level of exchange rates, the credit environment and unemployment rates, are currently expected to have a positive impact on LATAM RCB performance in 2010. However, LATAM RCB results will depend on overall macroeconomic conditions in the region as well as the impact of loss mitigation efforts and the repositioning of the portfolio.

During the fourth quarter of 2009, LATAM RCB began to increase investments in card account acquisition, with a focus on higher-quality accounts. This step may begin to contribute to account and card revenue growth in 2010. While the business anticipates continued selective marketing and investment spending during the year, management of LATAM RCB currently expects that overall operating expenses will continue to reflect re-engineering efforts.

In addition, Mexico's Ministry of Finance has publicly stated that the U.S. government ownership stake in Citigroup does not violate Mexican law barring indirect foreign government ownership of Mexican affiliate banks. The Mexican Senate has asked the Mexican Supreme Court to determine the constitutionality of the Ministry's interpretation. The Mexican Supreme Court is considering and will issue a resolution on the matter. Neither Citi, Banamex nor the U.S. government is a party to this proceeding.

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, India, Taiwan, Malaysia, Japan and Hong Kong. At December 31, 2009, Asia RCB had approximately 633 retail branches, $94.5 billion in customer deposits, 15.8 million customer accounts and $50.1 billion in retail banking loans. In addition, the business had approximately 15.1 million Citi-branded card accounts with $17.7 billion in outstanding loan balances at December 31, 2009.

In millions of dollars	2009	2008	2007	% Change 2009 vs. 2008	% Change 2008 vs. 2007
Net interest revenue	$4,683	$4,908	$4,343	(5)%	13%
Non-interest revenue	1,933	2,379	2,661	(19)	(11)
Total revenues, net of interest expense	$6,616	$7,287	$7,004	(9)%	4%
Total operating expenses	$3,472	$3,833	$3,456	(9)%	11%
Net credit losses	$1,283	$ 967	$ 638	33%	52%
Credit reserve build	494	416	206	19	NM
Provisions for loan losses and for benefits and claims	$1,777	$1,383	$ 844	28%	64%
Income from continuing operations before taxes	$1,367	$2,071	$2,704	(34)%	(23)%
Income taxes (benefits)	(56)	335	694	NM	(52)
Income from continuing operations	$1,423	$1,736	$2,010	(18)%	(14)%
Net (loss) attributable to noncontrolling interests	—	(1)	(1)	100	—
Net income	$1,423	$1,737	$2,011	(18)%	(14)%
Average assets (in billions of dollars)	$ 90	$ 94	$ 88	(4)%	7%
Return on assets	1.58%	1.85%	2.29%		
Average deposits (in billions of dollars)	$ 89	$ 93	$ 89	(4)%	4%
Net credit losses as a percentage of average loans	2.02%	1.38%	0.98%		
Revenue by business					
Retail banking	$4,131	$4,673	$4,552	(12)%	3%
Citi-branded cards	2,485	2,614	2,452	(5)	7%
Total	$6,616	$7,287	$7,004	(9)%	4%
Income from continuing operations by business					
Retail banking	$1,209	$1,380	$1,485	(12)%	(7)
Citi-branded cards	214	356	525	(40)	(32)
Total	$1,423	$1,736	$2,010	(18)%	(14)%

NM Not meaningful

2009 vs. 2008

Revenues, net of interest expense declined 9%, driven by the absence of the gain on Visa shares in the prior year, lower investment product revenues and cards purchase sales, lower spreads, and the impact of FX translation.

Net interest revenue was 5% lower than the prior year. Average loans and deposits were down 10% and 4%, respectively, in each case partly due to the impact of FX translation.

Non-interest revenue declined 19%, primarily due to the decline in investment revenues, lower cards purchase sales, the absence of the gain on Visa shares and the impact of FX translation.

Operating expenses declined 9%, reflecting the benefits of re-engineering efforts and the impact of FX translation. Expenses increased slightly in the fourth quarter of 2009 primarily due to selected marketing and investment spending.

Provisions for loan losses and for benefits and claims increased 28%, mainly due to the impact of a higher credit reserve build and an increase in net credit losses partially offset by the impact of FX translation. In the first half of the year, rising credit losses were particularly apparent in the portfolios in India and South Korea. However, delinquencies improved in recent periods and net credit losses flattened as the region showed early signs of economic recovery and increased levels of customer activity.

2008 vs. 2007

Revenues, net of interest expense increased 4%, driven by higher cards purchase sales and higher loan and deposit volumes, partially offset by lower gains on Visa shares than the prior year and a 47% decline in investment sales.

Net interest revenue was 13% higher than the prior year reflecting higher card balances, higher average loans and deposits, and better spreads.

Non-interest revenue declined 11%, primarily due to the lower gains on Visa shares than the prior year and the decline in investment sales, partially offset by higher cards purchase sales.

Operating expenses increased 11%, reflecting higher business volume and restructuring expenses in 2008.

Provisions for loan losses and for benefits and claims increased 64%, mainly due to higher net credit losses and higher credit reserve builds, reflective of the overall economic environment in the region.

2010 Outlook

The 2010 performance of Asia RCB will continue to be driven by improving macroeconomic conditions in the region, supported by continued investment spending in the business and product capability. Asia RCB anticipates continued investment in expanded retail distribution, an enhanced wealth management offering and increased expenditure on card promotion and account acquisition, which could result in an increase in year-on-year expenses. While Asia RCB currently expects credit trends, including declining net credit losses and improving delinquencies, to continue in 2010, credit trends in the region will also be affected by the pace of recovery in the U.S. and European Union.

INSTITUTIONAL CLIENTS GROUP

Institutional Clients Group (ICG) includes Securities and Banking and Transaction Services. ICG provides corporate, institutional and high-net-worth clients with a full range of products and services, including cash management, trading, underwriting, lending and advisory services, around the world. ICG's international presence is supported by trading floors in approximately 75 countries and a proprietary network within Transaction Services in over 90 countries. At December 31, 2009, ICG had approximately $866 billion of assets and $442 billion of deposits.

In millions of dollars	2009	2008	2007	% Change 2009 vs. 2008	% Change 2008 vs. 2007
Commissions and fees	$ 2,075	$ 2,876	$ 3,156	(28)%	(9)%
Administration and other fiduciary fees	4,964	5,413	5,014	(8)	8
Investment banking	4,685	3,329	5,399	41	(38)
Principal transactions	6,001	6,544	7,012	(8)	(7)
Other	1,971	(1,021)	1,169	NM	NM
Total non-interest revenue	$ 19,696	$ 17,141	$ 21,750	15%	(21)%
Net interest revenue (including dividends)	17,739	17,740	11,704	—	52
Total revenues, net of interest expense	$ 37,435	$ 34,881	$ 33,454	7%	4%
Total operating expenses	17,568	20,955	20,812	(16)	1
Net credit losses	723	917	310	(21)	NM
Provision for unfunded lending commitments	138	(191)	79	NM	NM
Credit reserve build	857	1,149	167	(25)	NM
Provision for benefits and claims	—	—	1	—	(100)
Provisions for loan losses and benefits and claims	$ 1,718	$ 1,875	$ 557	(8)%	NM
Income from continuing operations before taxes	$ 18,149	$ 12,051	$ 12,085	51%	—
Income taxes	5,261	2,746	3,116	92	(12)%
Income from continuing operations	$ 12,888	$ 9,305	$ 8,969	39%	4%
Net income attributable to noncontrolling interests	68	18	45	NM	(60)
Net income	$ 12,820	$ 9,287	$ 8,924	38%	4%
Average assets (in billions of dollars)	$ 839	$ 1,037	$ 1,154	(19)%	(10)%
Return on assets	1.53%	0.90%	0.77%		
Revenues by region					
North America	$ 11,926	$ 13,148	$ 10,644	(9)%	24%
EMEA	13,424	9,683	10,755	39	(10)
Latin America	4,784	3,808	4,360	26	(13)
Asia	7,301	8,242	7,695	(11)	7
Total	$ 37,435	$ 34,881	$ 33,454	7%	4%
Income from continuing operations by region					
North America	$ 3,032	$ 2,598	$ 1,896	17%	37%
EMEA	4,680	1,902	2,411	NM	(21)
Latin America	2,116	1,636	1,899	29	(14)
Asia	3,060	3,169	2,763	(3)	15
Total	$ 12,888	$ 9,305	$ 8,969	39%	4%
Average loans by region (in billions of dollars)					
North America	$ 45	$ 50	$ 51	(10)%	(2)%
EMEA	44	54	56	(19)	(4)
Latin America	21	24	26	(13)	(8)
Asia	28	37	38	(24)	(3)
Total	$ 138	$ 165	$ 171	(16)%	(4)%

NM Not meaningful

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 ultra-high-net worth individuals. S&B includes investment banking and advisory services, lending, debt and equity sales and trading, institutional brokerage, foreign exchange, structured products, cash instruments and related derivatives, and private banking. S&B revenue is generated primarily from fees for investment banking and advisory services, fees and interest on loans, fees and spread on foreign exchange, structured products, cash instruments and related derivatives, income earned on principal transactions, and fees and spreads on private banking services.

In millions of dollars	2009	2008	2007	% Change 2009 vs. 2008	% Change 2008 vs. 2007
Net interest revenue	$12,088	$12,255	$ 7,450	(1)%	64%
Non-interest revenue	15,558	12,680	17,906	23	(29)
Revenues, net of interest expense	$27,646	$24,935	$25,356	11%	(2)%
Total operating expenses	13,053	15,799	16,178	(17)	(2)
Net credit losses	720	899	306	(20)	NM
Provisions for unfunded lending commitments	138	(185)	79	NM	NM
Credit reserve build	853	1,126	201	(24)	NM
Provisions for benefits and claims	—	—	1	—	(100)
Provisions for loan losses and benefits and claims	$ 1,711	$ 1,840	$ 587	(7)%	NM
Income before taxes and noncontrolling interests	$12,882	$ 7,296	$ 8,591	77%	(15)%
Income taxes	3,730	1,344	2,078	NM	(35)
Income from continuing operations	9,152	5,952	6,513	54	(9)
Net income (loss) attributable to noncontrolling interests	55	(13)	25	NM	NM
Net income	$ 9,097	$ 5,965	$ 6,488	53%	(8)%
Average assets (in billions of dollars)	$ 779	$ 966	$ 1,085	(19)%	(11)%
Return on assets	1.17%	0.62%	0.60%		
Revenues by region					
North America	$ 9,400	$10,987	$ 8,998	(14)%	22%
EMEA	10,035	6,006	7,756	67	(23)
Latin America	3,411	2,369	3,161	44	(25)
Asia	4,800	5,573	5,441	(14)	2
Total revenues	$27,646	$24,935	$25,356	11%	(2)%
Net income from continuing operations by region					
North America	$ 2,417	$ 2,275	$ 1,687	6%	35%
EMEA	3,393	656	1,595	NM	(59)
Latin America	1,512	1,048	1,436	44	(27)
Asia	1,830	1,973	1,795	(7)	10
Total net income from continuing operations	$ 9,152	$ 5,952	$ 6,513	54%	(9)%
Securities and Banking revenue details					
Total investment banking	$ 4,763	$ 3,245	$ 5,570	47%	(42)%
Lending	(2,153)	4,220	1,814	NM	NM
Equity markets	3,182	2,878	5,202	11	(45)
Fixed income markets	21,540	14,395	11,507	50	25
Private bank	2,054	2,309	2,473	(11)	(7)
Other Securities and Banking	(1,740)	(2,112)	(1,210)	18	(75)
Total Securities and Banking revenues	$27,646	$24,935	$25,356	11%	(2)%

NM Not meaningful

2009 vs. 2008

Revenues, net of interest expense increased 11% or $2.7 billion, as markets began to recover in the early part of 2009, bringing back higher levels of volume activity and higher levels of liquidity, which began to decline again in the third quarter of 2009. The growth in revenue in the early part of the year was mainly due to a $7.1 billion increase in fixed income markets, reflecting strong trading opportunities across all asset classes in the first half of 2009, and a $1.5 billion increase in investment banking revenue primarily from increases in debt and equity underwriting activities reflecting higher transaction volumes from depressed 2008 levels. These increases were offset by a $6.4 billion decrease in lending revenue primarily from losses on credit default swap hedges. Excluding the 2009 and 2008 CVA impact, as indicated in the table below, revenues increased 23% or $5.5 billion.

Operating expenses decreased 17%, or $2.7 billion. Excluding the 2008 repositioning and restructuring charges and the 2009 litigation reserve release, operating expenses declined 11% or $1.6 billion, mainly as a result of headcount reductions and benefits from expense management.

Provisions for loan losses and for benefits and claims decreased 7% or $129 million, to $1.7 billion, mainly due to lower credit reserve builds and net credit losses, due to an improved credit environment, particularly in the latter part of the year.

2008 vs. 2007

Revenues, net of interest expense decreased 2% or $0.4 billion reflecting the overall difficult market conditions. Excluding the 2008 and 2007 CVA impact, revenues decreased 3% or $0.6 billion. The reduction in revenue was primarily due to a decrease in investment banking revenue of $2.3 billion to $3.2 billion, mainly in debt and equity underwriting, reflecting lower volumes, and a decrease in equity markets revenue of $2.3 billion to $2.9 billion due to extremely high volatility and reduced levels of activity. These reductions were offset by an increase in fixed income markets of $2.9 billion to $14.4 billion due to strong performance in interest rates and currencies, and an increase in lending revenue of $2.4 billion to $4.2 billion mainly from gains on credit default swap hedges.

Operating expenses decreased by 2% or $0.4 billion. Excluding the 2008 and 2007 repositioning and restructuring charges and the 2007 litigation reserve reversal, operating expenses decreased by 7% or $1.1 billion driven by headcount reduction and lower performance-based incentives.

Provisions for credit losses and for benefits and claims increased $1.3 billion to $1.8 billion mainly from higher credit reserve builds and net credit losses offset by a lower provision for unfunded lending commitments due to deterioration in the credit environment.

Certain Revenues Impacting Securities and Banking

Items that impacted S&B revenues during 2009 and 2008 are set forth in the table below.

	Pretax revenue	
In millions of dollars	2009	2008
Private equity and equity investments	$ 201	$ (377)
Alt-A mortgages (1) (2)	321	(737)
Commercial real estate (CRE) positions (1) (3)	68	270
CVA on Citi debt liabilities under fair value option	(3,974)	4,325
CVA on derivatives positions, excluding monoline insurers	2,204	(3,292)
Total significant revenue items	$ (1,180)	$ 189

(1) Net of hedges.

(2) For these purposes, Alt-A mortgage securities are non-agency residential mortgage-backed securities (RMBS) where (i) the underlying collateral has weighted average FICO scores between 680 and 720 or (ii) for instances where FICO scores are greater than 720, RMBS have 30% or less of the underlying collateral composed of full documentation loans. See "Managing Global Risk—Credit Risk—U.S. Consumer Mortgage Lending."

(3) S&B'scommercial real estate exposure is split into three categories of assets: held at fair value; held-to-maturity/held-for-investment; and equity. See "Managing Global Risk—Credit Risk—Exposure to Commercial Real Estate" section for a further discussion.

In the table above, 2009 includes a $330 million pretax adjustment to the CVA balance, which reduced pretax revenues for the year, reflecting a correction of an error related to prior periods. See "Significant Accounting Policies and Significant Estimates" below and Notes 1 and 34 to the Consolidated Financial Statements for a further discussion of this adjustment.

2010 Outlook

The 2010 outlook for S&B will depend on the level of client activity and on macroeconomic conditions, market valuations and volatility, interest rates and other market factors. Management of S&B currently expects to maintain client activity throughout 2010 and to operate in market conditions that offer moderate volatility and increased liquidity.

Operating expenses will benefit from continued re-engineering and expense management initiatives, but will be offset by investments in talent and infrastructure to support growth.

TRANSACTION SERVICES

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

In millions of dollars	2009	2008	2007	% Change 2009 vs. 2008	% Change 2008 vs. 2007
Net interest revenue	$5,651	$5,485	$4,254	3%	29%
Non-interest revenue	4,138	4,461	3,844	(7)	16
Total revenues, net of interest expense	$9,789	$9,946	$8,098	(2)%	23%
Total operating expenses	4,515	5,156	4,634	(12)	11
Provisions for credit losses and for benefits and claims	7	35	(30)	(80)	NM
Income before taxes and noncontrolling interests	$5,267	$4,755	$3,494	11%	36%
Income taxes	1,531	1,402	1,038	9	35
Income from continuing operations	3,736	3,353	2,456	11	37
Net income attributable to noncontrolling interests	13	31	20	(58)	55
Net income	$3,723	$3,322	$2,436	12%	36%
Average assets (in billions of dollars)	$ 60	$ 71	$ 69	(15)%	3%
Return on assets	6.21%	4.68%	3.53%		
Revenues by region					
North America	$2,526	$2,161	$1,646	17%	31%
EMEA	3,389	3,677	2,999	(8)	23
Latin America	1,373	1,439	1,199	(5)	20
Asia	2,501	2,669	2,254	(6)	18
Total revenues	$9,789	$9,946	$8,098	(2)%	23%
Income from continuing operations by region					
North America	$ 615	$ 323	$ 209	90%	55%
EMEA	1,287	1,246	816	3	53
Latin America	604	588	463	3	27
Asia	1,230	1,196	968	3	24
Total net income from continuing operations	$3,736	$3,353	$2,456	11%	37%
Key indicators (in billions of dollars)					
Average deposits and other customer liability balances	$ 303	$ 280	$ 246	8%	14%
EOP assets under custody (in trillions of dollars)	12.1	11.0	13.1	10	(16)

NM Not meaningful

2009 vs. 2008

Revenues, net of interest expense declined 2% compared to 2008 as strong growth in balances was more than offset by lower spreads driven by low interest rates globally.

Average deposits and other customer liability balances grew 8%, driven by strong growth in all regions.

Treasury and Trade Solutions revenues grew 7% as a result of strong growth in balances and higher trade revenues.

Securities and Funds Services revenues declined 18%, attributable to reductions in asset valuations and volumes.

Operating expenses declined 12%, mainly as a result of headcount reductions and successful execution of reengineering initiatives.

Cost of credit declined 80%, which was primarily attributable to overall portfolio management.

Net income increased 12%, leading to a record net income, with growth across all regions reflecting benefits of continued re-engineering and expense management efforts.

2008 vs. 2007

Revenues, net of interest expense grew 23% driven by new business and implementations, growth in customer liability balances, increased transaction volumes and the impact of acquisitions.

- Average deposits and other customer liability balances grew 14% driven by success of new business growth and implementations.
- Treasury and Trade Solutions revenues grew 26% as a result of strong liability and fee growth as well as increased client penetration.
- Securities and Funds Services revenues grew 17% as a result of increased assets under custody, volumes and liability balances.

2010 Outlook

Transaction Services business performance will continue to be impacted in 2010 by levels of interest rates, economic activity, volatility in global capital markets, foreign exchange and market valuations globally. Levels of client activity and client cash and security flows are key factors dependent on macroeconomic conditions. Transaction Services intends to continue to invest in technology to support its global network, as well as investments to build out its investor services suite of products aimed at large, under-penetrated markets for middle and back office outsourcing among a range of investors. These and similar investments could lead to increasing operating expenses.

CITI HOLDINGS

Citi Holdings contains businesses and portfolios of assets that Citigroup has determined are not central to its core Citicorp business. These noncore businesses tend to be more asset-intensive and reliant on wholesale funding and also may be product-driven rather than client-driven. Citi intends to exit these businesses as quickly as practicable yet in an economically rational manner through business divestitures, portfolio run-off and asset sales. Citi has made substantial progress divesting and exiting businesses from Citi Holdings, having completed 15 divestitures in 2009, including Smith Barney, Nikko Cordial Securities, Nikko Asset Management Financial Institution Credit Card business (FI) and Diners Club North America. Citi Holdings' assets have been reduced by nearly 40%, or $351 billion, from the peak level of $898 billion in the first quarter of 2008 to $547 billion at year-end 2009. Citi Holdings' assets represented less than 30% of Citi's assets as of December 31, 2009. Asset reductions from Citi Holdings have the combined benefits of further fortifying Citigroup's capital base, lowering risk, simplifying the organization and allowing Citi to allocate capital to fund long-term strategic businesses.

Citi Holdings consists of the following businesses: Brokerage and Asset Management; Local Consumer Lending; and Special Asset Pool.

With Citi's exit from the loss-sharing agreement with the U.S. government in December 2009, the Company conducted a broad review of the Citi Holdings asset base to determine which assets are strategically important to Citicorp. As a result of this analysis, approximately $61 billion of assets will be moved from Citi Holdings into Citicorp in the first quarter of 2010. The assets consist primarily of approximately $34 billion of U.S. mortgages that will be transferred to NA RCB, approximately $19 billion of commercial and corporate loans and securities related to core Citicorp clients, of which approximately $17 billion will be moved to S&B and the remainder to NA RCB, and approximately $5.0 billion of assets related to Citi's Mexico asset management business that will be moved toLATAM RCB.

In millions of dollars	2009	2008	2007	% Change 2009 vs. 2008	% Change 2008 vs. 2007
Net interest revenue	$ 17,314	$ 22,459	$ 21,797	(23)%	3%
Non-interest revenue	13,321	(29,157)	(2,284)	NM	NM
Total revenues, net of interest expense	$ 30,635	$ (6,698)	$ 19,513	NM	NM
Provisions for credit losses and for benefits and claims					
Net credit losses	$ 24,660	$ 14,070	$ 7,230	75%	95%
Credit reserve build	5,457	11,444	5,836	(52)	96
Provision for loan losses	$ 30,117	$ 25,514	$ 13,066	18%	95%
Provision for benefits and claims	1,210	1,396	919	(13)	52
Provision for unfunded lending commitments	109	(172)	71	NM	NM
Total provisions for credit losses and for benefits and claims	$ 31,436	$ 26,738	$ 14,056	18%	90%
Total operating expenses	$ 14,677	$ 25,197	$ 20,487	(42)%	23%
(Loss) from continuing operations before taxes	$(15,478)	$(58,633)	$(15,030)	74%	NM
Benefits for income taxes	(7,239)	(22,621)	(6,338)	68	NM
Income (loss) from continuing operations	$ (8,239)	$(36,012)	$ (8,692)	77%	NM
Net income attributable to noncontrolling interests	27	(372)	218	NM	NM
Citi Holdings net (loss)	$ (8,266)	$(35,640)	$ (8,910)	77%	NM
Balance sheet data (in billions of dollars)					
Total EOP assets	$ 547	$ 715	$ 888	(23)%	(19)%
Total EOP deposits	$ 92	$ 83	$ 79	11%	5%

NM Not meaningful

BROKERAGE AND ASSET MANAGEMENT

Brokerage and Asset Management (BAM), which constituted approximately 6% of Citi Holdings by assets as of December 31, 2009, consists of Citi's global retail brokerage and asset management businesses. This segment was substantially affected and reduced in size in 2009 due to the divestitures of Smith Barney (to the Morgan Stanley Smith Barney joint venture (MSSB JV)) and Nikko Cordial Securities. At December 31, 2009, BAM had approximately $35 billion of assets, which included $26 billion of assets from the 49% interest in the MSSB JV ($13 billion investment and $13 billion in loans associated with the clients of the MSSB JV) and $9 billion of assets from a diverse set of asset management and insurance businesses of which approximately half will be transferred into the LATAM RCB during the first quarter of 2010, as discussed under "Citi Holdings" above. Morgan Stanley has options to purchase Citi's remaining stake in the MSSB JV over three years starting in 2012. The 2009 results include an $11.1 billion gain ($6.7 billion after-tax) on the sale of Smith Barney.

In millions of dollars	2009	2008	2007	% Change 2009 vs. 2008	% Change 2008 vs. 2007
Net interest revenue	$ 432	$ 1,224	$ 908	(65)%	35%
Non-interest revenue	14,703	7,199	9,751	NM	(26)
Total revenues, net of interest expense	$15,135	$ 8,423	$10,659	80%	(21)%
Total operating expenses	$ 3,350	$ 9,236	$ 7,960	(64)%	16%
Net credit losses	$ 3	$ 10	$ —	(70)%	—
Credit reserve build/(release)	36	8	4	NM	100%
Provision for unfunded lending commitments	(5)	—	—	—	—
Provision for benefits and claims	$ 155	$ 205	$ 154	(24)%	33%
Provisions for loan losses and for benefits and claims	$ 189	$ 223	$ 158	(15)%	41%
Income (loss) from continuing operations before taxes	$11,596	$(1,036)	$ 2,541	NM	NM
Income taxes (benefits)	4,489	(272)	834	NM	NM
Income (loss) from continuing operations	$ 7,107	$ (764)	$ 1,707	NM	NM
Net income (loss) attributable to noncontrolling interests	12	(179)	35	NM	NM
Net income (loss)	$ 7,095	$ (585)	$ 1,672	NM	NM
EOP assets (in billions of dollars)	$ 35	$ 58	$ 56	(40)%	4%
EOP deposits (in billions of dollars)	60	58	46	3	26

NM Not meaningful

2009 vs. 2008

Revenues, net of interest expense increased 80% versus the prior year mainly driven by the $11.1 billion pretax gain on the sale ($6.7 billion after-tax) on the MSSB JV transaction in the second quarter of 2009 and a $320 million pretax gain on the sale of the managed futures business to the MSSB JV in the third quarter of 2009. Excluding these gains, revenue decreased primarily due to the absence of Smith Barney from May 2009 onwards and the absence of fourth-quarter revenue of Nikko Asset Management, partially offset by an improvement in marks in Retail Alternative Investments. Revenues in the prior year include a $347 million pretax gain on sale of CitiStreet and charges related to the settlement of auction rate securities of $393 million pretax.

Operating expenses decreased 64% from the prior year, mainly driven by the absence of Smith Barney and Nikko Asset Management expenses, re-engineering efforts and the absence of 2008 one-time expenses ($0.9 billion intangible impairment, $0.2 billion of restructuring and $0.5 billion of write-downs and other charges).

Provisions for loan losses and for benefits and claims decreased 15% mainly reflecting a $50 million decrease in provision for benefits and claims, partially offset by increased reserve builds of $28 million.

Assets decreased 40% versus the prior year, mostly driven by the sales of Nikko Cordial Securities and Nikko Asset Management ($25 billion) and the managed futures business ($1.4 billion), partially offset by increased Smith Barney assets of $4 billion.

2008 vs. 2007

Revenues, net of interest expense decreased 21% from the prior year primarily due to lower transactional and investment revenues in Smith Barney, lower revenues in Nikko Asset Management and higher markdowns in Retail Alternative Investments.

Operating expenses increased 16% versus the prior year, mainly driven by a $0.9 billion intangible impairment in Nikko Asset Management in the fourth quarter of 2008, $0.2 billion of restructuring charges and $0.5 billion of write-downs and other charges.

Provisions for loan losses and for benefits and claims increased $65 million compared to the prior year, mainly due to a $52 million increase in provisions for benefits and claims.

Assets increased 4% versus the prior year.

LOCAL CONSUMER LENDING

Local Consumer Lending (LCL), which constituted approximately 65% of Citi Holdings by assets as of December 31, 2009, includes a portion of Citigroup's North American mortgage business, retail partner cards, Western European cards and retail banking, CitiFinancial North America, Primerica, Student Loan Corporation and other local consumer finance businesses globally. At December 31, 2009, LCL had $358 billion of assets ($317 billion in North America). About one-half of the assets in LCL as of December 31, 2009 consisted of U.S. mortgages in the company's CitiMortgage and CitiFinancial operations. The North American assets consist of residential mortgage loans, retail partner card loans, student loans, personal loans, auto loans, commercial real estate, and other consumer loans and assets.

In millions of dollars	2009	2008	2007	% Change 2009 vs. 2008	% Change 2008 vs. 2007
Net interest revenue	$ 13,709	$ 17,903	$18,166	(23)%	(1)%
Non-interest revenue	5,473	6,550	8,584	(16)	(24)
Total revenues, net of interest expense	$ 19,182	$ 24,453	$26,750	(22)%	(9)%
Total operating expenses	$ 10,431	$ 14,973	$11,457	(30)%	31%
Net credit losses	$ 19,237	$ 13,151	$ 6,794	46%	94%
Credit reserve build/(release)	5,904	8,592	5,454	(31)	58
Provision for benefits and claims	1,055	1,191	765	(11)	56
Provision for unfunded lending commitments	3	—	—	—	—
Provisions for loan losses and for benefits and claims	$ 26,199	$ 22,934	$13,013	14%	76%
Income (loss) from continuing operations before taxes	$(17,448)	$(13,454)	$ 2,280	(30)%	NM
Income taxes (benefits)	(7,405)	(5,200)	568	(42)	NM
Income (loss) from continuing operations	$(10,043)	$ (8,254)	$ 1,712	(22)%	NM
Net income attributable to noncontrolling interests	32	12	34	NM	(65)%
Net income (loss)	$(10,075)	$ (8,266)	$ 1,678	(22)%	NM
Average assets (in billions of dollars)	$ 390	$ 461	$ 496	(15)	(7)%
Net credit losses as a percentage of average loans	5.91%	3.56%	1.90%		

NM Not meaningful

2009 vs. 2008

Revenues, net of interest expense decreased 22% versus the prior year, mostly due to lower net interest revenue. Net interest revenue was 23% lower than the prior year, primarily due to lower balances, de-risking of the portfolio, and spread compression. Net interest revenue as a percentage of average loans decreased 63 basis points from the prior year, primarily due to the impact of higher delinquencies, interest write-offs, loan modification programs, higher FDIC charges and CARD Act implementation (in the latter part of 2009), partially offset by retail partner cards pricing actions. LCL results will continue to be impacted by the CARD Act. Citi currently estimates that the net impact on LCL revenues for 2010 could be a reduction of approximately $50 to $150 million. See also "North America Regional Consumer Banking" and "Managing Global Risk—Credit Risk" for additional information on the impact of the CARD Act to Citi's credit card businesses. Average loans decreased 12%, with North America down 11% and international down 19%. Non-interest revenue decreased $1.1 billion mostly driven by the impact of higher credit losses flowing through the securitization trusts.

Operating expenses declined 30% from the prior year, due to lower volumes and reductions from expense re-engineering actions, and the impact of goodwill write-offs of $3.0 billion in the fourth quarter of 2008, partially offset by higher other real estate owned and collection costs.

Provisions for loan losses and for benefits and claims increased 14% versus the prior year reflecting an increase in net credit losses of $6.1 billion,partially offset by lower reserve builds of $2.7 billion. Higher net credit losses were primarily driven by higher losses of $3.6 billion in residential real estate lending, $1.0 billion in retail partner cards, and $0.7 billion in international.

Assets decreased $58 billion versus the prior year, primarily driven by lower originations, wind-down of specific businesses, asset sales, divestitures, write-offs and higher loan loss reserve balances. Key divestitures in 2009 included the FI credit card business, Italy consumer finance, Diners Europe, Portugal cards, Norway consumer, and Diners Club North America.

2008 vs. 2007

Revenues, net of interest expense decreased 9% versus the prior year, mostly due to lower Non-interest revenue. Net interest revenue declined 1% versus the prior year. Average loans increased 3%; however, revenues declined, driven by lower balances, de-risking of the portfolio, and spread compression. Non-interest revenue decreased $2 billion, primarily due to the impact of securitization in retail partners cards and the mark-to-market on the mortgage servicing rights asset and related hedge in real estate lending.

Operating expenses increased 31%, driven by the impact of goodwill write-offs of $3.0 billion in the fourth quarter of 2008 and restructuring costs. Excluding one-time expenses, expenses were slightly higher due to increased volumes.

Provisions for loan losses and for benefits and claims increased 76% versus the prior year reflecting increased net credit losses of $6.4 billion and higher reserve builds of $3.1 billion. Higher net credit losses were primarily driven by $3.9 billion in real estate lending and $0.8 billion in retail partner cards.

Assets decreased $65 billion versus the prior year, primarily driven by Real Estate Lending and higher loan loss reserve balances in 2008.

Managed Presentations

The following is a reconciliation of Managed-basis net credit losses in LCL. For a discussion of Managed-basis presentations, see North America Regional Consumer Banking.

	2009	2008	2007
Managed credit losses as a percentage of average managed loans	6.60%	4.00%	2.25%
Impact from credit card securitizations	0.69%	0.44%	0.35%
Net credit losses as a percentage of average loans	5.91%	3.56%	1.90%

Certain Details on LCL Loans

The following table provides additional information, as of December 31, 2009, regarding LCL loan details. For additional information on loans within LCL, see "Managing Global Risk—Credit Risk—Consumer Loan Details" below.

	Composition of loans within Local Consumer Lending as of December 31, 2009		
In billions of dollars	Total loans	Fourth quarter 2009 net credit loss ratio	90+ days past due % (1)
North America			
First mortgages	$118.2	3.51%	10.93%
Second mortgages	54.2	7.00	2.96
Student	26.3	0.42	3.33
Cards (retail partners)	18.9	14.43	4.50
Personal and other	18.3	10.83	3.04
Auto	13.8	7.80	1.96
Commercial real estate	10.6	3.49	3.35
Total North America	$260.3	5.61%	6.55%
International			
EMEA	$ 23.0	6.95%	4.86%
Asia	9.8	12.65	2.25
Latin America	0.3	17.25	2.16
Total international	$ 33.1	8.69%	4.06%
Total	$293.4	5.97%	6.26%

(1) Loans 90+ days past due exclude U.S. mortgage loans that are guaranteed by U.S. government-sponsored agencies, since the potential loss predominantly resides with the U.S. agencies.

Note: Totals may not sum due to rounding.

Japan Consumer Finance

Citigroup continues to actively monitor a number of matters involving its Japan Consumer Finance business, including customer refund claims and defaults, as well as financial and legislative, regulatory, judicial and other political developments, relating to the charging of “gray zone” interest. Gray zone interest represents interest at rates that are legal but for which claims may not be enforceable. This business has incurred and will continue to face net credit losses and refunds, due in part to the impact of Japanese consumer lending laws passed in the fourth quarter of 2006 and judicial and regulatory actions. In addition, legislation effective in 2010 will impose a lower interest rate cap and lower lending cap on consumer lending in Japan, which may reduce credit availability and increase potential claims and losses relating to gray zone interest.

Citi determined in 2008 to exit its Japanese Consumer Finance business and has been liquidating its portfolio and otherwise winding down the business. Citi continues to monitor and evaluate both currently and previously outstanding accounts in its Japanese Consumer Finance business and its reserves related thereto. However, the trend in the type, number and amount of claims, and the potential full amount of losses and their impact on Citi requires evaluation in a potentially volatile environment, is subject to significant uncertainties and continues to be difficult to predict.

SPECIAL ASSET POOL

Special Asset Pool (SAP), which constituted approximately 28% of Citi Holdings by assets as of December 31, 2009, is a portfolio of securities, loans and other assets that Citigroup intends to actively reduce over time through asset sales and portfolio run-off. At December 31, 2009, SAP had $154 billion of assets. SAP assets have declined by $197 billion or 56% from peak levels in 2007 reflecting cumulative write-downs, asset sales and portfolio run-off. Assets have been reduced by $87 billion from year-ago levels. Approximately 60% of SAP assets are now accounted for on an accrual basis, which has helped reduce income volatility.

In millions of dollars	2009	2008	2007	% Change 2009 vs. 2008	% Change 2008 vs. 2007
Net interest revenue	$ 3,173	$ 3,332	$ 2,723	(5)%	22%
Non-interest revenue	(6,855)	(42,906)	(20,619)	84	NM
Revenues, net of interest expense	$ (3,682)	$ (39,574)	$ (17,896)	91%	NM
Total operating expenses	$ 896	$ 988	$ 1,070	(9)%	(8)%
Net credit losses	$ 5,420	$ 909	$ 436	NM	NM
Provision for unfunded lending commitments	111	(172)	71	NM	NM
Credit reserve builds/(release)	(483)	2,844	378	NM	NM
Provisions for credit losses and for benefits and claims	$ 5,048	$ 3,581	$ 885	41%	NM
(Loss) from continuing operations before taxes	$ (9,626)	$ (44,143)	$ (19,851)	78%	NM
Income taxes (benefits)	(4,323)	(17,149)	(7,740)	75	NM
(Loss) from continuing operations	$ (5,303)	$ (26,994)	$ (12,111)	80%	NM
Net income (loss) attributable to noncontrolling interests	(17)	(205)	149	92	NM
Net (loss)	$ (5,286)	$ (26,789)	$ (12,260)	80%	NM
EOP assets (in billions of dollars)	$ 154	$ 241	$ 351	(36)%	(31)%

NM Not meaningful

2009 vs. 2008

Revenues, net of interest expense increased $35.9 billion in 2009, primarily due to the absence of significant negative revenue marks occurring in the prior year. Total negative marks were $1.9 billion in 2009 as compared to $38.1 billion in 2008, as described in more detail below. Revenue in the current year included a positive $1.3 billion CVA on derivative positions, excluding monoline insurers, and positive marks of $0.8 billion on subprime-related direct exposures. These positive revenues were partially offset by negative revenues of $1.5 billion on Alt-A mortgages, $1.3 billion of write-downs on commercial real estate, and a negative $1.6 billion CVA on the monoline insurers and fair value option liabilities. Revenue was also affected by negative marks on private equity positions and write-downs on highly leveraged finance commitments.

Operating expenses decreased 9% in 2009, mainly driven by lower compensation and lower volumes and transaction expenses, partially offset by costs associated with the U.S. government loss-sharing agreement, which Citi exited in the fourth quarter of 2009.

Provisions for credit losses and for benefits and claims increased $1.5 billion, primarily driven by $4.5 billion in increased net credit losses, partially offset by a lower reserve build of $3.0 billion.

Assets declined 36% versus the prior year, primarily driven by amortization and prepayments, sales, marks and charge-offs. Asset sales during the fourth quarter of 2009 ($10 billion) were executed at or above Citi's marks generating $800 million in pretax gains for the quarter.

2008 vs. 2007

Revenues, net of interest expense decreased $21.7 billion, primarily due to negative net revenue marks. Revenue included $14.3 billion of write-downs on subprime-related direct exposures and a negative $6.8 billion CVA related to the monoline insurers and derivative positions. Revenue was also negatively affected by write-downs on highly leveraged finance commitments, Alt-A mortgage revenue, write-downs on structured investment vehicles and commercial real estate, and mark-to-market on auction rate securities. Total negative marks were $38.1 billion in 2008 as compared to $20.2 billion in 2007, which are described in more detail below.

Operating expenses decreased 8%, mainly driven by lower compensation and transaction expenses.

Provisions for credit losses and for benefits and claims increased $2.7 billion, primarily due to a $2.2 billion increase in the reserve build and an increase in net credit losses of $0.5 billion.

Assets declined 31% versus the prior year, primarily driven by amortization and prepayments, sales, and marks and charge-offs.

The following table provides details of the composition of SAP assets as of December 31, 2009.

	Assets within Special Asset Pool as of December 31, 2009		
In billions of dollars	Carrying value of assets	Face value	Carrying value as % of face value
Securities in AFS/HTM (1)			
Corporates	$ 10.3	$ 10.6	97%
Prime and non-U.S. MBS	15.4	19.2	80
Auction rate securities	7.8	10.5	74
Alt-A mortgages	8.7	16.9	51
Other securities (2)	5.7	8.0	71
Total securities in AFS/HTM	$ 47.9	$ 65.3	73%
Loans, leases and letters of credit (LCs) in HFI/HFS (3)			
Corporates	$ 20.3	$ 22.2	91%
Commercial real estate (CRE)	13.5	14.4	94
Other	3.4	4.1	83
Loan loss reserves	(4.1)	NM	NM
Total loans, leases and LCs in HFI/HFS	$ 33.1	NM	NM
Mark-to-market			
Subprime securities (4)	$ 7.3	$ 18.9	39%
Other securities (5)	5.6	25.7	22
Derivatives	6.2	NM	NM
Loans, leases and letters of credit	5.1	8.4	61
Repurchase agreements	6.5	NM	NM
Total mark to market	$ 30.7	NM	NM
Highly leveraged finance commitments	$ 2.8	$ 4.8	58%
Equities (excludes ARS in AFS)	11.3	NM	NM
Structured investment vehicles	16.0	20.5	78
Monolines	1.0	NM	NM
Consumer and other (6)	11.6	NM	NM
Total	$ 154.4		

(1) Available-for-sale (AFS) accounts for approximately one-third of the total. HTM means held-to-maturity.
(2) Includes commercial real estate ($2.1 billion), municipals ($1.1 billion) and asset-backed securities ($1.5 billion).
(3) Held-for-sale (HFS) accounts for approximately $0.9 billion of the total.
(4) This $7.3 billion of assets is reflected in the exposures set forth under “Managing Global Risk—U.S. Subprime-Related Direct Exposure in Citi Holdings—Special Asset Pool.”
(5) Includes $1.9 billion of corporate and $0.7 billion of commercial real estate.
(6) Includes $4.6 billion of small business banking and finance loans.

Note: Totals may not sum due to rounding.
NM Not meaningful

Items Impacting SAP Revenues

The table below provides additional information regarding the net revenue marks affecting the SAP during 2009 and 2008.

	Pretax revenue	
In millions of dollars	2009	2008
Subprime-related direct exposures (1)(2)	$ 810	$ (14,283)
Private equity and equity investments (3)	(1,148)	(2,196)
Alt-A mortgages (1)(4)	(1,451)	(3,075)
Highly leveraged loans and financing commitments (5)	(521)	(4,892)
Commercial real estate positions (1)(6)(7)	(1,526)	(2,898)
Structured investment vehicles' (SIVs) assets	(80)	(3,269)
Auction rate securities proprietary positions (8)	(23)	(1,732)
CVA related to exposure to monoline insurers	(1,301)	(5,736)
CVA on Citi debt liabilities under fair value option	(252)	233
CVA on derivatives positions, excluding monoline insurers	1,283	(1,059)
Subtotal	$ (4,209)	$ (38,907)
Accretion on reclassified assets	1,994	190
Total selected revenue items	$ (2,215)	$ (38,717)

(1) Net of hedges.

(2) See "Managing Global Risk—Credit Risk—U.S. Subprime-Related Direct Exposure in Citi Holdings—Special Asset Pool" for a further discussion of the related risk exposures and the associated marks recorded.

(3) 2009: $95 million recorded in BAM; $1,053 million recorded in SAP. 2008: $418 million recorded in BAM; $1,778 million recorded in SAP.

(4) For these purposes, Alt-A mortgage securities are non-agency RMBS where (i) the underlying collateral has weighted average FICO scores between 680 and 720 or (ii) for instances where FICO scores are greater than 720, RMBS have 30% or less of the underlying collateral composed of full documentation loans. See "Managing Global Risk—Credit Risk—U.S. Consumer Mortgage Lending."

(5) Net of underwriting fees. See "Managing Global Risk—Credit Risk—Highly Leveraged Financing Transactions" for further discussion.

(6) The aggregate $1,526 million recorded in 2009 is comprised of $1,121 million of losses, net of hedges, on exposures recorded at fair value, $562 million of losses on equity method investments, and $157 million of gains recorded on exposures classified as held-for-investment/held-to-maturity. Citi Holdings' commercial real estate exposure is split into three categories of assets: held at fair value; held-to-maturity/held-for-investment; and equity. See "Managing Global Risk—Credit Risk—Exposure to Commercial Real Estate" for further discussion.

(7) Excludes positions in SIVs. Commercial real estate write-downs above include $182 million in 2009 and $191 million in 2008 recorded in BAM.

(8) Excludes write-downs of $6 million in 2009 ($16 million loss recorded in SAP; $8 million gain recorded in BAM) and $393 million in 2008 (all recorded in BAM) arising from the ARS legal settlements.

Credit Valuation Adjustment (CVA) Related to Monoline Insurers

CVA is calculated by applying forward default probabilities, which are derived using the counterparty's current credit spread, to the expected exposure profile. The exposure primarily relates to hedges on super-senior subprime exposures that were executed with various monoline insurance companies. See "Managing Global Risk—Credit Risk—Direct Exposure to Monolines" for further discussion.

Credit Valuation Adjustment on Citi's Debt Liabilities for Which Citi Has Elected the FairValue Option

Citi is required to use its own credit spreads in determining the current value for its derivative liabilities and all other liabilities for which it has elected the fair value option. When Citi's credit spreads widen (deteriorate), Citi recognizes a gain on these liabilities because the value of the liabilities has decreased. When Citi's credit spreads narrow (improve), Citi recognizes a loss on these liabilities because the value of the liabilities has increased. The approximately $252 million of losses recorded in SAP on its fair value option liabilities (excluding derivative liabilities) during 2009 was principally due to the maturing of debt on which Citi has elected the fair value option.

Credit Valuation Adjustment on Derivative Positions, Excluding Monoline Insurers

The approximately $1,283 million net gain in derivative positions held in SAP during 2009 was due to the narrowing spreads of Citi's counterparties on its derivative assets. See "Derivatives—Fair Valuation Adjustments for Derivatives" for further discussion.

Accretion on Reclassified Assets

In the fourth quarter of 2008, Citi Holdings reclassified $33.3 billion of debt securities within SAP from trading securities to HTM investments, $4.7 billion of debt securities from trading securities to AFS, and $15.7 billion of loans from held-for-sale to held-for-investment. All assets were reclassified with an amortized cost equal to the fair value on the date of reclassification. The difference between the amortized cost basis and the expected principal cash flows is treated as a purchase discount and accreted into income over the remaining life of the security or loan. All of these reclassified debt securities and loans are held in SAP. During 2009, SAP recognized approximately $1,994 million of interest revenue from this accretion.

CORPORATE/OTHER

Corporate/Other includes global staff functions (includes finance, risk, human resources, legal and compliance) and other corporate expense, global operations and technology (O&T), residual Corporate Treasury and Corporate items. At December 31, 2009, this segment had approximately $230 billion of assets, consisting primarily of the Company's liquidity portfolio, including $110 billion of cash and cash equivalents.

In millions of dollars	2009	2008	2007
Net interest revenue	$ (1,663)	$ (2,680)	$ (2,008)
Non-interest revenue	(8,893)	422	(302)
Total revenues, net of interest expense	$ (10,556)	$ (2,258)	$ (2,310)
Total operating expenses	$ 1,420	$ 510	$ 1,813
Provisions for loan losses and for benefits and claims	(1)	1	(3)
(Loss) from continuing operations before taxes	$ (11,975)	$ (2,769)	$ (4,120)
Income taxes (benefits)	(4,369)	(587)	(1,446)
(Loss) from continuing operations	$ (7,606)	$ (2,182)	$ (2,674)
Income (loss) from discontinued operations, net of taxes	(445)	4,002	708
Net income (loss) before attribution of noncontrolling interests	$ (8,051)	$ 1,820	$ (1,966)
Net income attributable to noncontrolling interests	—	—	2
Net income (loss)	$ (8,051)	$ 1,820	$ (1,968)

2009 vs. 2008

Revenues, net of interest expense declined, primarily due to the pretax loss on debt extinguishment related to the repayment of the $20 billion of TARP trust preferred securities and the pretax loss in connection with the exit from the loss-sharing agreement with the U.S. government. Revenues also declined, due to the absence of the 2008 sale of Citigroup Global Services Limited recorded in O&T. This was partially offset by a pretax gain related to the exchange offers, revenues and higher intersegment eliminations.

Operating expenses increased, primarily due to intersegment eliminations and increases in compensation, partially offset by lower repositioning reserves.

2008 vs. 2007

Revenues, net of interest expense increased primarily due to the gain in 2007 on the sale of certain corporate-owned assets and higher intersegment eliminations, partially offset by improved Treasury hedging activities.

Operating expenses declined, primarily due to lower restructuring charges in 2008 as well as reductions in incentive compensation and benefits expense.

BALANCE SHEET REVIEW

In billions of dollars	December 31, 2009	2008	Increase (decrease)	% Change
Assets				
Loans, net of unearned income and allowance for loan losses	$ 555	$ 665	$ (110)	(17)%
Trading account assets	343	378	(35)	(9)
Federal funds sold and securities borrowed or purchased under agreements to resell	222	184	38	21
Investments	306	256	50	20
Other assets	431	455	(24)	(5)
Total assets	$ 1,857	$ 1,938	$ (81)	(4)%
Liabilities				
Deposits	$ 836	$ 774	$ 62	8%
Federal funds purchased and securities loaned or sold under agreements to repurchase	154	205	(51)	(25)
Short-term borrowings and long-term debt	433	486	(53)	(11)
Trading account liabilities	138	166	(28)	(17)
Other liabilities	141	163	(22)	(13)
Total liabilities	$ 1,702	$ 1,794	$ (92)	(5)%
Stockholders' equity	$ 155	$ 144	$ 11	8%
Total liabilities and stockholders' equity	$ 1,857	$ 1,938	$ (81)	(4)%

Loans

Loans are an extension of credit to individuals, corporations, or government institutions. Loans vary across regions and industries and primarily include credit cards, mortgages, other real estate lending, personal loans, auto loans, student loans, and corporate loans. The majority of loans are carried at cost with a minimal amount recorded at fair value.

Consumer and corporate loans comprised 72% and 28%, respectively, of Citi's total loans (net of unearned income and before the allowance for loan losses) as of December 31, 2009.

During 2009, consumer loans (net of allowance for loan losses) decreased by $64 billion, or 14%, primarily due to a:

- $33 billion, or 12%, decrease in mortgage and real estate loans; and
- $17 billion, or 19%, decrease in credit card loans, mostly in the U.S.

These decreases were driven by tightened lending standards and credit activity during the year.

During 2009, corporate loans decreased $46 billion, or 22%, primarily driven by a decrease of $21 billion, or 20%, in commercial and industrial loans.

During 2009, average consumer loans (net of unearned income) of $456 billion yielded an average rate of 7.8%, compared to $513 billion and 8.9% in the prior year. Average corporate loans of $190 billion yielded an average rate of 6.3% in 2009, compared to $221 billion and 7.7% in the prior year.

For further information, see "Loans Outstanding" under "Managing Global Risk—Credit Risk" and Note 17 to the Consolidated Financial Statements.

Trading Account Assets (Liabilities)

Trading account assets include debt and marketable equity securities, derivatives in a receivable position, residual interests in securitizations, and physical commodities inventory. In addition, 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 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.

All Trading account assets and Trading account liabilities are reported at their fair value, except for physical commodities inventory which is carried at the lower of cost or market, with unrealized gains and losses recognized in current income.

During 2009, Trading account assets decreased by $35 billion, or 9%, due to a:

- $56 billion, or 49%, decrease in revaluation gains primarily consisting of decreases in interest rate and foreign exchange contracts as well as a decrease in netting agreements;
- $16 billion, or 30%, decrease in mortgage loan securities driven by decreased agency and subprime debt;
- $20 billion, or 172%, increase in U.S. Treasury and federal agency securities;
- $15 billion, or 27%, increase in foreign government securities; and
- $7 billion, or 9%, increase in corporate and other debt securities.

Total average Trading account assets were $267 billion in 2009, compared to $373 billion in 2008, yielding average rates of 4.0% and 4.7%, respectively.

During 2009, Trading account liabilities decreased by $28 billion, or 17%, due to a:

- $51 billion, or 44%, decrease in revaluation losses primarily due to decreases in interest rate, foreign exchange and equity contracts as well as a decrease in netting agreements; and
- $23 billion, or 45%, increase in securities sold, not yet purchased, comprised of an $18 billion increase in debt securities, with U.S. Treasury securities increasing by $5 billion.

In 2009, average Trading account liabilities were $60 billion, yielding an average rate of 0.5%, compared to $75 billion and 1.7% in the prior year.

For further discussion regarding Trading account assets and Trading account liabilities, see Note 15 to the Consolidated Financial Statements.

Federal Funds Sold (Purchased) and Securities Borrowed (Loaned) or Purchased (Sold) Under Agreements to Resell (Repurchase)

Federal funds sold and federal funds purchased consist of unsecured advances of excess balances in reserve accounts held at Federal Reserve banks. When Citigroup advances federal funds to a third party, it is selling its excess reserves. Similarly, when Citigroup receives federal funds, it is purchasing reserves from a third party. These interest-bearing transactions typically have an original maturity of one business day.

Securities borrowed and securities loaned are recorded at the amount of cash advanced or received, with a minimal amount adjusted for fair value. With respect to securities borrowed, Citi pays cash collateral in an amount in excess of the market value of securities borrowed, and receives excess in the case of securities loaned. Citigroup monitors the market value of securities borrowed and loaned on a daily basis with additional collateral advanced or obtained as necessary. Interest received or paid for these transactions is recorded in interest income or interest expense.

Securities purchased under agreements to resell and securities sold under agreements to repurchase are treated as collateralized financing transactions and are primarily carried at fair value since January 1, 2007. Citigroup's policy is to take possession of securities purchased under agreements to resell. The market value of securities to be repurchased and resold is monitored, and additional collateral is obtained where appropriate to protect against credit exposure.

During 2009, the increase of $38 billion, or 21%, in federal funds sold and securities borrowed or purchased under agreements to resell, and the decrease of $51 billion, or 25%, in federal funds purchased and securities loaned or sold under agreements to repurchase were primarily driven by Citi's liquidity management objective of increasing cash and liquid securities positions.

For further information regarding these balance sheet categories, see Note 13 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 loan-backed securities (such as mortgage-backed securities) and other structured notes. Marketable and non-marketable equity securities carried at fair value include common and nonredeemable preferred stock. These instruments provide Citi with long-term investment opportunities while in most cases remaining relatively liquid.

Non-marketable equity securities carried at cost primarily include equity shares issued by the Federal Reserve Bank and the Federal Home Loan Bank that Citigroup is required to hold.

Investment securities classified as available-for-sale are primarily carried at fair value with the changes in fair value generally recognized in stockholders' equity (accumulated other comprehensive income). Declines in fair value that are deemed other-than-temporary, as well as gains and losses from the sale of these investment securities, are recognized in current earnings. Certain investments in non-marketable equity securities and certain investments that would otherwise be accounted for using the equity method are carried at fair value. Changes in fair value of such investments are recorded in earnings. Debt securities classified as held-to-maturity are carried at cost unless a decline in fair value below cost is deemed other-than-temporary, in which case such a decline is recorded in current earnings.

During 2009, investments increased by $50 billion, or 20%, principally due to a:

- $64 billion increase in available-for-sale securities (U.S. Treasury and federal agency securities, $30 billion; foreign governments, $22 billion; and corporate, $10 billion); and
- $13 billion decrease in held-to-maturity securities (predominantly asset-backed securities).

For further information regarding investments, see Note 16 to the Consolidated Financial Statements.

Other Assets

Other assets are composed of cash and due from banks, deposits with banks, brokerage receivables, goodwill, intangibles, and various other assets.

During 2009, Other assets decreased $24 billion, or 5%, due to a:

- $11 billion decrease in Brokerage receivables, driven by the absence of unsettled customer trades as markets have become more liquid;
- $5 billion decrease in Intangible assets and $2 billion decrease in Goodwill, predominantly from the sale of Nikko Cordial Securities and Nikko Asset Management and the MSSB JV with Morgan Stanley;
- $3 billion decrease in Deposits with banks, from decreased deposits with the Federal Reserve used to purchase highly liquid securities; and
- $5 billion decrease in various other assets.

For further information regarding Goodwill and Intangible assets, see Note 19 to the Consolidated Financial Statements. For further discussion on Brokerage receivables, see Note 14 to the Consolidated Financial Statements.

Deposits

Deposits represent customer funds that are payable on demand or upon maturity. The majority of deposits are carried at cost, with a minimal amount recorded at fair value. Deposits can be interest-bearing or non-interest-bearing. Interest-bearing deposits payable by foreign and U.S. domestic banking subsidiaries of Citigroup comprise 58% and 28% of total deposits, respectively, while non-interest-bearing deposits comprise 5% and 9% of total deposits, respectively.

During 2009, total deposits increased by $62 billion, or 8%. Total average deposits increased $10 billion or 1% during 2009.

For more information on deposits, see “Capital Resources and Liquidity—Liquidity.”

Debt

Debt is composed of both short-term and long-term borrowings. It includes commercial paper, borrowings from unaffiliated banks, senior notes (including collateralized advances from the Federal Home Loan Bank), subordinated notes and trust preferred securities. The majority of debt is carried at cost, with approximately $27 billion recorded at fair value.

During 2009, total debt decreased by $53 billion, or 11%, with Short-term borrowings decreasing by $58 billion, or 46%. Long-term debt increased by only $5 billion, or 1%.

The decrease in Short-term borrowings was due to a decline of $39 billion in other funds borrowed and $19 billion in commercial paper primarily caused by decreased need for short-term funding due to excess liquidity caused by increased deposits and a reduction in assets.

Average commercial paper outstanding in 2009 was $25 billion with an average rate of 1.0%, compared to $32 billion and 3.1% in 2008. Average other funds borrowed in 2009 were $77 billion, with an average rate of 1.5%, compared to $83 billion and 1.7% in the prior year.

Average long-term debt outstanding during 2009 was $345 billion, compared to $348 billion in 2008, with an average rate of 3.6% and 4.6%, respectively.

For more information on debt, see Note 20 to the Consolidated Financial Statements and “Capital Resources and Liquidity—Liquidity.”

SEGMENT BALANCE SHEET AT DECEMBER 31, 2009

In millions of dollars	Regional 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	$ 8,005	$ 15,182	$ 23,187	$ 1,146	$ 1,139	$ 25,472
Deposits with banks	8,903	44,772	53,675	4,202	109,537	167,414
Federal funds sold and securities borrowed or purchased under agreements to resell	264	214,606	214,870	7,152	—	222,022
Brokerage receivables	179	22,693	22,872	10,762	—	33,634
Trading account assets	13,818	293,046	306,864	42,855	(6,946)	342,773
Investments	34,466	107,115	141,581	86,049	78,489	306,119
Loans, net of unearned income						
Consumer	123,663	—	123,663	299,887	507	424,057
Corporate	—	125,164	125,164	42,242	41	167,447
Loans, net of unearned income	$ 123,663	$ 125,164	$ 248,827	$ 342,129	$ 548	$ 591,504
Allowance for loan losses	(6,476)	(3,590)	(10,066)	(25,967)	—	(36,033)
Total loans, net	$ 117,187	$ 121,574	$ 238,761	$ 316,162	$ 548	$ 555,471
Goodwill	9,593	10,357	19,950	5,442	—	25,392
Intangible assets (other than MSRs)	2,424	1,082	3,506	5,206	2	8,714
Mortgage servicing rights (MSRs)	—	70	70	6,460	—	6,530
Other assets	17,929	35,308	53,237	61,676	48,192	163,105
Total assets	$ 212,768	$ 865,805	$ 1,078,573	$ 547,112	$ 230,961	$ 1,856,646
Liabilities and equity						
Total deposits	$ 289,719	$ 441,720	$ 731,439	$ 91,542	$ 12,922	$ 835,903
Federal funds purchased and securities loaned or sold under agreements to repurchase	2,347	151,530	153,877	37	367	154,281
Brokerage payables	187	60,653	60,840	1	5	60,846
Trading account liabilities	26	132,377	132,403	5,109	—	137,512
Short-term borrowings	227	30,085	30,312	4,526	34,041	68,879
Long-term debt	1,320	85,768	87,088	30,431	246,500	364,019
Other liabilities	62,428	143,678	206,106	75,322	(201,195)	80,233
Net inter-segment funding (lending)	(143,486)	(180,006)	(323,492)	340,144	(16,652)	—
Total Citigroup stockholders' equity	—	—	—	—	$ 152,700	$ 152,700
Noncontrolling interest	—	—	—	—	2,273	2,273
Total equity	—	—	—	—	154,973	154,973
Total liabilities and equity	$ 212,768	$ 865,805	$ 1,078,573	$ 547,112	$ 230,961	$ 1,856,646

The above supplemental information reflects Citigroup's consolidated GAAP balance sheet by reporting segment as of December 31, 2009. The respective segment information closely 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 interrelationship of the asset and liability dynamics of the balance sheet components among Citi's business segments.

CAPITAL RESOURCES AND LIQUIDITY

CAPITAL RESOURCES

Overview

Capital has historically been generated by earnings from Citi's operating businesses. Citi may also augment its capital through issuances of common stock, convertible preferred stock, preferred stock, equity issued through awards under employee benefit plans, and, in the case of regulatory capital, through the issuance of subordinated debt underlying trust preferred securities. In addition, the impact of future events on Citi's business results, such as corporate and asset dispositions, as well as changes in accounting standards, also affect Citi's capital levels.

Generally, capital is used primarily to support assets in Citi's businesses and to absorb market, credit, or operational losses. While capital may be used for other purposes, such as to pay dividends or repurchase common stock, Citi's ability to utilize its capital for these purposes is currently restricted due to its agreements with the U.S. government, generally for so long as the U.S. government continues to hold Citi's common stock or trust preferred securities. See also "Supervision and Regulation" below.

Citigroup's capital management framework is designed to ensure that Citigroup and its principal subsidiaries maintain sufficient capital consistent with Citi's risk profile and all applicable regulatory standards and guidelines, as well as external rating agency considerations. The capital management process is centrally overseen by senior management and is reviewed at the consolidated, legal entity, and country level.

Senior management is responsible for the capital management process mainly through Citigroup's Finance and Asset and Liability Committee (FinALCO), with oversight from the Risk Management and Finance Committee of Citigroup's Board of Directors. The FinALCO is composed of the senior-most management of Citigroup for the purpose of engaging management in decision-making and related discussions on capital and liquidity matters. Among other things, FinALCO's responsibilities include: determining the financial structure of Citigroup and its principal subsidiaries; ensuring that Citigroup and its regulated entities are adequately capitalized in consultation with its regulators; determining appropriate asset levels and return hurdles for Citigroup and individual businesses; reviewing the funding and capital markets plan for Citigroup; and monitoring interest rate risk, corporate and bank liquidity, and the impact of currency translation on non-U.S. earnings and capital.

Capital Ratios

Citigroup is subject to the risk-based capital guidelines issued by the Federal Reserve Board. Historically, capital adequacy has been measured, in part, based on two risk-based capital ratios, the Tier 1 Capital and Total Capital (Tier 1 Capital + Tier 2 Capital) ratios. Tier 1 Capital consists of the sum of "core capital elements," such as qualifying common stockholders' equity, as adjusted, qualifying noncontrolling interests, and qualifying mandatorily redeemable securities of subsidiary trusts, 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. Further, in conjunction with the conduct of the 2009 Supervisory Capital Assessment Program (SCAP), U.S. banking regulators developed a new measure of capital termed "Tier 1 Common," which has been defined as Tier 1 Capital less non-common elements, including qualifying perpetual preferred stock, qualifying noncontrolling interests, and qualifying mandatorily redeemable securities of subsidiary trusts.

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

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

To be "well capitalized" under 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 a Leverage ratio of at least 3%, and not be subject to a Federal Reserve Board directive to maintain higher capital levels. The following table sets forth Citigroup's regulatory capital ratios as of December 31, 2009 and December 31, 2008.

Citigroup Regulatory Capital Ratios

At year end	2009	2008
Tier 1 Common	9.60%	2.30%
Tier 1 Capital	11.67	11.92
Total Capital (Tier 1 Capital and Tier 2 Capital)	15.25	15.70
Leverage	6.89	6.08

As noted in the table above, Citigroup was "well capitalized" under the federal bank regulatory agency definitions at year end for both 2009 and 2008.

Components of Capital Under Regulatory Guidelines

In millions of dollars at year end	2009	2008 (
Tier 1 Common		
Citigroup common stockholders' equity	$ 152,388	$ 70,966
Less: Net unrealized losses on securities available-for-sale, net of tax (2)	(4,347)	(9,647)
Less: Accumulated net losses on cash flow hedges, net of tax	(3,182)	(5,189)
Less: Pension liability adjustment, net of tax (3)	(3,461)	(2,615)
Less: Cumulative effect included in fair value of financial liabilities attributable to the change in own credit worthiness, net of tax (4)	760	3,391
Less: Disallowed deferred tax assets (5)	26,044	23,520
Less: Intangible assets:		
Goodwill	25,392	27,132
Other disallowed intangible assets	5,899	10,607
Other	(788)	(840)
Total Tier 1 Common	$ 104,495	$ 22,927
Qualifying perpetual preferred stock	$ 312	$ 70,664
Qualifying mandatorily redeemable securities of subsidiary trusts	19,217	23,899
Qualifying noncontrolling interests	1,135	1,268
Other	1,875	—
Total Tier 1 Capital	$ 127,034	$ 118,758
Tier 2 Capital		
Allowance for credit losses (6)	$ 13,934	$ 12,806
Qualifying subordinated debt (7)	24,242	24,791
Net unrealized pretax gains on available-for-sale equity securities (2)	773	43
Total Tier 2 Capital	$ 38,949	$ 37,640
Total Capital (Tier 1 Capital and Tier 2 Capital)	$ 165,983	$ 156,398
Risk-weighted assets (8)	$ 1,088,526	$ 996,247

(1) Reclassified to conform to the current period presentation.

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

(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 including Citigroup's own credit rating in valuing financial liabilities for which the fair value option has been elected is excluded from Tier 1 Capital, in accordance with risk-based capital guidelines.

(5) Of Citi's approximately $46 billion of net deferred tax assets at December 31, 2009, approximately $15 billion of such assets were includable without limitation in regulatory capital pursuant to risk-based capital guidelines, while approximately $26 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 other approximately $5 billion of net deferred tax assets primarily represented approximately $3 billion of deferred tax effects of unrealized gains and losses on available-for-sale debt securities and approximately $2 billion of deferred tax effects of the pension liability adjustment, which are permitted to be excluded prior to deriving the amount of net deferred tax assets subject to limitation under the guidelines. Citi had approximately $24 billion of disallowed deferred tax assets at December 31, 2008.

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

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

(8) Includes risk-weighted credit equivalent amounts, net of applicable bilateral netting agreements, of $64.5 billion for interest rate, commodity, and equity derivative contracts, foreign exchange contracts, and credit derivatives as of December 31, 2009, compared with $102.9 billion as of December 31, 2008. Market risk equivalent assets included in risk-weighted assets amounted to $80.8 billion at December 31, 2009 and $101.8 billion at December 31, 2008. 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.

2009 Actions Significantly Impacting Citigroup's Capital
Primarily as a result of the preferred stock and trust preferred securities exchange offers consummated in the third quarter of 2009, and capital raised in connection with the $20 billion TARP repayment as well as the exiting of the loss-sharing agreement in the fourth quarter of 2009, the overall quality of Citigroup's capital was enhanced, with Tier 1 Common increasing by approximately $82 billion from December 31, 2008 to December 31, 2009. In addition, Citigroup's Tangible Common Equity (TCE) increased by approximately $87 billion from December 31, 2008 to December 31, 2009. Tier 1 Common and related capital adequacy ratios are measures used and relied upon by U.S. banking regulators, while TCE is a capital adequacy metric used and relied upon by industry analysts. However, both metrics and related ratios are considered "non-GAAP financial measures" for SEC purposes. See "Capital Ratios," "Components of Capital Under Regulatory Guidelines," and "Tangible Common Equity" for additional information on these measures.

2009 Actions Significantly Impacting Citigroup's Risk-Weighted Assets
In the fourth quarter of 2009, Citigroup entered into an agreement to exit the loss-sharing agreement with the U.S. Treasury, FDIC, and Federal Reserve Bank of New York, which covered losses on a specifically designated portfolio, principally comprised of consumer assets, and initially valued at approximately $301 billion as of November 21, 2008. Under the agreement, these designated assets had been risk-weighted at 20% for purposes of calculating Citi's risk-based capital ratios. With the exiting of the agreement, commencing December 31, 2009, Citigroup discontinued risk-weighting these assets at 20%. Rather, the assets were risk-weighted as required in accordance with risk-based capital guidelines, as described above, and consistent to that prior to entering into the agreement. The exiting of the loss-sharing agreement increased Citigroup's risk-weighted assets by approximately $136 billion, and correspondingly decreased Citi's Tier 1 Common, Tier 1 Capital, and Total Capital ratios by approximately 125 basis points, approximately 157 basis points, and approximately 183 basis points, respectively, at December 31, 2009.

In addition, during the first half of 2009, all three of Citigroup's primary credit card securitization trusts—the Master Trust, Omni Trust, and Broadway Trust—had bonds placed on ratings watch with negative implications by rating agencies. As a result of the ratings watch status, certain actions were taken by Citi with respect to each of the trusts. In general, the actions subordinated certain senior interests in the trust assets that were retained by Citi, which effectively placed these interests below investor interests in terms of priority of payment.

As a result of these actions, based on the applicable regulatory capital rules, Citigroup began including the sold assets for all three of the credit card securitization trusts in its risk-weighted assets for purposes of calculating its risk-based capital ratios during 2009. The increase in risk-weighted assets occurred in the quarter during 2009 in which the respective actions took place. The effect of these changes increased Citigroup's risk-weighted assets by approximately $82 billion, and decreased Citigroup's Tier 1 Capital ratio by approximately 100 basis points each as of March 31, 2009, with respect to the Master and Omni Trusts. The inclusion of the Broadway Trust increased Citigroup's risk-weighted assets by an additional approximate $900 million at June 30, 2009. All bond ratings for each of the trusts have been affirmed by the rating agencies, and no downgrades had occurred as of December 31, 2009.

2010 Accounting Changes Significantly Impacting Citigroup's Capital—Elimination of Qualifying Special Purpose Entities (QSPEs) and Changes in the Consolidation Model for Variable Interest Entities (VIEs)
Changes that the FASB adopted in 2009 regarding sales treatment for assets and consolidation of off-balance-sheet VIEs, as promulgated in SFAS 166 and SFAS 167, respectively, will have a significant and immediate impact on Citigroup's capital ratios beginning in the first quarter of 2010. Specifically, the pro forma impact on Citigroup's capital ratios of the adoption on January 1, 2010 of SFAS 166 and SFAS 167 (based on financial information as of December 31, 2009) would be as follows:

	As of December 31, 2009		
	As reported	Pro forma	Impact
Tier 1 Common	9.60%	8.21%	(139) bps
Tier 1 Capital	11.67	10.26	(141) bps
Total Capital	15.25	13.82	(143) bps
Leverage	6.89	6.14	(75) bps
TCE (TCE/RWA)	10.86%	9.99%	(87) bps

For more information, see Notes 1 and 23 to the Consolidated Financial Statements, including "Funding, Liquidity Facilities and Subordinate Interests" below.

Common Stockholders' Equity
Citigroup's common stockholders' equity increased during 2009 by $81.4 billion to $152.4 billion, and represented 8.2% of total assets as of December 31, 2009. Citigroup's common stockholders' equity was $71.0 billion, which represented 3.7% of total assets, at December 31, 2008.

The table below summarizes the change in Citigroup's common stockholders' equity during 2009:

In billions of dollars	
Common stockholders' equity, December 31, 2008	$ 71.0
Net loss (1) (2)	(1.6)

Employee benefit plans and other activities	1.0
Dividends	(3.4)
Exchange offers (1)	58.8
Issuance of common equity and T-DECs	20.3
Net change in accumulated other comprehensive income (loss), net of tax	6.3
Common stockholders' equity, December 31, 2009	$ 152.4

(1) Net loss includes a $0.9 billion after-tax gain related to the conversion of trust preferred securities held by public investors into common stock, pursuant to Citi's public and private exchange offers consummated in July 2009 and completed in their entirety in September 2009.

(2) Net loss includes a $6.2 billion after-tax loss associated with the $20 billion TARP repayment as well as the exiting of the loss-sharing agreement in December 2009.

As of December 31, 2009, approximately $6.7 billion of stock repurchases remained under Citi's authorized repurchase programs. No material repurchases were made in 2009 or 2008. In addition, for so long as the U.S. government holds any Citigroup common stock or trust preferred securities acquired pursuant to the preferred stock exchange offers, Citigroup has agreed not to acquire, repurchase, or redeem any Citigroup equity or trust preferred securities, other than pursuant to administering its employee benefit plans or other customary exceptions, or with the consent of the U.S. government. See also "Supervision and Regulation."

Tangible Common Equity

TCE, as defined by Citigroup, represents Common equity less Goodwill and Intangible assets (other than Mortgage Servicing Rights (MSRs)) net of the related net deferred taxes. Other companies may calculate TCE in a manner different from that of Citigroup. Citi's TCE was $118.2 billion and $31.1 billion at December 31, 2009 and 2008, respectively.

The TCE ratio (TCE divided by risk-weighted assets) was 10.9% and 3.1% at December 31, 2009 and 2008, respectively.

A reconciliation of Citigroup's total stockholders' equity to TCE follows:

In millions of dollars at year end, except ratios	2009	2008
Total Citigroup stockholders' equity	$ 152,700	$ 141,630
Less:		
Preferred stock	312	70,664
Common equity	$ 152,388	$ 70,966
Less:		
Goodwill	25,392	27,132
Intangible assets (other than MSRs)	8,714	14,159
Related net deferred taxes	68	(1,382)
Tangible common equity (TCE)	$ 118,214	$ 31,057
Tangible assets		
GAAP assets	$ 1,856,646	$ 1,938,470
Less:		
Goodwill	25,392	27,132
Intangible assets (other than MSRs)	8,714	14,159
Related deferred tax assets	386	1,285
Tangible assets (TA)	$ 1,822,154	$ 1,895,894
Risk-weighted assets (RWA)	$ 1,088,526	$ 996,247
TCE/TA ratio	6.49%	1.64%
TCE ratio (TCE/RWA)	10.86%	3.12%

Capital Resources of Citigroup's Depository Institutions

Citigroup's U.S. subsidiary depository institutions are 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. To be "well capitalized" under these regulatory definitions, Citigroup's depository institutions must have a Tier 1 Capital ratio of at least 6%, a Total Capital (Tier 1 Capital + Tier 2 Capital) ratio of at least 10%, and a Leverage ratio of at least 5%, and not be subject to a regulatory directive to meet and maintain higher capital levels.

At December 31, 2009, all of Citigroup's subsidiary depository institutions were "well capitalized" under federal bank regulatory agency definitions, including Citigroup's primary depository institution, Citibank, N.A., as noted in the following table:

Citibank, N.A. Components of Capital and Ratios Under Regulatory Guidelines

In billions of dollars at year end	2009	2008
Tier 1 Capital	$ 96.8	$ 71.0
Total Capital (Tier 1 Capital and Tier 2 Capital)	110.6	108.4
Tier 1 Capital ratio	13.16%	9.94%
Total Capital ratio	15.03	15.18
Leverage ratio (1)	8.31	5.82

(1) Tier 1 Capital divided by each period's quarterly adjusted average total assets.

Citibank, N.A. had a $2.8 billion net loss for 2009. In addition, during 2009, Citibank, N.A. received capital contributions from its immediate parent company, Citicorp, in the amount of $33.0 billion. Total subordinated notes issued to Citibank, N.A.'s immediate parent company, Citicorp, included in Citibank, N.A.'s Tier 2 Capital declined from $28.2 billion outstanding at December 31, 2008 to $4.0 billion outstanding at December 31, 2009, reflecting the redemption of $24.2 billion of subordinated notes during 2009.

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, Tier 1 Capital, or Total Capital (numerator), or changes of $1 billion in risk-weighted assets or adjusted average total assets (denominator) based on financial information as of December 31, 2009. This information is provided for the purpose of analyzing the impact that a change in Citigroup's and

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	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	0.9 bps	0.9 bps	0.9 bps	1.1 bps	0.9 bps	1.4 bps	0.5 bps	0.4 bps
Citibank, N.A.	—	—	1.4 bps	1.8 bps	1.4 bps	2.0 bps	0.9 bps	0.7 bps

Broker-Dealer Subsidiaries

At December 31, 2009, Citigroup Global Markets Inc., a broker-dealer registered with the SEC that is an indirect wholly owned subsidiary of Citigroup Global Markets Holdings Inc., had net capital, computed in accordance with the SEC's net capital rule, of $10.9 billion, which exceeded the minimum requirement by $10.2 billion.

In addition, certain of Citi's broker-dealer subsidiaries are subject to regulation in the other countries in which they do business, including requirements to maintain specified levels of net capital or its equivalent. Citigroup's broker-dealer subsidiaries were in compliance with their capital requirements at December 31, 2009. The requirements applicable to these subsidiaries in the U.S. and other jurisdictions may be subject to political uncertainty and potential change in light of the recent financial crisis and regulatory reform proposals currently being considered at both the legislative and regulatory levels.

Regulatory Capital Standards Developments

Citigroup supports the move to a new set of risk-based capital standards, published on June 26, 2004 (and subsequently amended in November 2005) by the Basel Committee on Banking Supervision, consisting of central banks and bank supervisors from 13 countries. The international version of the Basel II framework will allow Citigroup to leverage internal risk models used to measure credit, operational, and market risk exposures to drive regulatory capital calculations.

On December 7, 2007, the U.S. banking regulators published the rules for large banks to comply with Basel II in the U.S. These rules require Citigroup, as a large and internationally active bank, to comply with the most advanced Basel II approaches for calculating credit and operational risk capital requirements. The U.S. implementation timetable consists of a parallel calculation period under the current regulatory capital regime (Basel I) and Basel II, starting anytime between April 1, 2008 and April 1, 2010, followed by a three-year transition period, typically starting 12 months after the beginning of parallel reporting. U.S. regulators have reserved the right to change how Basel II is applied in the U.S. following a review at the end of the second year of the transitional period, and to retain the existing prompt corrective action and leverage capital requirements applicable to banking organizations in the U.S. Citigroup intends to implement Basel II within the timeframe required by the final rules. The Basel II (or its successor) requirements are the subject of political uncertainty and potential tightening or other change in light of the recent financial crisis and regulatory reform proposals currently being considered at both the legislative and regulatory levels. See also "Risk Factors."

FUNDING AND LIQUIDITY

General

Citigroup's cash flows and liquidity needs are primarily generated within its operating subsidiaries. Exceptions exist for major corporate items, such as the TARP repayment, and for equity and certain long-term debt issuances, which take place at the Citigroup corporate level. Generally, Citi's management of funding and liquidity is designed to optimize availability of funds as needed within Citi's legal and regulatory structure. Various constraints limit certain subsidiaries' ability to pay dividends or otherwise make funds available. Consistent with these constraints, Citigroup's primary objectives for funding and liquidity management are established by entity and in aggregate across three main operating entities, as follows: (i) Citigroup, as the parent holding company; (ii) banking subsidiaries; and (iii) non-banking subsidiaries.

Citigroup sources of funding include deposits, collateralized financing transactions and a variety of unsecured short- and long-term instruments, including federal funds purchased, commercial paper, long-term debt, trust preferred securities, preferred stock and common stock.

As a result of continued deleveraging, growth in deposits, term securitization under government and non-government programs, the issuance of long-term debt under the FDIC's Temporary Liquidity Guarantee Program (TLGP) and the issuance of non-guaranteed debt (particularly during the latter part of 2009), Citigroup substantially increased its balances of cash and highly liquid securities and reduced its short-term borrowings during 2009.

Citi has focused on growing a geographically diverse retail and corporate deposit base that stood at approximately $836 billion as of December 31, 2009, up $62 billion compared to December 31, 2008. On a volume basis, deposit increases occurred in Regional Consumer Banking, particularly in North America, and in Transaction Services due to growth in all regions and strength in Treasury and Trade Solutions. Excluding the impact of foreign exchange, Citi's deposit base has increased sequentially over each of the last six quarters. The deposits are diversified across products and regions, with approximately 64% outside of the U.S. This diversification provides Citi with an important and low-cost source of funding. A significant portion of these deposits has been, and is currently expected to be, long-term and stable and is considered to be core. During 2010, although our deposit balances may be subject to seasonal fluctuations, we anticipate pursuing modest deposit growth while concentrating on widening spreads.

At December 31, 2009, long-term debt and commercial paper outstanding for Citigroup, Citigroup Global Market Holdings Inc. (CGMHI), Citigroup Funding Inc. (CFI) and other Citigroup subsidiaries, collectively, were as follows:

In billions of dollars	Citigroup parent company	CGMHI (1)	CFI (1)	Other Citigroup subsidiaries
Long-term debt	$ 197.8 (3)	$ 13.4	$ 55.5	$ 97.3 (2)
Commercial paper	$ —	$ —	$ 9.8	$ 0.4

(1) Citigroup guarantees all of CFI's debt and CGMHI's publicly issued securities.
(2) At December 31, 2009, approximately $24.1 billion relates to collateralized advances from the Federal Home Loan Bank.
(3) Of this amount, approximately $64.6 billion is guaranteed by the FDIC with $6.3 billion maturing in 2010, $20.3 billion maturing in 2011 and $38 billion maturing in 2012.

The table below details the long-term debt issuances of Citigroup during the past five quarters.

In billions of dollars	4Q08	1Q09	2Q09	3Q09	4Q09	2009 Total
Debt issued under TLGP guarantee	$ 5.8	$ 21.9	$ 17.0	$ 10.0	$ 10.0	$ 58.9
Debt issued without TLGP guarantee:						
Citigroup parent company/CFI	0.3	2.0	7.4	12.6	4.0 (3)	26.0
Other Citigroup subsidiaries	0.5	0.5	10.1 (1)	7.9 (2)	5.8 (4)	24.3
Total	$ 6.6	$ 24.4	$ 34.5	$ 30.5	$ 19.8	$ 109.2

(1) Includes $8.5 billion issued through the U.S. government-sponsored Department of Education Conduit Facility, and $1 billion issued by Citibank Pty. Ltd. Australia and guaranteed by the Commonwealth of Australia.
(2) Includes $3.3 billion issued through the U.S. government-sponsored Department of Education Conduit Facility, and $1 billion issued by Citibank Pty. Ltd. Australia and guaranteed by the Commonwealth of Australia.
(3) Includes $1.9 billion of senior debt issued under remarketing of $1.9 billion of Citigroup trust preferred securities held by the Abu Dhabi Investment Authority (ADIA) to provide funds for settlement of the forward stock purchase contract in March 2010, as provided for by the agreement between Citi and

ADIA.

(4) Includes $1.4 billion issued through the U.S. government-sponsored Department of Education Conduit Facility.

See Note 20 to the Consolidated Financial Statements for further detail on Citigroup's and its affiliates' long-term debt and commercial paper outstanding. Commercial paper outstanding as of December 31, 2009 has decreased from $29 billion as of December 31, 2008 to $10 billion. In 2010, commercial paper is expected to continue to be an important source of funding for Citi, maintained at approximately the $10 billion level.

The TLGP expired on October 31, 2009 and Citigroup and its affiliates elected not to participate in any FDIC-approved extension of the program. In addition, as of the end of 2009, Citigroup had substantially eliminated utilization of short-term government funding programs.

In addition to growing its deposit base and engaging in long-term debt funding, Citi has been actively building its structural liquidity by reducing total assets. Total assets as of December 31, 2009 have declined 4% as compared to December 31, 2008. Loans (net of allowance), which are one of Citi's most illiquid assets, are down $109 billion, or approximately 15%. Deposits as a percentage of loans have increased to 150% as of December 31, 2009 from 116% as of December 31, 2008. Structural liquidity, defined as the sum of deposits, long-term debt and stockholders' equity as a percentage of total assets, has increased steadily through 2008and 2009 and was 73% at December 31, 2009, as compared with 66% at December 31, 2008.

Aggregate Liquidity Resources

	Parent and broker-dealer		Significant bank entities		Total	
In billions of dollars at year end	2009	2008	2009	2008	2009	2008
Cash at major central banks	$ 10.4	$ 49.2	$ 105.1	$ 74.5	$ 115.5	$ 123.7
Liquid securities and assets pledged at major central banks	76.4	22.8	123.6	53.8	200.0	76.6
Total	$ 86.8	$ 72.0	$ 228.7	$ 128.3	$ 315.5	$ 200.3

As noted in the table above, Citigroup's aggregate liquidity resources totaled $315.5 billion as of December 31, 2009, compared with $200.3 billion as of December 31, 2008. As of December 31, 2009, Citigroup's and its affiliates' liquidity portfolio and broker-dealer "cash box" totaled $86.8 billion as compared with $72.0 billion at December 31, 2008. This includes the liquidity portfolio and cash box held in the U.S. as well as government bonds held by Citigroup's broker-dealer entities in the United Kingdom and Japan. Further, at December 31, 2009, Citigroup's bank subsidiaries had an aggregate of approximately $105.1 billion of cash on deposit with major Central Banks (including the U.S. Federal Reserve Bank of New York, the 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 approximately $74.5 billion at December 31, 2008. Citigroup's bank subsidiaries also have significant additional liquidity resources through unencumbered highly liquid securities available for secured funding through private markets or that are, or could be, pledged to the major Central Banks and the U.S. Federal Home Loan Banks. The value of these liquid securities was $123.6 billion at December 31, 2009 compared with $53.8 billion at December 31, 2008. Significant amounts of cash and liquid securities are also available in other Citigroup entities.

Consistent with the strategic reconfiguration of Citi's balance sheet, the build-up of liquidity resources and the shift in focus on increasing structural liabilities, Citigroup entered 2010 with much of its required long-term debt funding already in place. As a consequence, it is currently expected that the direct long-term funding requirements for Citigroup and CFI in 2010 will be $15 billion, which is well below the $39 billion of expected maturities.

Banking Subsidiaries—Constraints on Supplying Funds

There are various legal and regulatory limitations on the ability of Citigroup's subsidiary depository institutions to pay dividends, extend credit or otherwise supply funds to Citigroup and its non-bank subsidiaries. In determining the declaration of dividends, each depository institution must also consider its effect on applicable risk-based capital and leverage ratio requirements, as well as policy statements of the federal regulatory agencies that indicate that banking organizations should generally pay dividends out of current operating earnings. Citigroup did not receive any dividends from its banking subsidiaries during 2009.

Some of Citigroup's non-bank subsidiaries have credit facilities with Citigroup's subsidiary depository institutions, including Citibank, N.A. Borrowings under these facilities must be secured in accordance with Section 23A of the Federal Reserve Act. There are various legal restrictions on the extent to which Citi's subsidiary depository institutions can lend or extend credit to or engage in certain other transactions with Citigroup and certain of its non-bank subsidiaries. In general, transactions must be on arm's-length terms and be secured by designated amounts of specified collateral. See Note 20 to the Consolidated Financial Statements.

Management of Liquidity

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

A uniform liquidity risk management policy exists for Citigroup, its consolidated subsidiaries and managed affiliates. Under this policy, there is a single set of standards for the measurement of liquidity risk in order to ensure consistency across businesses, stability in methodologies, transparency of risk, and establishment of appropriate risk appetite.

Liquidity management is overseen by the Board of Directors through its Risk Management and Finance Committee and by senior management through Citigroup's Finance and Asset and Liability Committee (FinALCO). One of the objectives of the Risk Management and Finance Committee of Citigroup's Board of Directors as well as the FinALCO is to monitor and review overall liquidity policies and practices as well as the liquidity and balance sheet positions of Citigroup and its principal subsidiaries. Additionally, oversight of liquidity is provided by Citigroup's Global Asset and Liability Committee. Asset and Liability Committees are also established for each region, country and/or major line of business.

MONITORING LIQUIDITY

Funding and Liquidity Plans

Each principal operating subsidiary and/or country must prepare a Funding and Liquidity Plan for approval by the Treasurer and independent risk management. For significant entities, as defined by balance sheet size and the liquidity risk position, the Funding and Liquidity Plan is prepared and approved on an annual basis. The Funding and Liquidity Plan addresses strategic liquidity issues and establishes the parameters for identifying, measuring, monitoring and limiting liquidity risk and sets forth key assumptions for liquidity risk management. The Funding and Liquidity Plan includes analysis of the balance sheet, as well as the economic and business conditions impacting, or potentially impacting, the liquidity of the major operating subsidiary and/or country. As part of the Funding and Liquidity Plan, liquidity limits, liquidity ratios, market triggers, and assumptions for periodic stress tests are established and approved.

Risk Tolerance

Citigroup establishes its key risk tolerances based on stress tests and a cash capital ratio (as described in "Liquidity Ratios" below). This framework requires that entities be self-sufficient or net providers of liquidity in their designated stress tests and have excess cash capital. Aggregate self sufficiency targets have been established for the banking subsidiaries, Citigroup, the parent holding company, and CGMHI as well as for individual entities as part of their Funding and Liquidity Plans. In addition, an important benchmark for the combined Citigroup, the parent holding company, and CGMHI is to maintain sufficient liquidity to meet all maturing obligations for a one-year period without access to the unsecured wholesale markets.

Within this context, there are a series of tools used to monitor Citigroup's liquidity position. These include liquidity gaps and associated limits, liquidity ratios, stress testing and market triggers, as described below.

Liquidity Gaps and Limits

Citigroup uses a monitoring tool that measures potential funding gaps over various time horizons in a standard operating environment. The gap for any given funding need represents the potential market access required, or placements to the market (internal or external) over designated tenors. Limits establish risk appetite for potential market access in standard operating conditions and are monitored against the liquidity position on a daily basis. Limits are established based on evaluation of available contingent actions and liquidity vulnerabilities under designated stress scenarios. While the contingent capacity places a cap on the limits, the limits are also evaluated based on the structural liquidity of the balance sheet, stability of liabilities, liquidity of assets, depth of markets, the experience of management, size of the balance sheet, historical utilization, and an evaluation of expected business and funding strategy. Limits are established such that in stress scenarios, entities are self-funded or net providers of liquidity. Thus, the risk tolerance for liquidity funding gaps is limited based on the capacity to cover the position in a stressed environment. These limits are the key daily risk-management tool for Citigroup, the parent holding company, and its banking subsidiaries.

Liquidity Ratios

A series of standard corporate-wide liquidity ratios has been established to monitor the structural elements of Citigroup's liquidity. One of the key structural liquidity measures is the cash capital ratio. Cash capital is a broader measure of the ability to fund the structurally illiquid portion of Citigroup's balance sheet than traditional measures such as deposits to loans or core deposits to loans. Cash capital measures the amount of long-term funding (>1 year) available to fund illiquid assets. Long-term funding includes core customer deposits, long-term debt and equity. Illiquid assets include loans (net of liquidity adjustments), illiquid securities, securities haircuts and other assets (i.e., goodwill, intangibles, fixed assets, receivables, etc.). Cash capital targets are established for Citigroup, the parent holding company, CGMHI and Citigroup's aggregate banking subsidiaries. In addition, each entity is required to calculate a cash capital ratio on a monthly basis. Benchmarks must be established and approved for the cash capital ratio as part of the entities' Funding and Liquidity plan. At December 31, 2009, the combined Citigroup, the parent holding company, and CGMHI, as well as the aggregate banking subsidiaries had an excess of cash capital. In addition, as of December 31, 2009 the combined Citigroup, the parent holding company, and CGMHI maintained liquidity to meet all maturing obligations significantly in excess of a one-year period without access to the unsecured wholesale markets.

Stress Testing

Simulated liquidity stress testing is periodically performed for each major operating subsidiary and/or country. Stress testing / scenario analyses are intended to quantify the likely impact of an event on the balance sheet and liquidity position and to identify viable funding alternatives that can be utilized in a liquidity event. A variety of firm-specific and market-related scenarios are used at the consolidated level and in individual countries. These scenarios include assumptions about significant changes in key funding sources, credit ratings, contingent uses of funding, and political and economic conditions in certain countries. The results of stress tests of individual countries and operating subsidiaries are reviewed to ensure that each individual major operating subsidiary or country is either self-funded or a net provider of liquidity. In addition, a Contingency Funding Plan is prepared on a periodic basis for Citigroup. The plan includes detailed policies, procedures, roles and responsibilities, and the results of corporate stress tests. The product of these stress tests is a series of alternatives that can be used by the Treasurer in a liquidity event.

As a result of the recent financial crisis, Citigroup increased the frequency, duration, and severity of certain stress testing, particularly related to the interconnection of idiosyncratic and systemic risk. Citigroup, the parent holding company, CGMHI and Citigroup's largest bank entities perform their key stress tests at a minimum on a monthly basis. In addition, in conformity with recommendations made by the Credit Risk Management Policy Group, Citigroup calculates a stressed 30-day maximum cash outflow compared with its liquidity resources for some of its key operating entities. This 30-day maximum cash outflow is performed on a daily basis. For other entities, stress testing is performed at a minimum on a quarterly basis.

Market Triggers

Market triggers are internal or external market or economic factors that may imply a change to market liquidity or Citigroup's access to the markets. Citigroup market triggers are monitored by the Treasurer and the head of risk architecture and are presented to the FinALCO.

Appropriate market triggers are also established and monitored for each major operating subsidiary and/or country. Local triggers are reviewed with the local country or business Asset and Liability Committee and independent risk management.

Credit Ratings

Citigroup's ability to access the capital markets and other sources of funds, as well as the cost of these funds and its ability to maintain certain deposits, is dependent on its credit ratings. The table below indicates the current ratings for Citigroup.

As a result of the Citigroup guarantee, changes in ratings for Citigroup Funding Inc. are the same as those of Citigroup noted above.

Citigroup's Debt Ratings as of December 31, 2009

	Citigroup Inc.		Citigroup Funding Inc.		Citibank, N.A.	
	Senior debt	Commercial paper	Senior debt	Commercial paper	Long-term	Short-term
Fitch Ratings	A+	F1+	A+	F1+	A+	F1+
Moody's Investors Service	A3	P-1	A3	P-1	A1	P-1
Standard & Poor's	A	A-1	A	A-1	A+	A-1

On February 9, 2010, S&P affirmed the counterparty credit and debt ratings of Citi. At the same time, S&P revised its outlook on Citi to negative from stable. This action was the result of S&P's view that there is increased uncertainty about the U.S. government's willingness to provide extraordinary support to a number of systematically important financial institutions. Outlooks from both Moody's and Fitch remained stable.

Ratings downgrades by Fitch Ratings, Moody's Investors Service or Standard & Poor's have had and could continue to have material impacts on funding and liquidity, and could also have further explicit material impact on liquidity due to collateral triggers and other cash requirements. Because of the current credit ratings of Citigroup Inc., a one-notch downgrade of its senior debt/long-term rating could impact Citigroup Inc.'s commercial paper/short-term rating. As of December 31, 2009, a one-notch downgrade of the senior debt/long-term rating of Citigroup Inc., accompanied by a one-notch downgrade of Citigroup Inc.'s commercial paper/short-term rating, would result in an approximate $4.2 billion funding requirement in the form of collateral and cash obligations. Further, as of December 31, 2009, a one-notch downgrade of the senior debt/long-term ratings of Citibank, N.A. would result in an approximate $4.2 billion funding requirement in the form of collateral and cash obligations. Because of the current credit ratings of Citibank, N.A., a one-notch downgrade of its senior debt/long-term rating is unlikely to have any impact on its commercial paper/short-term rating.

OFF-BALANCE-SHEET ARRANGEMENTS

Citigroup and its subsidiaries are involved with several types of off-balance-sheet arrangements, including special purpose entities (SPEs), primarily in connection with securitization activities in Regional Consumer Banking and Institutional Clients Group. Citigroup and its subsidiaries use SPEs principally to obtain liquidity and favorable capital treatment by securitizing certain of Citigroup's financial assets, assisting clients in securitizing their financial assets and creating investment products for clients. For further information on Citi's securitization activities and involvement in SPEs,
see Note 23 to the Consolidated Financial Statements and "Significant Accounting Policies and Significant Estimates—Securitizations."

The following tables describe certain characteristics of assets owned by certain identified significant unconsolidated variable interest entities (VIEs) as of December 31, 2009. These VIEs and Citi's exposure to the VIEs are described in Note 23 to the Consolidated Financial Statements.

	Total assets (In billions of dollars)	Weighted average life	Credit rating distribution AAA	AA	A	BBB/BBB+
Citi-administered asset-backed commercial paper conduits	$ 36.3	4.7 years	37%	13%	42%	8%

Asset class	% of total portfolio
Student loans	33%
Trade receivables	5%
Credit cards and consumer loans	4%
Portfolio finance	10%
Commercial loans and corporate credit	18%
Export finance	22%
Auto	4%
Residential mortgage	4%
Total	100%

Collateralized debt and loan obligations	Total assets (In billions of dollars)	Weighted average life	Credit rating distribution A or higher	BBB	BB/B	CCC	Unrated
Collateralized debt obligations (CDOs)	$ 19.3	3.9 years	12%	11%	16%	48%	13%
Collateralized loan obligations (CLOs)	$ 18.8	6.8 years	8%	5%	37%	11%	39%

Municipal securities tender option bond (TOB) trusts	Total assets (In billions of dollars)	Weighted average life	Credit rating distribution AAA/Aaa	AA/Aa1 – AA-/Aa3	Less than AA-/Aa3
Customer TOB trusts (not consolidated)	$ 8.5	12.2 years	12%	85%	3%
Proprietary TOB trusts (consolidated and not consolidated)	$ 12.3	16.4 years	7%	75%	18%
QSPE TOB trusts (not consolidated)	$ 0.7	10.7 years	89%	11%	0%

See "Significant Accounting Policies and Significant Estimates—Securitizations" and Note 1 to the Consolidated Financial Statements for a discussion of SFAS Nos. 166 and 167, effective in the first quarter of 2010, and their impact on Citi.

CONTRACTUAL OBLIGATIONS

The following table includes aggregated information about Citigroup's contractual obligations that impact its short- and long-term liquidity and capital needs. The table includes information about payments due under specified contractual obligations, aggregated by type of contractual obligation. It includes the maturity profile of Citigroup's consolidated long-term debt, leases and other long-term liabilities.

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

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

Excluded from the following table are obligations that are generally short-term in nature, including deposit liabilities and securities sold under agreements to repurchase. The table also excludes certain insurance and investment contracts subject to mortality and morbidity risks or without defined maturities, such that the timing of payments and withdrawals is uncertain. The liabilities related to these insurance and investment contracts are included on the Consolidated Balance Sheet as Insurance Policy and Claims Reserves, Contractholder Funds, and Separate and Variable Accounts.

Citigroup's funding policy for pension plans is generally to fund to the minimum amounts required by the applicable laws and regulations. At December 31, 2009, there were no minimum required contributions, and no contributions are currently planned for the U.S. pension plans. Accordingly, no amounts have been included in the table below for future contributions to the U.S. pension plans. For the non-U.S. pension plans, discretionary contributions in 2010 are anticipated to be approximately $160 million. The anticipated cash contributions in 2010 related to the non-U.S. postretirement benefit plans are $72 million. These amounts are included in the purchase obligations in the table below. The estimated pension and postretirement plan contributions are subject to change, since contribution decisions are affected by various factors, such as market performance, regulatory and legal requirements, and management's ability to change funding policy. For additional information regarding Citi's retirement benefit obligations, see Note 9 to the Consolidated Financial Statements.

	Contractual obligations by year					
In millions of dollars at year end	2010	2011	2012	2013	2014	Thereafter
Long-term debt obligations (1)	$47,162	$59,656	$69,344	$28,132	$34,895	$124,830
Lease obligations	1,247	1,110	1,007	900	851	2,770
Purchase obligations	1,032	446	331	267	258	783
Other long-term liabilities reflected on Citi's Consolidated Balance Sheet (2)	34,218	156	36	35	36	3,009
Total	$83,659	$61,368	$70,718	$29,334	$36,040	$131,392

(1) For additional information about long-term debt and trust preferred securities, see Note 20 to the Consolidated Financial Statements.
(2) Relates primarily to accounts payable and accrued expenses included in Other liabilities in Citi's Consolidated Balance Sheet.

RISK FACTORS

The economic recession and disruptions in the global financial markets have adversely affected, and may continue to adversely affect, Citigroup's business and results of operations.

The financial services industry and the capital markets have been, and may continue to be, materially and adversely affected by the economic recession and disruptions in the global financial markets. These market disruptions were initially triggered by declines that impacted the value of subprime mortgages, but spread to all mortgage and real estate asset classes, to leveraged bank loans and to nearly all asset classes, including equities. These market disruptions resulted in significant write-downs of asset values by financial institutions, including Citigroup, causing many financial institutions to seek additional capital, merge with other financial institutions or, in some cases, go bankrupt.

Disruptions in the global financial markets have also adversely affected, and may continue to adversely affect, the corporate bond markets, equity markets, debt and equity underwriting, and other elements of the financial markets. Such disruptions have caused some lenders and institutional investors to reduce and, in some cases, cease to provide funding to certain borrowers, including other financial institutions. Credit headwinds, increasingly volatile financial markets and reduced levels of business activity may continue to negatively impact Citigroup's business, capital, liquidity, financial condition and results of operations, as well as the trading price of Citigroup common stock, preferred stock and debt securities.

Moreover, market and economic disruptions have affected, and may continue to affect, consumer confidence levels, consumer spending, personal bankruptcy rates, and levels of incurrence and default on consumer debt and home prices, among other factors, in certain of the markets in which Citigroup operates. Any of these factors, along with persistently high levels of unemployment, may result in a greater likelihood of reduced client interaction or elevated delinquencies on consumer loans, particularly with respect to Citi's credit card and mortgage programs, or other obligations to Citigroup. This, in turn, could result in a higher level of loan losses and Citi's allowances for credit losses, all of which could adversely affect Citigroup's earnings. While Citigroup has instituted loss mitigation programs to work with distressed borrowers and potentially mitigate these effects, these programs are in the early stages, and it is uncertain whether they will be successful.

In connection with significant government and central bank actions taken in late 2008 and in 2009, the U.S. and global economies began to see signs of stabilization in certain areas, and some early positive economic signs were observed in late 2009. Despite these positive signs, there remains significant uncertainty regarding the sustainability and pace of economic recovery, unemployment levels, the impact of the U.S. and other governments' unwinding of their extensive economic and market supports, which may accelerate in 2010, and Citi's delinquency and credit loss trends.

Previously enacted and potential future legislation, including legislation to reform the U.S. financial regulatory system, could require Citigroup to change certain of its business practices, impose additional costs on Citigroup or otherwise adversely affect its businesses.

In addition to previously enacted governmental assistance programs designed to stabilize and stimulate the U.S. economy (including without limitation the Emergency Economic Stabilization Act of 2008 (EESA) and the American Recovery and Reinvestment Act of 2009 (ARRA)), recent economic, political and market conditions have led to numerous proposals in the U.S. for changes in the regulation of the financial industry in an effort to prevent future crises and to reform the financial regulatory system.

Some of these proposals have already been adopted. For example, in May 2009, the U.S. Congress enacted the Credit Card Accountability Responsibility and Disclosure Act of 2009 (CARD Act), which, among other things, restricts certain credit card practices, requires expanded disclosures to consumers and provides consumers with the right to opt out of certain interest rate increases. Complying with these legislative changes, as well as the requirements of the amendments to Regulation Z (Truth in Lending) adopted by the Federal Reserve Board and effective July 2010, will require Citigroup to invest significant management attention and resources to make the necessary disclosure and system changes in its U.S. card businesses and will affect the results of such businesses. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—North America Regional Consumer Banking" above and "Managing Global Risk—Credit Risk—2010 Credit Outlook" and "—North America Cards" below for additional information.

In addition, in 2009, the Obama Administration released a comprehensive plan for regulatory reform in the financial industry. The Administration's plan calls for significant proposed structural reforms and new substantive regulation across the financial industry, including, without limitation, requiring that broker-dealers who provide investment advice about securities to investors have the same fiduciary obligations as registered investment advisers; new requirements for the securitization market, including requiring a securitizer to retain a material economic interest in the credit risk associated with the underlying securitization; and additional regulation with respect to the trading of over-the-counter derivatives. In addition, the Administration's plan calls for increased scrutiny and regulation, including potentially heightened capital requirements, for any financial institution whose combination of size, leverage and interconnectedness could pose a threat to market-wide financial stability if it failed. This is sometimes referred to as "systemic risk" and may adversely affect Citigroup, as well as the financial intermediaries with which it interacts on a daily basis such as clearing agencies, clearing houses, banks, securities firms and exchanges.

The House Financial Services Committee began considering legislation based on the Administration's proposal, and in December 2009, the U.S. House of Representatives passed the Wall Street Reform and Consumer Protection Act. The bill calls for comprehensive financial regulatory reform and would create a Consumer Protection Agency whose mandate includes measures that would subject federally chartered financial institutions to state consumer protection laws that have historically been preempted. The bill would also provide Federal regulators with the authority to rein in or dismantle financial institutions whose collapse could pose a systemic risk to the financial stability or economy of the U.S. due to their size, leverage or interconnectedness. The Senate Banking, Housing and Urban Affairs Committee also issued a discussion draft of a bill in November 2009 based on the Administration's proposal, which differs significantly from the House bill in many respects.

More recently, in early 2010, the Obama Administration proposed further restrictions on the size and scope of banks and other financial institutions. There can be no assurance as to whether or when any of the parts of the Administration's plan or other proposals will be enacted into legislation and, if adopted, what the final provisions of such legislation will be. New legislation and regulatory changes could require Citigroup to further change certain of its business practices, impose additional costs on Citigroup, some significant, adversely affect its ability to pursue business opportunities it might otherwise consider engaging in, cause business disruptions or impact the value of assets that Citigroup holds.

Citigroup's participation in government programs to modify first and second lien mortgage loans could adversely affect the amount and timing of its earnings and credit losses relating to those loans.

The U.S. Treasury has announced guidelines for its first and second lien modification programs under the Home Affordable Modification Program (HAMP). Citigroup began participating in the HAMP with respect to first mortgages during the second quarter of 2009 and is actively engaged in discussions with the U.S. Treasury for the second lien program.

Participation in the HAMP could result in a reduction in the principal balances of certain first and second lien mortgage loans and the acceleration of loss recognition on those loans. In addition to the principal reduction aspect of the programs, loan modification efforts can impact the interest rate and term of these loans, which would in turn impact the total return on those assets and the timing of those returns. Participation in the programs as a servicer could also reduce servicing income to the extent the principal balance of a serviced loan is reduced or because it increases the cost of servicing a loan.

In order to participate in the HAMP, borrowers must currently complete a three- to five-month trial period during which the original terms of the loans remain in effect pending final modification. As a result, Citigroup is uncertain of the overall impact the HAMP will have on its delinquency trends, net credit losses and other loan loss metrics.

The expiration of a provision of the U.S. tax law that allows Citigroup to defer U.S. taxes on certain active financial services income could significantly increase Citi's tax expense.

Citigroup's tax provision has historically been reduced because active financing income earned and indefinitely reinvested outside the U.S. is taxed at the lower local tax rate rather than at the higher U.S. tax rate. Such reduction has been dependent upon a provision of the U.S. tax law that defers the imposition of U.S. taxes on certain active financial services income until that income is repatriated to the U.S. as a dividend. This "active financing exception" expired on December 31, 2009, and while it has been scheduled to expire on five prior occasions and has been extended each time, there can be no assurance that the exception will continue to be extended. The Obama Administration's 2011 budget proposal includes a two-year extension of the active financing exception. In addition, the U.S. House of Representatives has passed a one-year extension of the exception that is now pending a vote in the U.S. Senate. In the event this exception is not extended beyond 2009, the U.S. tax imposed on Citi's active financing income earned outside the U.S. would increase, which could further result in Citi's tax expense increasing significantly.

Citigroup's businesses are subject to risks arising from extensive operations outside the United States.

As a global participant in the financial services industry, Citigroup is subject to extensive regulation, including fiscal and monetary policies, in jurisdictions around the world.

As a result of the current financial crisis, there are currently numerous reform efforts underway outside the U.S., including without limitation proposals by the European Commission to amend bank capital requirements and by the Financial Services Authority in the United Kingdom to enhance regulatory standards applicable to financial institutions. This level of regulation could further increase in all jurisdictions in which Citigroup conducts business. Any regulatory changes could lead to business disruptions or could impact the value of assets that Citigroup holds or the scope or profitability of its business activities. Such changes could also require Citigroup to change certain of its business practices and could expose Citigroup to additional costs, including compliance costs, and liabilities as well as reputational harm. To the extent the regulations strictly control the activities of financial services institutions, such changes would also make it more difficult for Citigroup to distinguish itself from competitors.

In addition, the emerging markets in which Citigroup operates or invests, or in which it may do so in the future, particularly as a result of its overall strategy, may be more volatile than the U.S. markets or other developed markets outside the U.S. and are subject to changing political, economic, financial and social factors. Among other factors, these include the possibility of recent or future changes in political leadership and economic and fiscal policies and the possible imposition of, or changes in, currency exchange laws or other laws or restrictions applicable to companies or investments in these countries. Citigroup's inability to remain in compliance with local laws in a particular market could have a materially adverse effect not only on its business in that market but also on its reputation generally.

Future issuances of Citigroup common stock and preferred stock may reduce any earnings available to Citi's common stockholders and the return on the company's equity.

During 2009, Citigroup raised a total of approximately $79 billion in private and public offerings of common stock in connection with its exchange offers and as required by the U.S. government pursuant to Citigroup's repayment of TARP. This amount does not include approximately $3.5 billion of tangible equity units issued in December 2009 that will be settled for additional shares of Citigroup common stock that may be issued over a three-year period but in no event later than December 2012.

In addition, in January 2010, Citigroup issued $1.7 billion of common stock equivalents to its employees in lieu of cash compensation they would have otherwise received. Subject to shareholder approval at Citi's annual shareholder meeting scheduled to be held on April 20, 2010, such amount of common stock equivalents will be converted to common stock. Further, pursuant to its agreement with the Abu Dhabi Investment Authority (ADIA), entered into in November 2007, Citi will issue an aggregate of $7.5 billion of common stock, at a price per share of $31.83, over an approximately two-year period beginning in March 2010.

While this additional capital has provided, or will provide, funding to Citigroup's businesses and has improved, or will improve, Citigroup's financial position and capital strength, it has increased, or will increase, Citigroup's equity and the number of actual and diluted shares of Citigroup common stock. Such increases in the outstanding shares of common stock reduce Citigroup's earnings per share and the return on Citigroup's equity, unless Citigroup's earnings increase correspondingly. In addition, any additional future issuances of common stock, including without limitation pursuant to U.S. governmental requirements or programs, could further dilute the existing common stockholders and any earnings available to the common stockholders.

The sale by the U.S. Treasury of its stake in Citigroup will result in a substantial amount of Citigroup common stock entering the market, which could adversely affect the market price of Citigroup common stock.

As of December 31, 2009, the U.S. Treasury held a 27.0% ownership stake in Citigroup. In December 2009, the U.S. Treasury announced that it planned to divest its stake during 2010, subject to market conditions and following a 90-day lockup period that will expire on March 16, 2010, resulting in approximately 7.7 billion shares of Citigroup common stock being sold into the market. The divestiture of such a large number of shares of Citigroup common stock within the announced timeframe could adversely affect the market price of Citigroup common stock.

Citigroup's ability to utilize its deferred tax assets (DTAs) to offset future taxable income may be significantly limited if it experiences an "ownership change" under the Internal Revenue Code.

As of December 31, 2009, Citigroup had recognized net DTAs of approximately $46.1 billion, which are included in its tangible common equity. Citigroup's ability to utilize its DTAs to offset future taxable income may be significantly limited if Citigroup experiences an "ownership change" as defined in Section 382 of the Internal Revenue Code of 1986, as amended (the Code). In general, an ownership change will occur if there is a cumulative change in Citigroup's ownership by "5-percent shareholders" (as defined in the Code) that exceeds 50 percentage points over a rolling three-year period.

The common stock issued pursuant to the exchange offers in July 2009, and the common stock and tangible equity units issued in December 2009 as part of Citigroup's TARP repayment, did not result in an ownership change under the Code. However, these common stock issuances have materially increased the risk that Citigroup will experience an ownership change in the future.

On June 9, 2009, the Board of Directors of Citigroup adopted a Tax Benefits Preservation Plan. This Plan is subject to shareholders' approval at the 2010 Annual Meeting. The purpose of the Plan is to minimize the likelihood of an ownership change occurring for Section 382 purposes. Despite adoption of the Plan, future transactions in Citigroup stock that may not be in its control may cause Citigroup to experience an ownership change and thus limit its ability to utilize its DTAs, as well as cause a reduction in Citigroup's tangible common equity and stockholders' equity.

Increases in FDIC insurance premiums and other proposed fees on banks may adversely affect Citigroup's earnings.

During 2008 and continuing in 2009, higher levels of bank failures have dramatically increased resolution costs of the FDIC and depleted the deposit insurance fund. In order to maintain a strong funding position and restore reserve ratios of the deposit insurance fund, the FDIC has increased, and may further increase in the future, assessment rates of insured institutions. In November 2009, the FDIC adopted a rule requiring banks to prepay three years of estimated premiums to replenish the depleted insurance fund, which Citigroup paid in the fourth quarter of 2009. There have also been proposals to change the basis on which these assessment rates are determined. Moreover, the Obama Administration has recently suggested the imposition of other fees on banking institutions.

Citigroup is generally unable to control the basis or the amount of premiums that it is required to pay for FDIC insurance or the levying of other fees or assessments on financial institutions. If there are additional bank or financial institution failures, Citigroup may be required to pay even higher FDIC premiums than the recently increased levels. These announced increases and prepayments, and any future increases or other required fees, could adversely impact Citigroup's earnings.

Citigroup's businesses may be materially adversely affected if it is unable to hire and retain qualified employees.
Citigroup's performance is heavily dependent on the talents and efforts of the highly skilled individuals that Citigroup is able to attract and retain. Competition from within the financial services industry and from businesses outside of the financial services industry for qualified employees has often been intense.

Citigroup is required to comply with the U.S. government's standards for executive compensation and related corporate governance set forth in the ARRA generally for so long as the U.S. government holds certain Citigroup securities. These standards generally apply to Citigroup's senior-most executives and certain other highly compensated employees. The incentive compensation arrangements for Citigroup's top 30 most highly compensated employees are also subject to review under the incentive compensation principles set by the Federal Reserve Board, in consultation with Citi's other regulators. In addition, the U.K. recently imposed a one-time 50% tax on bonuses above a certain amount paid to employees of banks operating in the country.

Furthermore, the market price of Citigroup common stock has declined significantly from a closing price of $55.12 on May 25, 2007. Because a substantial portion of Citigroup's annual bonus compensation paid to its senior employees has been paid in the form of equity, such awards may not be as valuable from a compensatory or retention perspective.

There can be no assurance that, as a result of these restrictions, or any potential future compensation restrictions or guidelines imposed on Citigroup, Citigroup will be able to attract new employees and retain and motivate its existing employees, which may in turn affect its ability to compete effectively in its businesses, manage its businesses effectively and expand into new businesses and geographic regions.

Failure to maintain the value of the Citigroup brand may adversely affect its businesses.
Citigroup's success depends on the continued strength and recognition of the Citigroup brand on a global basis. The Citi name is integral to its business as well as to the implementation of its strategy for expanding its businesses, including outside the U.S. Maintaining, promoting and positioning the Citigroup brand will depend largely on the success of its ability to provide consistent, high-quality financial services and products to its clients around the world. Citigroup's brand could be adversely affected if it fails to achieve these objectives or if its public image or reputation were to be tarnished by negative views about Citigroup or the financial services industry in general, or by a negative perception of Citigroup's short-term or long-term financial prospects. Any of these events could have a material adverse effect on Citigroup's businesses.
Although Citigroup currently believes it is "well capitalized," its capitalization may not prove to be sufficiently consistent with its risk profile or sufficiently robust relative to future capital requirements.
Citigroup's capital management framework is designed to ensure that Citigroup and its principal subsidiaries maintain sufficient capital consistent with Citigroup's risk profile, all applicable regulatory standards and guidelines as well as external rating agency conditions. Citigroup is subject to the risk based capital guidelines issued by the Federal Reserve Board. Capital adequacy is measured, in part, based on two risk based capital ratios, the Tier 1 Capital and Total Capital (Tier 1 Capital plus Tier 2 Capital) ratios. In conjunction with the conclusion of the Supervisory Capital Assessment Program (SCAP), U.S. banking regulators developed a new measure of capital called Tier 1 Common. While Tier 1 Common and related ratios are measures used and relied on by U.S. banking regulators, they are non-GAAP financial measures for SEC purposes. See "Capital Resources and Liquidity" above for additional information on these metrics. Citigroup is also subject to a Leverage ratio requirement, a non-risk-based measure of capital adequacy. For additional information on these capital adequacy metrics, including the estimated impact to Citi's capital ratios of adopting SFAS 166 and SFAS 167 as of January 1, 2010, see "Capital Resources and Liquidity—Capital Resources."

To be "well capitalized" under U.S. 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 a Leverage ratio of at least 3%, and not be subject to a Federal Reserve Board directive to maintain higher capital levels. As of December 31, 2009, Citigroup was "well capitalized," with a Tier 1 Capital ratio of 11.7%, a Total Capital ratio of 15.2% and a Leverage ratio of 6.9%, as well as a Tier 1 Common ratio of 9.6%. There can be no assurance, however, that Citigroup will be able to maintain sufficient capital consistent with its risk profile or remain "well capitalized." Moreover, the various regulators in the U.S. and abroad have not reached consensus as to the appropriate level of capitalization for financial services institutions such as Citigroup. These regulators, including the Federal Reserve Board, may alter the current regulatory capital requirements to which Citigroup is subject and thereby necessitate equity increases that could dilute existing stockholders, lead to required asset sales or adversely impact the availability of Citi's DTAs, as described above, among other issues.

In addition, Citigroup could adopt the provisions of the Basel II regulatory capital framework as early as April 1, 2011. This new regulatory capital framework is likely to result in a need for Citigroup to hold additional regulatory capital. If market conditions do not improve, the capital requirements of Basel II could increase prior to scheduled implementation in 2011, further increasing the amount of capital needed by Citi. The new rules could also result in changes in Citigroup's funding mix, resulting in lower net income and/or continued shrinking of the balance sheet. Separate from the above Basel II rules for credit and operational risk, the Basel Committee on Banking Supervision has also proposed revisions to the market risk framework that could also lead to additional capital requirements. Although not yet ratified by the U.S. regulators, the Basel II rules for market risk are currently scheduled for January 1, 2011, one quarter ahead of Citigroup's earliest date for Basel II implementation for credit and operational risk.

Liquidity is essential to Citigroup's businesses, and Citigroup relies on external sources to finance a significant portion of its operations.
Adequate liquidity is essential to Citigroup's businesses. Citigroup's liquidity could be materially, adversely affected by factors Citigroup cannot control, such as general disruption of the financial markets or negative views about the financial services industry in general. In addition, Citigroup's ability to raise funding could be impaired if lenders develop a negative perception of Citigroup's short-term or long-term financial prospects, or a perception that it is experiencing greater liquidity risk.

Regulatory measures instituted in late 2008 and 2009, such as the FDIC's temporary guarantee of the newly issued senior debt as well as deposits in non-interest-bearing deposit transaction accounts, and the commercial paper funding facility of the Federal Reserve Board were designed to stabilize the financial markets and the liquidity position of financial institutions such as Citigroup. While much of Citigroup's long-term and short-term unsecured funding during 2009 was issued pursuant to these government-sponsored funding programs, Citigroup began to access funding outside of these programs, particularly during the fourth quarter of 2009, due, in part, to the fact that many of these facilities were terminating. Citi's reliance on government-sponsored short-term funding facilities was substantially reduced as of the end of 2009. The impact that the termination of any of these facilities could have on Citigroup's ability to access funding in the future is uncertain. It is also unclear whether Citigroup will be able to regain access to the public long-term unsecured debt markets on historically customary terms.

Citigroup's cost of obtaining long-term unsecured funding is directly related to its credit spreads in both the cash bond and derivatives markets. Increases in Citigroup's credit qualifying spreads can significantly increase the cost of this funding. Credit spreads are influenced by market and rating agency perceptions of Citigroup's creditworthiness and may be influenced by movements in the costs to purchasers of credit default swaps referenced to Citigroup's long-term debt.

In addition, a significant portion of Citigroup's business activities are based on gathering deposits and borrowing money and then lending or investing those funds, including through market-making activities in tradable securities. Citigroup's profitability is in part a function of the spread between interest rates earned on such loans and investments, as well as other interest-earning assets, and the interest rates paid on deposits and other interest-bearing liabilities. During 2009, the need to maintain adequate liquidity caused Citigroup to invest available funds in lower-yielding assets, such as those issued by the U.S. government. As a result, during 2009, the yields across both the interest-earning assets and the interest-bearing liabilities dropped significantly from 2008. The lower asset yields more than offset the lower cost of funds, resulting in lower net interest margins compared to 2008. There can be no assurance that Citigroup's net interest margins will not continue to remain low.
Any reduction in Citigroup's and its subsidiaries' credit ratings could increase the cost of its funding from, and restrict its access to, the capital markets and have a material adverse effect on its results of operations and financial condition.
Each of Citigroup's and Citibank, N.A.'s long-term/senior debt is currently rated investment grade by Fitch Ratings, Moody's Investors Service and Standard & Poor's. The rating agencies regularly evaluate Citigroup and its subsidiaries, and their ratings of Citigroup's and its subsidiaries' long-term and short-term debt are based on a number of factors, including financial strength, as well as factors not entirely within the control of Citigroup and its subsidiaries, such as conditions affecting the financial services industry generally.

In light of the difficulties in the financial services industry and the financial markets generally, or as a result of events affecting Citigroup more specifically, Citigroup and its subsidiaries may not be able to maintain their current respective ratings. A reduction in Citigroup's or its subsidiaries' credit ratings could adversely affect Citigroup's liquidity, widen its credit spreads or otherwise increase its borrowing costs, limit its access to the capital markets or trigger obligations under certain bilateral provisions in some of Citigroup's trading and collateralized financing contracts. In addition, under these provisions, counterparties could be permitted to terminate certain contracts with Citigroup or require it to post additional collateral. Termination of Citigroup's trading and collateralized financing contracts could cause Citigroup to sustain losses and impair its liquidity by requiring Citigroup to find other sources of financing or to make significant cash payments or securities transfers. For additional information on the potential impact of a reduction in Citigroup's or its subsidiaries' credit ratings, see "Capital Resources and Liquidity."

Certain of the credit rating agencies have stated that the credit ratings of Citi and other financial institutions have benefited from the implicit support that the U.S. government and regulators have provided to the financial industry through the financial crisis. The expectation that this support will be reduced over time, unless offset by improvement in standalone credit profiles, could have a negative impact on the credit ratings of financial institutions, including Citi.

Market disruptions may increase the risk of customer or counterparty delinquency or default.
Market and economic disruptions, as well as the policies of the Federal Reserve Board or other government agencies or entities, can adversely affect Citigroup's customers, obligors on securities or other instruments or other counterparties, potentially increasing the risk that they may fail to repay their securities or loans or otherwise default on their contractual obligations to Citigroup, some of which maybe significant. These customers, obligors or counterparties could include individuals or corporate or governmental entities. Moreover, Citigroup may incur significant credit risk exposure from holding securities or other obligations or entering into swap or other derivative contracts under which obligors or other counterparties have long-term obligations to make payments to Citigroup. Market conditions over the last several years, including credit deterioration, decreased liquidity and pricing transparency along with increased market volatility, have negatively impacted Citigroup's credit risk exposure. Although Citigroup regularly reviews its credit exposures, default risk may arise from events or circumstances that are difficult to detect or foresee.

Citigroup may fail to realize all of the anticipated benefits of the realignment of its businesses.
Effective in the second quarter of 2009, Citigroup realigned into two primary business segments, Citicorp and Citi Holdings, for management and reporting purposes. The realignment is part of Citigroup's strategy to focus on its core businesses and reduce non-core assets in a disciplined and deliberate manner. Citigroup believes this structure will allow it to enhance the capabilities and performance of Citigroup's core assets, through Citicorp, as well as realize value from its non-core assets, through Citi Holdings.

Citigroup intends to exit the Citi Holdings non-core businesses as quickly as practicable yet in an economically rational manner through business divestitures, portfolio run-off and asset sales. Citigroup has been making substantial progress divesting and exiting businesses included within Citi Holdings, having completed more than 20 divestitures over the last two years, including the Morgan Stanley Smith Barney joint venture, Nikko Cordial Securities and Nikko Asset Management sales. Citi Holdings' assets have been reduced from a peak level of approximately $898 billion in the first quarter of 2008 to approximately $547 billion at year-end 2009.

Despite these efforts, given the rapidly changing and uncertain financial environment, there can be no assurance that the realignment of Citigroup's businesses will achieve the company's desired objectives or benefits, including simplifying the organization and permitting Citigroup to allocate capital to fund its long-term strategic businesses comprising Citicorp, or that Citi will be able to continue to make progress in divesting or exiting businesses within Citi Holdings in an orderly and timely manner.

Citigroup may experience further write-downs of its financial instruments and other losses related to volatile and illiquid market conditions.
Market volatility, illiquid market conditions and disruptions in the credit markets have made it extremely difficult to value certain of Citigroup's assets. Subsequent valuations, in light of factors then prevailing, may result in significant changes in the values of these assets in future periods. In addition, at the time of any sales of these assets, the price Citigroup ultimately realizes will depend on the demand and liquidity in the market at that time and may be materially lower than their current fair value. Further, Citigroup's hedging strategies with respect to these assets may not be effective. Any of these factors could require Citigroup to take further write-downs in respect of these assets, which may negatively affect Citigroup's results of operations and financial condition in future periods.

Citigroup finances and acquires principal positions in a number of real estate and real-estate-related products for its own account, for investment vehicles managed by affiliates in which it also may have a significant investment, for separate accounts managed by affiliates and for major participants in the commercial and residential real estate markets, and originates loans secured by commercial and residential properties. Citigroup also securitizes and trades in a wide range of commercial and residential real estate and real-estate-related whole loans, mortgages and other real estate and commercial assets and products, including residential and commercial mortgage-backed securities. These businesses have been, and may continue to be, adversely affected by the downturn in the real estate sector.

Furthermore, in the past, Citigroup has provided financial support to certain of its investment products and vehicles in difficult market conditions, and Citigroup may decide to do so again in the future for contractual reasons or, at its discretion, for reputational or business reasons, including through equity investments or cash or capital infusions.

Should unemployment rates continue to be high, and if stresses in the real estate market continue to depress housing prices, Citi could experience greater write-offs and also need to set aside larger loan loss reserves for mortgage and credit card portfolios as well as other consumer loans.

The elimination of QSPEs from the guidance in SFAS 140 and changes in FIN 46(R) will significantly impact, and may continue to significantly impact, Citigroup's Consolidated Financial Statements.
During 2009, the FASB issued SFAS No. 166, Accounting for Transfers of Financial Assets, which eliminates Qualifying Special Purpose Entities (QSPEs) from the guidance in SFAS No. 140, and SFAS No. 167, Amendments to FASB Interpretation No. 46(R), which makes three key changes to the consolidation model in FIN 46(R), "Consolidation of Variable Interest Entities". Such changes include: (i) former QSPEs will now be included in the scope of SFAS No. 167; (ii) FIN 46(R) has been amended to change the method of analyzing which party to a variable interest entity (VIE) should consolidate the VIE to a qualitative determination of "power" combined with potentially significant benefits or losses; and (iii) the analysis of primary beneficiaries has to be re-evaluated whenever circumstances change.

These standards became effective January 1, 2010, including for Citigroup, and they will have a significant impact, and may have an ongoing significant impact, on Citigroup's Consolidated Financial Statements as Citi will be required to bring a portion of assets that were not historically on its balance sheet onto its balance sheet, which will also impact Citi's capital ratios. For a further discussion of these changes, see "Significant Accounting Policies and Significant Estimates" and Note 1 to the Consolidated Financial Statements. See also "Capital Resources and Liquidity—Capital Resources."

Citigroup's financial statements are based in part on assumptions and estimates, which, if wrong, could cause unexpected losses in the future.
Pursuant to U.S. GAAP, Citigroup is required to use certain assumptions and estimates in preparing its financial statements, including in determining credit loss reserves, reserves related to litigation and the fair value of certain assets and liabilities, among other items. If assumptions or estimates underlying Citigroup's financial statements are incorrect, Citigroup may experience material losses. For additional information, see "Significant Accounting Policies and Significant Estimates."

Changes in accounting standards can be difficult to predict and can materially impact how Citigroup records and reports its financial condition and results of operations.
Citigroup's accounting policies and methods are fundamental to how it records and reports its financial condition and results of operations. From

time to time, the FASB changes the financial accounting and reporting standards that govern the preparation of Citigroup's financial statements. These changes can be hard to anticipate and implement and can materially impact how Citigroup records and reports its financial condition and results of operations. For example, the FASB's current financial instruments project could, among other things, significantly change the way loan loss provisions are determined from an incurred loss model to an expected loss model, and may also result in most financial instruments being required to be reported at fair value.

Citigroup may incur significant losses as a result of ineffective risk management processes and strategies, and concentration of risk increases the potential for such losses.

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

These market movements can, and have, limited the effectiveness of Citigroup's hedging strategies and have caused Citigroup to incur significant losses, and they may do so again in the future. In addition, concentration of risk increases the potential for significant losses in certain of Citigroup's businesses. For example, Citigroup extends large commitments as part of its credit origination activities. Citigroup's inability to reduce its credit risk by selling, syndicating or securitizing these positions, including during periods of market dislocation, could negatively affect its results of operations due to a decrease in the fair value of the positions, as well as the loss of revenues associated with selling such securities or loans. Further, Citigroup routinely executes a high volume of transactions with counterparties in the financial services industry, including brokers and dealers, commercial banks and investment funds. This has resulted in significant credit concentration with respect to this industry.

The financial services industry faces substantial legal liability and regulatory risks, and Citigroup may face damage to its reputation and incur significant legal and regulatory liability.

Citigroup faces significant legal and regulatory risks in its businesses, and the volume of claims and amount of damages and penalties claimed in litigation and regulatory proceedings against financial institutions remain high. Citigroup's experience has been that legal claims by shareholders, regulators, customers and clients increase in a market downturn. In addition, employment-related claims typically increase in periods when Citigroup has reduced the total number of employees, such as during the prior two fiscal years. There have also been a number of highly publicized cases involving fraud or other misconduct by employees in the financial services industry in recent years, and Citigroup runs the risk that employee misconduct could occur. It is not always possible to deter or prevent employee misconduct, and the extensive precautions Citigroup takes to prevent and detect this activity may not be effective in all cases.

For further information relating to Citigroup's legal and regulatory risks, see "Legal Proceedings" and Note 30 to the Consolidated Financial Statements.

A failure in Citigroup's operational systems or infrastructure, or those of third parties, could impair its liquidity, disrupt its businesses, result in the disclosure of confidential information, damage Citigroup's reputation and cause losses.

Citigroup's businesses are highly dependent on its ability to process and monitor, on a daily basis, a very large number of transactions, many of which are highly complex, across numerous and diverse markets in many currencies. These transactions, as well as the information technology services Citigroup provides to clients, often must adhere to client-specific guidelines, as well as legal and regulatory standards. Due to the breadth of Citigroup's client base and its geographical reach, developing and maintaining Citigroup's operational systems and infrastructure is challenging. Citigroup's financial, account, data processing or other operating systems and facilities may fail to operate properly or become disabled as a result of events that are wholly or partially beyond its control, such as a spike in transaction volume or unforeseen catastrophic events, adversely affecting Citigroup's ability to process these transactions or provide these services.

Citigroup also faces the risk of operational failure, termination or capacity constraints of any of the clearing agents, exchanges, clearing houses or other financial intermediaries Citigroup uses to facilitate its transactions, and as Citigroup's interconnectivity with its clients grows, it increasingly faces the risk of operational failure with respect to its clients' systems.

In addition, Citigroup's operations rely on the secure processing, storage and transmission of confidential and other information in its computer systems and networks. Although Citigroup takes protective measures and endeavors to modify them as circumstances warrant, its computer systems, software and networks may be vulnerable to unauthorized access, computer viruses or other malicious code, and other events that could have a security impact. Given the high volume of transactions at Citigroup, certain errors may be repeated or compounded before they are discovered and rectified. If one or more of such events occurs, this could potentially jeopardize Citigroup's, its clients', its counterparties' or third parties' confidential and other information processed and stored in, and transmitted through, Citigroup's computer systems and networks, or otherwise cause interruptions or malfunctions in Citigroup's, its clients', its counterparties' or third parties' operations, which could result in significant losses or reputational damage.

MANAGING GLOBAL RISK

RISK MANAGEMENT—OVERVIEW

Citigroup believes that effective risk management is of primary importance to its success. Accordingly, Citigroup has a comprehensive risk management process to monitor, evaluate and manage the principal risks it assumes in conducting its activities. These include credit, market (including liquidity) and operational risks (including legal and reputational exposures). Each of credit, market and operational risk is discussed in more detail throughout this section.

Citigroup's risk management framework is designed to balance corporate oversight with well-defined independent risk management functions. Enhancements continued to be made to the risk management framework throughout 2009 based on guiding principles established by Citi's Chief Risk Officer:

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

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

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

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

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

The risk management organization is structured so as to facilitate the management of risk across three dimensions: businesses, regions and critical products. Each of the company's major business groups has a Business Chief Risk Officer who is the focal point for risk decisions, such as setting risk limits or approving transactions in the business. There are also Regional Chief Risk Officers, accountable for the risks in their geographic areas, who are the primary risk contacts for the regional business heads and local regulators. In addition, the positions of Product Chief Risk Officers were created for those areas of critical importance to Citigroup, such as real estate, structured products and fundamental credit. The Product Chief Risk Officers are accountable for the risks within their specialty and focus on problem areas across businesses and regions. The Product Chief Risk Officers serve as a resource to the Chief Risk Officer, as well as to the Business and Regional Chief Risk Officers, to better enable the Business and Regional Chief Risk Officers to focus on the day-to-day management of risks and responsiveness to business flow.

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

- the risk capital group, which continues to enhance the risk capital model and ensure that it is consistent across all our business activities;
- the risk architecture group, which ensures the company has integrated systems and common metrics, and thereby allows us to aggregate and stress-test exposures across the institution;
- the infrastructure risk group, which focuses on improving our operational processes across businesses and regions; and
- the office of the Chief Administrative Officer, which focuses on re-engineering, risk communications and relationships, including our critical regulatory relationships.

RISK AGGREGATION AND STRESS TESTING

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

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

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

Supplementing the stress testing described above, Risk Management, working with input from the businesses and finance, provides enhanced periodic updates to senior management on significant potential exposures across Citigroup arising from risk concentrations (e.g., residential real estate), financial market participants (e.g., monoline insurers), and other systemic issues (e.g., commercial paper markets). These risk assessments are forward-looking exercises, intended to inform senior management about the potential economic impacts to Citi that may occur, directly or indirectly, as a result of hypothetical scenarios, based on judgmental analysis from independent risk managers. Risk Management also reports to the Risk Management and Finance Committee of the Board of Directors, as well as the full Board of Directors on these matters.

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

RISK CAPITAL

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

- "Economic losses" include losses that appear on the income statement and fair value adjustments to the financial statements, as well as any further declines in value not captured on the income statement.
- "Unexpected losses" are the difference between potential extremely severe losses and Citigroup's expected (average) loss over a one-year time period.
- "Extremely severe" is defined as potential loss at a 99.97% confidence level, based on the distribution of observed events and scenario analysis.

The drivers of "economic losses" are risks, which for Citi can be broadly categorized as credit risk (including cross-border risk), market risk (including liquidity) and operational risk (including legal and regulatory):

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

These risks are measured and aggregated within businesses and across Citigroup to facilitate the understanding of our exposure to extreme downside events as described under "Risk Aggregation and Stress Testing."

The risk capital framework is reviewed and enhanced on a regular basis in light of market developments and evolving practices.

The following is a more detailed discussion of the principal risks Citi assumes in conducting its activities: credit, market and operational risk.

CREDIT RISK

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

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

Loan and Credit Overview

During 2009, Citigroup reduced its aggregate loan portfolio by $102.7 billion to $591.5 billion. In addition, Citi's total allowance for loan losses totaled $36.0 billion at December 31, 2009, a coverage ratio of 6.09% of total loans, up from 4.27% at December 31, 2008.

During 2009, Citigroup recorded a net build of $8.0 billion to its credit reserves, which was $6.6 billion lower than the build in 2008. The net build consisted of a net build of $7.6 billion for consumer loans ($1.7 billion in RCB and $5.9 billion in LCL) and a net build of $0.4 billion for corporate loans (a build of $0.9 billion in ICG and a release of $0.5 billion in SAP).

Net credit losses of $30.7 billion during 2009 increased $11.7 billion from year-ago levels. The increase consisted of $7.6 billion for consumer loans ($1.3 billion in RCB, $6.1 billion in LCL and $0.2 billion in SAP) and a net increase of $4.1 billion for corporate loans ($0.2 billion decrease in ICG offset by a $4.3 billion increase in SAP).

Consumer non-accrual loans totaled $18.6 billion at December 31, 2009, compared to $12.6 billion at December 31, 2008. The consumer loan 90 days past due delinquency rate was 4.82% at December 31, 2009, compared to 2.96% at December 31, 2008. The 90 days past due delinquencies continue to rise for the first mortgage portfolio in the U.S., primarily due to the lengthening of the foreclosure process by many states and the increasing impact of the Home Affordable Modification Program (HAMP). Loans in the HAMP trial modification period are reported as delinquent if the original contractual payments are not received on time (even if the reduced payments agreed to under the program are made by the borrower) until the loan has completed the trial period under the program (see "Consumer Loan Modification Programs" and "U.S. Consumer Mortgage Lending" below). The 30 to 89 days past due delinquency rate was 3.56% at December 31, 2009, compared to 3.51% at December 31, 2008.

Corporate non-accrual loans were $13.5 billion at December 31, 2009, compared to $9.7 billion at December 31, 2008. The increase from the prior year is mainly due to Citi's continued policy of actively moving loans into non-accrual at earlier stages of anticipated distress. Over two-thirds of the non-accrual corporate loans are current and continue to make their contractual payments.

For Citi's loan accounting policies, see Note 1 to the Consolidated Financial Statements.

2010 Credit Outlook

Credit costs will remain a significant driver of Citi's financial performance in 2010. Certain regions, includingAsia and Latin America, are showing improvement in consumer credit trends. This trend is expected to continue into 2010 as long as economic recovery in these regions is sustained. In North America, however, credit trends will largely depend on the broader macroeconomic environment, as well as the impact of industry factors such as CARD Act implementation and the outcome of the HAMP, each as discussed in more detail. Across North America, a modest increase in net credit losses is expected in the first quarter of 2010, after which there may be some slight improvement. However, the outcome for the second half of 2010 will largely depend on the economy, and the success of Citi's ongoing loss mitigation efforts. Changes to the Company's consumer loan loss reserve balances will continue to reflect the losses embedded in the portfolio due to underlying credit trends, as well as the impact of forbearance programs.

Corporate credit is inherently difficult to predict, and accordingly, the recognition of credit losses and changes in reserves will be somewhat episodic.

Loans Outstanding

In millions of dollars at year end	2009	2008	2007	2006	2005
Consumer loans					
In U.S. offices					
Mortgage and real estate (1)	$183,842	$219,482	$240,644	$208,592	$180,725
Installment, revolving credit, and other	58,099	64,319	69,379	62,758	60,983
Cards	28,951	44,418	46,559	48,849	44,756
Commercial and industrial	5,640	7,041	7,716	7,595	6,816
Lease financing	11	31	3,151	4,743	5,095
	$276,543	$335,291	$367,449	$332,537	$298,375
In offices outside the U.S.					
Mortgage and real estate (1)	$ 47,297	$ 44,382	$ 49,326	$ 41,859	$ 37,319
Installment, revolving credit, and other	42,805	41,272	70,205	61,509	51,710
Cards	41,493	42,586	46,176	30,745	25,856
Commercial and industrial	14,780	16,814	18,422	15,750	13,529
Lease financing	331	304	1,124	960	866
	$146,706	$145,358	$185,253	$150,823	$129,280
Total consumer loans	$423,249	$480,649	$552,702	$483,360	$427,655
Unearned income	808	738	787	460	4
Consumer loans, net of unearned income	$424,057	$481,387	$553,489	$483,820	$427,659
Corporate loans					
In U.S. offices					
Commercial and industrial	$ 15,614	$ 26,447	$ 20,696	$ 18,066	$ 17,870
Loans to financial institutions	6,947	10,200	8,778	4,126	1,235
Mortgage and real estate (1)	22,560	28,043	18,403	17,476	11,349
Installment, revolving credit, and other	17,737	22,050	26,539	17,051	17,853
Lease financing	1,297	1,476	1,630	2,101	1,952
	$ 64,155	$ 88,216	$ 76,046	$ 58,820	$ 50,259
In offices outside the U.S.					
Commercial and industrial	$ 68,467	$ 79,809	$ 94,775	$ 89,115	$ 65,460
Installment, revolving credit, and other	9,683	17,441	21,037	14,146	13,120
Mortgage and real estate (1)	9,779	11,375	9,981	7,932	7,506
Loans to financial institutions	15,113	18,413	20,467	21,827	16,889
Lease financing	1,295	1,850	2,292	2,024	2,082
Governments and official institutions	1,229	385	442	1,857	882
	$105,566	$129,273	$148,994	$136,901	$105,939
Total corporate loans	$169,721	$217,489	$225,040	$195,721	$156,198
Unearned income	(2,274)	(4,660)	(536)	(349)	(354)
Corporate loans, net of unearned income	$167,447	$212,829	$224,504	$195,372	$155,844
Total loans—net of unearned income	$591,504	$694,216	$777,993	$679,192	$583,503
Allowance for loan losses—on drawn exposures	(36,033)	(29,616)	(16,117)	(8,940)	(9,782)
Total loans—net of unearned income and allowance for credit losses	$555,471	$664,600	$761,876	$670,252	$573,721
Allowance for loan losses as a percentage of total loans—net of unearned income	6.09%	4.27%	2.07%	1.32%	1.68%
Allowance for consumer loan losses as a percentage of total consumer loans—net of unearned income	6.70%	4.61%	2.26%		
Allowance for corporate loan losses as a percentage of total corporate loans—net of unearned income	4.56%	3.48%	1.61%		

(1) Loans secured primarily by real estate.

Details of Credit Loss Experience

In millions of dollars at year end	2009	2008	2007	2006	2005
Allowance for loan losses at beginning of year	$29,616	$16,117	$ 8,940	$ 9,782	$11,269
Provision for loan losses					
Consumer	$32,418	$27,942	$15,660	$ 6,129	$ 7,149
Corporate	6,342	5,732	1,172	191	(295)
	$38,760	$33,674	$16,832	$ 6,320	$ 6,854
Gross credit losses					
Consumer					
In U.S. offices	$17,637	$11,624	$ 5,765	$ 4,413	$ 5,829
In offices outside the U.S.	8,834	7,172	5,165	3,932	2,964
Corporate					
Mortgage and real estate					
In U.S. offices	592	56	1	—	—
In offices outside the U.S.	151	37	3	1	—
Governments and official institutions outside the U.S.	—	3	—	—	—
Loans to financial institutions					
In U.S. offices	274	—	—	—	—
In offices outside the U.S.	246	463	69	6	10
Commercial and industrial					
In U.S. offices	3,299	627	635	85	78
In offices outside the U.S.	1,751	778	226	203	287
	$32,784	$20,760	$11,864	$ 8,640	$ 9,168
Credit recoveries					
Consumer					
In U.S. offices	$ 576	$ 585	$ 695	$ 646	$ 1,007
In offices outside the U.S.	1,089	1,050	966	897	693
Corporate					
Mortgage and real estate					
In U.S. offices	3	—	3	5	—
In offices outside the U.S.	1	1	—	18	5
Governments and official institutions outside the U.S.	—	—	4	7	55
Loans to financial institutions					
In U.S. offices	—	—	—	—	—
In offices outside the U.S.	11	2	1	4	15
Commercial and industrial					
In U.S. offices	276	6	49	20	104
In offices outside the U.S.	87	105	220	182	473
	$ 2,043	$ 1,749	$ 1,938	$ 1,779	$ 2,352
Net credit losses					
In U.S. offices	$20,947	$11,716	$ 5,654	$ 3,827	$ 4,796
In offices outside the U.S.	9,794	7,295	4,272	3,034	2,020
Total	$30,741	$19,011	$ 9,926	$ 6,861	$ 6,816
Other—net (1)	$ (1,602)	$ (1,164)	$ 271	$ (301)	$ (1,525)
Allowance for loan losses at end of year	$36,033	$29,616	$16,117	$ 8,940	$ 9,782
Allowance for unfunded lending commitments (2)	$ 1,157	$ 887	$ 1,250	$ 1,100	$ 850
Total allowance for loans, leases and unfunded lending commitments	$37,190	$30,503	$17,367	$10,040	$10,632
Net consumer credit losses	$24,806	$17,161	$ 9,269	$ 6,802	$ 7,093
As a percentage of average consumer loans	5.44%	3.34%	1.87%	1.52%	1.76%
Net corporate credit losses (recoveries)	$ 5,935	$ 1,850	$ 657	$ 59	$ (277)
As a percentage of average corporate loans	3.12%	0.84%	0.30%	0.05%	NM
Allowance for loan losses at end of period (3)					
Citicorp	$10,066	$ 7,684	$ 4,910		
Citi Holdings	25,967	21,932	11,207		
Total Citigroup	$36,033	$29,616	$16,117		

(1) 2009 primarily includes reductions to the loan loss reserve of approximately $543 million related to securitizations, approximately $402 million related to the sale or transfers to held-for-sale of U.S. real estate lending loans, and $562 million related to the transfer of the U.K. cards portfolio to held-for-sale. 2008 primarily includes reductions to the loan loss reserve of approximately $800 million related to FX translation, $102 million related to securitizations, $244 million for the sale of the German retail banking operation, $156 million for the sale of CitiCapital, partially offset by additions of $106 million related to the Cuscatlán and Bank of Overseas Chinese acquisitions. 2007 primarily includes reductions to the loan loss reserve of $475 million related to securitizations and transfers to loans held-for-sale, and reductions of $83 million related to the transfer of the U.K. CitiFinancial portfolio to held-for-sale, offset by additions of $610 million related to the acquisitions of Egg, Nikko Cordial, Grupo Cuscatlán and Grupo Financiero Uno. 2006 primarily includes reductions to the loan-loss reserve of $429 million related to securitizations and portfolio sales and the addition of $84 million related to the acquisition of the CrediCard portfolio. 2005 primarily includes reductions to the loan loss reserve of $584 million related to securitizations and portfolio sales, a reduction of $110 million related to purchase accounting adjustments from the KorAm acquisition, and a reduction of $90 million from the sale of

CitiCapital's transportation portfolio.

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

(3) Allowance for loan losses represents management's best estimate of probable losses inherent in the portfolio, as well as probable losses related to large individually evaluated impaired loans and troubled debt restructurings. See "Significant Accounting Policies and Significant Estimates." 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.

Non-Accrual Assets

The table below summarizes Citigroup's view of non-accrual loans as of the periods indicated. Non-accrual loans are loans in which the borrower has fallen behind in interest payments or, for corporate loans, where Citi has determined that the payment of interest or principal is doubtful, and which are therefore considered impaired. Consistent with industry conventions, Citi generally accrues interest on credit card loans until such loans are charged-off, which typically occurs at 180 days contractual delinquency. As such, the non-accrual loan disclosures in this section do not include credit card loans. As discussed under "Accounting Policies" in Note 1 to the Consolidated Financial Statements, in situations where Citi reasonably expects that only a portion of the principal and interest owed will ultimately be collected, all payments received are reflected as a reduction of principal and not as interest income. There is no industry-wide definition of non-accrual assets, however, and as such, analysis against the industry is not always comparable.

As discussed under "Loan and Credit Overview," Citigroup has been actively moving corporate loans into the non-accrual category at earlier stages of anticipated distress. Corporate non-accrual loans may still be current on interest payments, however, and as of December 31, 2009, over two-thirds of the total portfolio of non-accrual corporate loans are current and continue to make their contractual payments.

Non-accrual loans

In millions of dollars	2009	2008	2007	2006	2005
Citicorp	$ 4,968	$ 3,193	$2,027	$1,141	$1,136
Citi Holdings	27,216	19,104	6,941	3,906	3,888
Total non-accrual loans (NAL)	$32,184	$22,297	$8,968	$5,047	$5,024
Corporate non-accrual loans(1)					
North America	$ 5,621	$ 2,660	$ 291	$ 68	$ 91
EMEA	6,308	6,330	1,152	128	297
Latin America	569	229	119	152	246
Asia	1,047	513	103	88	272
	$13,545	$ 9,732	$1,665	$ 436	$ 906
Citicorp	$ 2,925	$ 1,364	$ 247	$ 133	$ 319
Citi Holdings	10,620	8,368	1,418	303	587
	$13,545	$ 9,732	$1,665	$ 436	$ 906
Consumer non-accrual loans(1)					
North America	$15,555	$ 9,617	$4,841	$3,139	$2,860
EMEA	1,159	948	696	441	396
Latin America	1,340	1,290	1,133	643	523
Asia	585	710	633	388	339
	$18,639	$12,565	$7,303	$4,611	$4,118
Citicorp	$ 2,043	$ 1,829	$1,780	$1,008	$ 817
Citi Holdings	16,596	10,736	5,523	3,603	3,301
	$18,639	$12,565	$7,303	$4,611	$4,118

(1) Excludes purchased distressed loans as they are generally accreting interest. The carrying value of these loans was $920 million at December 31, 2009, $1.510 billion at December 31, 2008, $2.373 billion at December 31, 2007, $949 million at December 31, 2006, and $1.120 billion at December 31, 2005.

Non-Accrual Assets (continued)

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

OREO	2009	2008	2007	2006	2005
Citicorp	$ 148	$ 371	$ 541	$342	$209
Citi Holdings	1,341	1,022	679	358	219
Corporate/Other	11	40	8	1	1
Total OREO	$1,500	$1,433	$1,228	$701	$429
North America	$1,294	$1,349	$1,168	$640	$392
EMEA	121	66	40	35	21
Latin America	45	16	17	19	12
Asia	40	2	3	7	4
	$1,500	$1,433	$1,228	$701	$429
Other repossessed assets (1)	$ 73	$ 78	$ 99	$ 75	$ 62

(1) Primarily transportation equipment, carried at lower of cost or fair value, less costs to sell.

Non-accrual assets—Total Citigroup	2009	2008	2007	2006	2005
Corporate non-accrual loans	$13,545	$ 9,732	$ 1,665	$ 436	$ 906
Consumer non-accrual loans	18,639	12,565	7,303	4,611	4,118
Non-accrual loans (NAL)	$32,184	$22,297	$ 8,968	$5,047	$5,024
OREO	$ 1,500	$ 1,433	$ 1,228	$ 701	$ 429
Other repossessed assets	73	78	99	75	62
Non-accrual assets (NAA)	$33,757	$23,808	$10,295	$5,823	$5,515
NAL as a percentage of total loans	5.44%	3.21%	1.15%		
NAA as a percentage of total assets	1.82%	1.23%	0.47%		
Allowance for loan losses as a percentage of NAL (1)(2)	112%	133%	180%		

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

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

Non-accrual assets—Total Citicorp	2009	2008	2007	2006	2005
Non-accrual loans (NAL)	$ 4,968	$ 3,193	$2,027	$1,141	$1,136
OREO	148	371	541	342	209
Other repossessed assets	N/A	N/A	N/A	N/A	N/A
Non-accrual assets (NAA)	$ 5,116	$ 3,564	$2,568	$1,483	$1,345
NAA as a percentage of total assets	0.47%	0.36%	0.21%		
Allowance for loan losses as a percentage of NAL (1)	203%	241%	242%		
Non-accrual assets—Total Citi Holdings					
Non-accrual loans (NAL)	$27,216	$19,104	$6,941	$3,906	$3,888
OREO	1,341	1,022	679	358	219
Other repossessed assets	N/A	N/A	N/A	N/A	N/A
Non-accrual assets (NAA)	$28,557	$20,126	$7,620	$4,264	$4,107
NAA as a percentage of total assets	5.22%	2.81%	0.86%		
Allowance for loan losses as a percentage of NAL (1)	95%	115%	161%		

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

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

Renegotiated Loans

In millions of dollars at year end	2009	2008	2007

Renegotiated loans (1)(2)			
In U.S. offices	$13,246	$10,031	$5,540
In offices outside the U.S.	3,017	1,755	1,176
	$16,263	$11,786	$6,716

(1) Smaller-balance, homogeneous renegotiated loans were derived from Citi's risk management systems.
(2) Also includes Corporate and Commercial Business loans.

Foregone Interest Revenue on Loans (1)

In millions of dollars	In U.S. offices	In non-U.S. offices	2009 total
Interest revenue that would have been accrued at original contractual rates (2)	$1,902	$1,257	$3,159
Amount recognized as interest revenue (2)	797	267	1,064
Foregone interest revenue	$1,105	$ 990	$2,095

(1) Relates to corporate non-accrual, renegotiated loans and consumer loans on which accrual of interest had been suspended.

(2) Interest revenue in offices outside the U.S. may reflect prevailing local interest rates, including the effects of inflation and monetary correction in certain countries.

Loan Maturities and Fixed/Variable Pricing Corporate Loans

In millions of dollars at year end	Due within 1 year	Over 1 year but within 5 years	Over 5 years	Total
Corporate loan portfolio maturities				
In U.S. offices				
Commercial and industrial loans	$ 8,661	$ 4,944	$ 3,073	$ 16,678
Financial institutions	4,516	2,577	1,602	8,695
Mortgage and real estate	10,255	5,854	3,639	19,748
Lease financing	674	384	239	1,297
Installment, revolving credit, other	9,211	5,257	3,269	17,737
In offices outside the U.S.	56,997	30,674	17,895	105,566
Total corporate loans	$90,314	$ 49,690	$29,717	$169,721
Fixed/variable pricing of corporate loans with maturities due after one year (1)				
Loans at fixed interest rates		$ 13,702	$ 8,878	
Loans at floating or adjustable interest rates		35,988	20,839	
Total		$ 49,690	$29,717	

(1) Based on contractual terms. Repricing characteristics may effectively be modified from time to time using derivative contracts. See Note 24 to the Consolidated Financial Statements.

U.S. Consumer First and Second Residential Mortgage Loans

In millions of dollars at year end	Due within 1 year	Over 1 year but within 5 years	Over 5 years	Total
U.S. consumer mortgage loan portfolio type				
First mortgages	$19,220	$ 25,544	$ 82,497	$127,262
Second mortgages	302	3,875	52,404	56,580
Total	$19,522	$ 29,419	$134,901	$183,842
Fixed/variable pricing of U.S. consumer mortgage loans with maturities due after one year				
Loans at fixed interest rates		$ 1,477	$ 93,604	
Loans at floating or adjustable interest rates		27,942	41,296	
Total		$ 29,419	$134,901	

68

[THIS PAGE INTENTIONALLY LEFT BLANK]

Consumer Loan Delinquency Amounts and Ratios

In millions of dollars, except EOP loan amounts in billions	Total loans (1) Dec. 2009	90+ days past due (2) December 31, 2009	2008	2007	30-89 days past due (2) 2009	2008	2007
Citicorp							
Total	$124.7	$ 1,935	$ 1,710	$1,545	$ 2,325	$ 2,567	$ 2,151
Ratio		1.55%	1.41	1.19%	1.86%	2.11%	1.65%
Retail Bank							
Total	80.7	789	584	500	1,011	1,111	856
Ratio		0.98%	0.77%	0.62%	1.25%	1.46%	1.07%
North America	7.2	107	84	31	82	100	34
Ratio		1.49%	1.29%	1.41%	1.14%	1.54%	1.55%
EMEA	5.2	60	47	30	203	194	122
Ratio		1.15%	0.75%	0.45%	3.90%	3.08%	1.82%
Latin America	18.2	382	239	229	300	261	297
Ratio		2.10%	1.52%	1.44%	1.65%	1.66%	1.87%
Asia	50.1	240	214	210	426	556	403
Ratio		0.48%	0.45%	0.38%	0.85%	1.17%	0.73%
Citi-Branded Cards (3)							
Total	44.0	1,146	1,126	1,045	1,314	1,456	1,295
Ratio		2.60%	2.47%	2.09%	2.98%	3.20%	2.59%
North America	11.1	238	263	221	251	277	242
Ratio		2.14%	1.84%	1.33%	2.26%	1.94%	1.46%
EMEA	3.0	80	36	21	135	118	87
Ratio		2.67%	1.28%	0.84%	4.50%	4.21%	3.48%
Latin America	12.2	555	566	554	558	636	606
Ratio		4.55%	4.80%	3.85%	4.57%	5.39%	4.21%
Asia	17.7	273	261	249	370	425	360
Ratio		1.54%	1.57%	1.50%	2.09%	2.56%	2.17%
Citi Holdings—Local Consumer Lending (4)							
Total	293.4	17,793	12,027	7,439	12,258	13,743	10,961
Ratio		6.26%	3.51%	1.99%	4.31%	4.01%	2.93%
International	33.1	1,345	1,152	773	1,467	1,830	1,539
Ratio		4.06%	2.68%	1.56%	4.43%	4.26%	3.10%
North America retail partners cards (3)	18.9	851	1,017	656	948	1,343	975
Ratio		4.50%	3.38%	2.19%	5.02%	4.46%	3.26%
North America (excluding cards)	241.4	15,597	9,858	6,010	9,843	10,570	8,447
Ratio		6.71%	3.65%	2.02%	4.24%	3.91%	2.84%
Total Citigroup (excluding Special Asset Pool) (4)	$418.1	$19,728	$13,737	$8,984	$14,583	$16,310	$13,112
Ratio		4.82%	2.96%	1.78%	3.56%	3.51%	2.60%

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

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

(3) The 90 days or more past due balances for Citi-branded cards and retail partners 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 or more and 30-89 days past due and related ratio for North America LCL (excluding cards) excludes U.S. mortgage loans that are guaranteed by U.S. government-sponsored agencies since the potential loss predominantly resides within the U.S. agencies. The amounts excluded for loans 90+days past due and (end-of-period loans) for each period are: $5.4 billion ($9.0 billion), $3.0 billion ($6.2 billion), and $1.8 billion ($3.3 billion) as of December 31, 2009, December 31, 2008 and December 31, 2007, respectively. The amounts excluded for loans 30-89 days past due (end-of-period loans have the same adjustment as above) for each period are: $1.0 billion, $0.6 billion, and $0.4 billion, as of December 31, 2009, December 31, 2008, and December 31, 2007, respectively.

Consumer Loan Net Credit Losses and Ratios

In millions of dollars, except average loan amounts in billions	Average loans(1) 2009	Net credit losses (2) 2009	2008	2007
Citicorp				
Total	$ 119.8	$ 5,356	$ 4,024	$ 2,390
Ratio		4.47%	3.15%	2.08%
Retail Bank				
Total	76.3	1,515	1,158	466
Ratio		1.98%	1.43%	0.65%
North America	7.2	309	145	68
Ratio		4.29%	3.54%	3.40%
EMEA	5.6	302	160	72
Ratio		5.44%	2.39%	1.33%
Latin America	16.6	515	488	146
Ratio		3.10%	2.89%	1.07%
Asia	46.9	389	365	180
Ratio		0.83%	0.69%	0.36%
Citi-Branded Cards				
Total	43.5	3,841	2,866	1,924
Ratio		8.84%	6.11%	4.43%
North America	12.5	842	470	382
Ratio		6.75%	3.62%	2.58%
EMEA	2.8	185	77	41
Ratio		6.55%	2.75%	2.16%
Latin America	11.7	1,920	1,717	1,043
Ratio		16.48%	12.18%	8.48%
Asia	16.5	894	602	458
Ratio		5.42%	3.54%	3.16%
Citi Holdings—Local Consumer Lending				
Total	325.3	19,237	13,151	6,790
Ratio		5.91%	3.56%	1.90%
International	39.1	3,576	2,835	2,227
Ratio		9.15%	5.86%	4.95%
North America retail partners cards	24.8	3,485	2,454	1,639
Ratio		14.07%	8.26%	5.77%
North America (excluding cards)	261.4	12,176	7,862	2,924
Ratio		4.66%	2.70%	1.03%
Total Citigroup (excluding Special Asset Pool)	$ 445.1	$ 24,593	$ 17,175	$ 9,180
Ratio		5.53%	3.45%	1.94%

(1) Total average loans exclude interest and fees on credit cards.
(2) The ratios of net credit losses are calculated based on average loans, net of unearned income.

Consumer Loan Modification Programs

Citigroup has instituted a variety of modification programs to assist borrowers with financial difficulties. These programs include modifying the original loan terms, reducing interest rates, extending the remaining loan duration and/or waiving a portion of the remaining principal balance. Citi's programs consist of the U.S. Treasury's Home Affordable Modification Program (HAMP), as well as short-term forbearance and long-term modification programs, each summarized below.

HAMP. The HAMP is designed to reduce monthly mortgage payments to a 31% housing debt ratio by lowering the interest rate, extending the term of the loan and forbearing principal of certain eligible borrowers who have defaulted on their mortgages or who are at risk of imminent default due to economic hardship. In order to be entitled to loan modifications, borrowers must complete a three- to five-month trial period, make the agreed payments and provide the required documentation. Effective June 1, 2010, documentation must be provided prior to beginning the trial period, whereas prior to that date, it was required to be provided before the end of the trial period. This change generally means that Citi will be able to verify income up front for potential HAMP participants before they begin making lower monthly payments. We believe this change will limit the number of borrowers who ultimately fall out from the trials and potentially mitigate the impact of HAMP trial participants on early bucket delinquency data.

During the trial period, Citi requires that the original terms of the loans remain in effect pending completion of the modification. As of December 31, 2009, approximately $7.1 billion of first mortgages were enrolled in the HAMP trial period, while $300 million have successfully completed the trial period. Upon completion of the trial period, the terms of the loan are contractually modified, and it is accounted for as a "troubled debt restructuring" (see "Long-Term Programs" below). For additional information on HAMP, see "U.S. Consumer Lending—Mortgage Lending" below.

Short-term programs. Citigroup has also instituted interest rate reduction programs (primarily in the United States) to assist borrowers experiencing temporary hardships. These programs include short-term (12 months or less) interest rate reductions and deferrals of past due payments. The loan volume under these short-term programs increased significantly during 2009, and loan loss reserves for these loans have been enhanced, giving consideration to the higher risk associated with those borrowers and reflecting the estimated future credit losses for those loans. See Note 1 to the Consolidated Financial Statements for a further discussion of the allowance for loan losses for such modified loans.

The following table presents the amounts of gross loans modified under short-term interest rate reduction programs in the U.S. as of December 31, 2009:

	December 31, 2009	
In millions of dollars	Accrual	Non-accrual
Mortgage and real estate	$7,087	$ 398
Cards	813	—
Installment and other	1,734	29

Long-term programs. Long-term modification programs, or "troubled debt restructurings" (TDRs), occur when the terms of a loan have been modified due to the borrowers' financial difficulties and a long-term concession has been granted to the borrower. Substantially all programs in place provide permanent interest rate reductions. Valuation allowances for TDRs are determined by comparing estimated cash flows of the loans discounted at the loans' original contractual interest rates to the carrying value of the loans. See Note 1 to the Consolidated Financial Statements for a further discussion of the allowance for loan losses for such modified loans.

The following table presents the amounts of gross loans related to these TDRs as of December 31, 2009 and 2008:

			December 31	
		Accrual		Non-accrual
In millions of dollars	2009	2008	2009	2008
Mortgage and real estate	$8,654	$4,364	$1,413	$207
Cards	2,303	1,054	150	41
Installment and other	3,128	2,345	250	141

Payment deferrals that do not continue to accrue interest primarily occur in the U.S. residential mortgage business. Other payment deferrals continue to accrue interest and are not deemed to offer concessions to the customer. Other types of concessions are not material.

As discussed in more detail in "U.S. Consumer Lending—Mortgage Lending" and "U.S. Consumer Lending—North America Cards" below, the measurement of the success of Citi's loan modification programs varies by program objectives, type of loan, geography, and other factors. Citigroup uses a variety of metrics to evaluate success, including re-default rates and balance reduction trends. These metrics may be compared against the performance of similarly situated customers who did not receive concessions.

U.S. CONSUMER LENDING
Mortgage Lending

Overview
Citi's North America consumer mortgage portfolio consists of both first lien and second lien mortgages. As of December 31, 2009, the first lien mortgage portfolio in LCL totaled approximately $118 billion while the second lien mortgage portfolio in LCL was approximately $54 billion. Although the majority of the mortgage portfolio is managed by LCL within Citi Holdings, there are $0.5 billion of first lien mortgages and $1.7 billion of second lien mortgages reported in Citicorp. Additionally, as mentioned above, in the first quarter of 2010, approximately $34 billion of U.S. mortgages will be transferred from LCL within Citi Holdings to NA RCB within Citicorp.

Citi's first lien mortgage portfolio includes $9.0 billion of loans with Federal Housing Administration or Veterans Administration guarantees. These portfolios consist of loans originated to low-to-moderate-income borrowers with lower FICO (Fair Isaac Corporation) scores and generally have higher loan-to-value ratios (LTVs). These loans have high delinquency rates but, given the guarantees, Citi has experienced negligible credit losses on these loans. The first lien mortgage portfolio also includes $1.8 billion of loans with LTVs above 80%, which have insurance through private mortgage insurance (PMI) companies, and $3.5 billion of loans subject to Long-Term Standby Commitments[1] with U.S. government sponsored enterprises (GSE), for which Citi has limited exposure to credit losses.

The following charts detail the quarterly trends in delinquencies and net credit losses for Citi's first and second North America consumer mortgage portfolios.

For first mortgages, both delinquencies and net credit losses are impacted by the HAMP trial loans in the U.S. mortgage portfolio. As set forth in the first chart, first mortgage delinquencies rates continued to increase in 2009, exacerbated in part by the reduction in loan balances. The continued increase in first mortgage delinquencies during the third and fourth quarters of 2009 was primarily attributable to both the growing backlog of foreclosures in process and HAMP modifications.

The growing amount of foreclosures in process, which is related to an industry-wide phenomenon resulting from foreclosure moratoria and other efforts to prevent or forestall foreclosure, have specific implications on the portfolio:

- It tends to inflate the amount of 180+ day delinquencies in our mortgage statistics.
- It can result in increasing levels of consumer non-accrual loans, as we are unable to take possession of the underlying assets and sell these properties on a timely basis.
- It may have a dampening effect on NIM as non-accrual assets build on the Company's balance sheet.

As discussed in "Consumer Loan Modification Programs" above, Citigroup offers short-term and long-term real estate loan modification programs. Citi monitors the performance of its real estate loan modification programs by tracking credit loss rates by vintage. At 18 months after modifying an account, in Citi's experience to date, we typically reduce credit loss rates by approximately one-third compared to similar accounts that were not modified.

Currently, Citi's efforts are concentrated on the HAMP. Contractual modifications of loans that successfully completed the HAMP trial period began in September 2009; accordingly, this is the earliest HAMP vintage available for comparison. While early indications of the performance of these HAMP modifications are encouraging, Citi remains cautious and will continue to monitor the performance of these HAMP and non-HAMP modification programs and their impact on reducing Citi's credit losses.

As previously disclosed, loans in the HAMP trial modification period that do not make their original contractual payment are reported as delinquent, even if the reduced payments agreed to under the program are made by the borrower. Further, HAMP trial modifications have the effect of marginally reducing our net credit losses and increasing our required loan loss reserves. Specifically, the HAMP impacted Citi's net credit losses in the first mortgage portfolio during the third and fourth quarters of 2009 as loans in the trial period are not charged off at 180 DPD as long as they have made at least one payment. Citigroup has increased its loan loss provisions to appropriately reserve for this risk.

Citigroup believes that the success rate of the HAMP will be a key factor influencing net credit losses from delinquent first mortgage loans, at least during the first half of 2010, and the outcome of the program will largely depend on the success rates of borrowers completing the trial period and meeting the documentation requirements.

By contrast, second mortgages continue to show positive trends in both net credit losses and delinquencies, reflecting the impact of portfolio re-positioning and loss mitigation. Citi continues to actively manage this exposure by reducing the riskiest accounts, including by tightening credit requirements through higher FICOs, lower LTVs, and increased documentation and verifications. As discussed under "Risk Factors," Citigroup is actively engaged in discussions with the U.S. Treasury for the second lien program under HAMP.

1 A Long-Term Standby Commitment (LTSC) is a structured transaction in which Citi transfers the credit risk of certain eligible loans to an investor in exchange for a fee. These loans remain on balance sheet unless they reach a certain delinquency level (between 120 and 180 days), in which case the LTSC investor is required to buy the loan at par.

73

First Mortgages

Note: Includes loans for Canada and Puerto Rico. Excludes loans that are guaranteed by U.S. government sponsored agencies.

Second Mortgages

Note: Includes loans for Canada and Puerto Rico.

Data appearing in the tables below have been sourced from Citigroup'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 the information presented elsewhere.

Citi's credit risk policy is not to offer option ARMs/negative amortizing mortgage products to its customers. As a result, option ARMs/negative amortizing mortgages represent an insignificant portion of total balances that were acquired only incidentally as part of prior portfolio and business purchases.

A portion of loans in the U.S. mortgage portfolio currently requires a payment to satisfy only the current accrued interest for the payment period, or an interest-only payment. Our mortgage portfolio includes approximately $28 billion of first and second lien home equity lines of credit (HELOCs) that are still within their revolving period and have not commenced amortization. The interest-only payment feature during the revolving period is standard for the HELOC product across the industry. The first mortgage portfolio contains approximately $33 billion of mostly adjustable rate mortgages (ARMs) that are currently required to make an interest-only payment. These loans will be required to make a fully amortizing payment upon expiration of their interest-only payment period, and most will do so within a few years of origination. Borrowers that are currently required to make an interest-only payment cannot select a lower payment that would negatively amortize the loan. First mortgage loans with this payment feature are primarily to high-credit-quality borrowers that have on average significantly higher refreshed FICO scores than other loans in the first mortgage portfolio.

Loan balances

First mortgages—Loan balances. As a consequence of the difficult economic environment and the decrease in housing prices, LTV and FICO scores have deteriorated since origination as depicted in the table below. On a refreshed basis, approximately 28% of first lien mortgages had a LTV ratio above 100%, compared to approximately 0% at origination. Approximately 30% of the first lien mortgages had FICO scores less than 620 on a refreshed basis, compared to 15% at origination. One half of the first lien mortgages with refreshed LTV ratios above 100% have refreshed FICO scores greater than 660; 90 + DPD rates for this portion of the portfolio were 2.8%.

Balances: December 31, 2009—First Lien Mortgages

AT ORIGINATION	FICO≥660	620≤FICO<660	FICO<620
LTV ≤ 80%	59%	6%	7%
80% < LTV ≤100%	13%	7%	8%
LTV > 100%	NM	NM	NM

REFRESHED	FICO≥660	620≤FICO <660	FICO<620
LTV ≤ 80%	30%	4%	10%
80% < LTV ≤100%	16%	3%	9%
LTV > 100%	14%	3%	11%

Note: NM – Not meaningful. First lien mortgage table excludes loans in Canada and Puerto Rico. Table excludes loans guaranteed by U.S. government sponsored agencies and loans subject to LTSCs. Table also excludes $2.0 billion from At Origination balances and $1.0 billion from Refreshed balances for which FICO or LTV data were unavailable. Balances exclude deferred fees/costs. Refreshed FICO scores based on updated credit scores obtained from Fair Isaac Corporation. Refreshed LTV ratios are derived from data at origination updated using mainly the Case-Shiller Home Price Index or the Federal Housing Finance Agency Price Index.

Second mortgages—Loan balances. In the second lien mortgage portfolio, the majority of loans are in the higher FICO categories. The challenging economic conditions have caused a migration towards lower FICO scores and higher LTV ratios. Approximately 42% of that portfolio had refreshed loan-to-value ratios above 100%, compared to approximately 0% at origination. Approximately 18% of second lien mortgages had FICO scores less than 620 on a refreshed basis, compared to 4% at origination. Over two thirds of the second lien loans with LTV ratios greater than 100% had refreshed FICO scores greater than 660; 90+ DPD rates for this portion of the portfolio were 0.4%.

Balances: December 31, 2009—Second Lien Mortgages

AT ORIGINATION	FICO ≥ 660	620 ≤ FICO <660	FICO < 620
LTV ≤ 80%	48%	2%	2%
80% < LTV ≤100%	43%	3%	2%
LTV > 100%	NM	NM	NM

REFRESHED	FICO ≥ 660	620 ≤FICO <660	FICO<620
LTV ≤ 80%	23%	1%	3%
80% < LTV ≤100%	23%	2%	5%
LTV > 100%	29%	4%	10%

Note: NM—Not meaningful. Second lien mortgage table excludes loans in Canada and Puerto Rico. Table excludes loans subject to LTSCs. Table also excludes $1.7 billion from At Origination balances and $0.8 billion from Refreshed balances for which FICO or LTV data were unavailable. Refreshed FICO scores, based on updated credit scores obtained from Fair Isaac Corporation. Refreshed LTV ratios are derived from data at origination updated using mainly the Case-Shiller Home Price Index or the Federal Housing Finance Agency Price Index.

Delinquencies

The tables below provide delinquency statistics for loans 90+DPD, as a percentage of outstandings in each of the FICO/LTV combinations, in both the first lien and second lien mortgage portfolios. For example, loans with FICO ≥ 660 and LTV ≤ 80% at origination have a 90+DPD rate of 7.9%.

Loans with FICO scores of less than 620 exhibit significantly higher delinquencies than in any other FICO band. Similarly, loans with LTVs greater than 100% have higher delinquencies than LTVs of less than or equal to 100%.

The first mortgage delinquencies continued to rise during 2009. Further breakout of the FICO below 620 segment indicates that delinquencies in this segment, on a refreshed basis, are about three times higher than in the overall first mortgage portfolio.

Delinquencies: 90+DPD Rates—First Lien Mortgages

AT ORIGINATION	FICO ≥ 660	620 ≤ FICO <660	FICO < 620
LTV ≤ 80%	7.9%	13.1%	14.0%
80% < LTV ≤100%	10.2%	17.3%	20.7%
LTV > 100%	NM	NM	NM

REFRESHED	FICO ≥ 660	620 ≤FICO <660	FICO < 620
LTV ≤ 80%	0.3%	3.8%	18.0%
80% < LTV ≤100%	0.8%	8.5%	27.3%
LTV > 100%	2.8%	23.3%	42.0%

Note: NM—Not meaningful. 90+DPD rates are based on balances referenced in the tables above.

Delinquencies: 90+DPD Rates—Second Lien Mortgages

AT ORIGINATION	FICO ≥ 660	620 ≤ FICO <660	FICO < 620
LTV ≤ 80%	1.5%	4.2%	5.6%
80% < LTV ≤100%	4.2%	5.3%	7.6%
LTV > 100%	NM	NM	NM

REFRESHED	FICO ≥ 660	620 ≤FICO <660	FICO < 620
LTV ≤ 80%	0.0%	0.7%	8.5%
80% < LTV ≤100%	0.1%	1.3%	9.8%
LTV > 100%	0.4%	4.5%	19.3%

Note: NM—Not meaningful. 90+DPD rates are based on balances referenced in the tables above.

Origination channel, geographic distribution and origination vintage

The following tables detail Citi's first and second lien U.S. consumer mortgage portfolio by origination channel, geographic distribution and origination vintage.

By origination channel

Citi's U.S. consumer mortgage portfolio has been originated from three main channels: retail, broker and correspondent.

- Retail: loans originated through a direct relationship with the borrower.
- Broker: loans originated through a mortgage broker, where Citi underwrites the loan directly with the borrower.
- Correspondent: loans originated and funded by a third party, where Citi purchases the closed loans after the correspondent has funded the loan. This channel includes loans acquired in large bulk purchases from other mortgage originators primarily in 2006 and 2007. Such bulk purchases were discontinued in 2007.

First Lien Mortgages: December 31, 2009

As of December 31, 2009, approximately 55% of the first lien mortgage portfolio was originated through third-party channels. Given that loans originated through correspondents have exhibited higher 90+DPD delinquency rates than retail originated mortgages, Citi terminated business with a number of correspondent sellers in 2007 and 2008. During 2008, Citi also severed relationships with a number of brokers, only maintaining those who have produced strong, high-quality and profitable volume. Citi has also discontinued purchasing loans held in portfolio from correspondents and significantly reduced bulk purchases.

CHANNELS ($ in billions)	FIRST LIEN MORTGAGES	CHANNEL % TOTAL	90+DPD %	*FICO < 620	*LTV > 100%
RETAIL	$48.2	44.9%	5.1%	$14.3	$ 9.1
BROKER	$19.0	17.7%	11.3%	$ 3.7	$ 5.7
CORRESPONDENT	$40.1	37.4%	16.6%	$14.0	$15.0

* Refreshed FICO and LTV.

Note: First lien mortgage table excludes Canada and Puerto Rico, deferred fees/costs, loans guaranteed by U.S. government sponsored agencies and loans subject to LTSCs.

Second Lien Mortgages: December 31, 2009

For second lien mortgages, approximately 49% of the loans were originated through third-party channels. As these mortgages have demonstrated a higher incidence of delinquencies, Citi no longer originates second mortgages through third-party channels.

CHANNELS ($ in billions)	SECOND LIEN MORTGAGES	CHANNEL % TOTAL	90+DPD%	*FICO < 620	*LTV > 100%
RETAIL	$25.2	51.0%	1.7%	$3.9	$6.9
BROKER	$12.4	25.0%	3.9%	$2.2	$6.8
CORRESPONDENT	$11.8	24.0%	5.0%	$2.9	$7.0

* Refreshed FICO and LTV.

Note: Excludes Canada and Puerto Rico and loans subject to LTSCs.

By state

Approximately half of Citi's U.S. consumer mortgage portfolio is located in five states: California, New York, Florida, Texas and Illinois. Those states represent 50% of first lien mortgages and 54% of second lien mortgages.

Florida and Illinois have above-average 90+DPD delinquency rates. Florida has 55% of its first lien mortgage portfolio with refreshed LTV>100%, compared to 28% overall for first lien mortgages. Illinois has 35% of its loan portfolio with refreshed LTV>100%. Texas, despite having 40% of its portfolio with FICO<620, has a lower delinquency rate relative to the overall portfolio. Texas has less than 0.5% of its loan portfolio with refreshed LTV>100%.

First Lien Mortgages: December 31, 2009

STATES ($ in billions)	FIRST LIEN MORTGAGES	STATE % TOTAL	90+DPD %	*FICO < 620	*LTV > 100%
CALIFORNIA	$29.6	27.6%	10.4%	$ 4.8	$12.6
NEW YORK	$ 8.9	8.3%	7.1%	$ 1.6	$ 0.5
FLORIDA	$ 6.6	6.2%	18.1%	$ 2.5	$ 3.7
ILLINOIS	$ 4.5	4.2%	12.3%	$ 1.5	$ 1.6
TEXAS	$ 4.2	3.9%	6.2%	$ 1.7	$ 0.0
OTHERS	$53.5	49.9%	10.4%	$19.8	$11.5

* Refreshed FICO and LTV.

Note: First lien mortgage table excludes Canada and Puerto Rico, deferred fees/costs, loans guaranteed by U.S. government sponsored agencies and loans subject to LTSCs.

In the second lien mortgage portfolio, Florida continues to experience above-average delinquencies, with approximately 72% of their loans with LTV > 100% compared to 42% overall for second lien mortgages.

Second Lien Mortgages: December 31, 2009

STATES ($ in billions)	SECOND LIEN MORTGAGES	STATE % TOTAL	90+DPD %	*FICO < 620	*LTV > 100%
CALIFORNIA	$13.7	27.8%	3.4%	$1.9	$7.3
NEW YORK	$ 6.6	13.4%	2.0%	$0.8	$1.1
FLORIDA	$ 3.2	6.6%	5.4%	$0.8	$2.3
ILLINOIS	$ 1.9	3.9%	2.9%	$0.4	$1.1
TEXAS	$ 1.4	2.8%	1.5%	$0.2	$0.0
OTHERS	$22.5	45.5%	2.9%	$4.8	$8.7

* Refreshed FICO and LTV.

Note: Excludes Canada and Puerto Rico and loans subject to LTSCs.

By vintage

For Citigroup's combined U.S. consumer mortgage portfolio (first and second lien mortgages), approximately half of the portfolio consists of 2006 and 2007 vintages, which demonstrate above-average delinquencies. In first mortgages, approximately 43% of the portfolio is of 2006 and 2007 vintages, which have 90+DPD rates well above the overall portfolio rate. In second mortgages, 62% of the portfolio is of 2006 and 2007 vintages, which again have higher delinquencies compared to the overall portfolio rate.

First Lien Mortgages: December 31, 2009

VINTAGES ($ in billions)	FIRST LIEN MORTGAGES	VINTAGE % TOTAL	90+DPD %	*FICO < 620	*LTV > 100%

2009	$ 4.5	4.2%	0.6%	$ 0.6	$ 0.1
2008	$13.8	12.8%	5.5%	$ 3.0	$ 2.1
2007	$27.2	25.4%	16.9%	$10.2	$11.5
2006	$19.5	18.1%	14.3%	$ 6.4	$ 8.4
2005	$18.6	17.4%	7.8%	$ 4.4	$ 5.9
≤ 2004	$23.7	22.1%	6.9%	$ 7.4	$ 1.8

* Refreshed FICO and LTV.

Note: First lien mortgage table excludes Canada and Puerto Rico, deferred fees/costs, loans guaranteed by U.S. government sponsored agencies and loans subject to LTSCs.

Second Lien Mortgages: December 31, 2009

VINTAGES ($ in billions)	SECOND LIEN MORTGAGES	VINTAGE % TOTAL	90+DPD %	*FICO < 620	*LTV > 100%
2009	$ 0.6	1.2%	0.5%	$0.0	$0.0
2008	$ 4.3	8.7%	1.1%	$0.6	$0.7
2007	$14.6	29.5%	3.6%	$2.9	$6.8
2006	$16.1	32.6%	3.7%	$3.2	$8.4
2005	$ 9.5	19.3%	2.7%	$1.5	$4.0
≤ 2004	$ 4.3	8.6%	1.9%	$0.7	$0.6

* Refreshed FICO and LTV.

Note: Excludes Canada and Puerto Rico and loans subject to LTSCs.

North America Cards

Citi's North America cards portfolio consists of our Citi-branded and retail partner cards portfolios located in Citicorp—Regional Consumer Banking and Citi Holdings—Local Consumer Lending, respectively. As of December 31, 2009, the Citi-branded portfolio totaled approximately $83 billion while the retail partner cards portfolio was approximately $58 billion, both reported on a managed basis.

The following charts detail the quarterly trends in delinquencies and net credit losses for Citigroup's North America Citi-branded and retail partner cards portfolios.

In each of the two portfolios, Citi has been actively eliminating riskier accounts and sales to mitigate losses. First, we have removed high-risk customers from the portfolio by either reducing available lines of credit or closing accounts. On a net basis, end of period open accounts are down 11% in both Citi-branded and retail partner cards versus prior-year levels. Second, Citi has improved the tools used to identify and manage exposure in each of the portfolios by targeting unique customer attributes.

In Citi's experience to date, these portfolios have significantly different characteristics:

- Citi-branded cards tend to have a longer estimated account life, with higher credit lines and balances reflecting the greater utility of a multi-purpose credit card.
- Retail partner cards tend to have a shorter account life, with smaller credit lines and balances. The account portfolio, by nature, turns faster and the loan balances reflect more recent vintages.

As a result, loss mitigation efforts, such as stricter underwriting standards for new accounts, decreasing higher-risk credit lines, closing high-risk accounts and re-pricing, tend to affect the retail partner cards portfolio faster than the branded portfolio.

In addition to tightening credit standards, Citi also continues to pursue other loss mitigation efforts, including improvements in collections effectiveness and various forbearance programs. We believe forbearance programs improve the longer-term quality of these accounts.

Citigroup offers both short-term and long-term modification programs to its credit card customers, primarily in the U.S. The short-term U.S. programs provide interest rate reductions for up to 12 months, while the long-term programs provide interest rate reductions for up to five years. In both types of U.S. programs, the annual percentage rate (APR) is typically reduced to below 10%.

Citigroup monitors the performance of these U.S. credit card short-term and long-term modification programs by tracking cumulative loss rates by vintages (when customers enter a program) and comparing that performance with that of similar accounts whose terms were not modified. For example, for U.S. credit cards, in Citi's experience to date, at 24 months after modifying an account, Citi typically reduces credit losses by approximately one-third compared to similar accounts that were not modified. Citi has observed that this improved performance of modified loans relative to those not modified is generally greatest during the first 12 months after modification. Following that period, losses have tended to increase but typically stabilize at levels which are still below those for similar loans that were not modified, resulting in an improved cumulative loss performance. To date, Citi has tended to see that this benefit is sustained over time across our U.S. credit card portfolios.

Recognizing the impact of various forbearance programs, we are nevertheless seeing some early positive credit trends in both Citi-branded and retail partner cards. While both portfolios experienced an expected seasonal increase in 90+ day delinquencies in the fourth quarter of 2009, which we currently expect could lead to a moderate increase in net credit losses in the first quarter of 2010, earlier bucket delinquencies (30–89 days past due) improved on a dollar basis.

Overall, however, Citi remains cautious and currently believes that net credit losses in each of the cards portfolios will continue to remain at elevated levels and will continue to be highly dependent on the external environment and industry changes.

Citi-Branded Cards

Note: Includes Puerto Rico.

Retail Partners Cards

Note: Includes Canada, Puerto Rico and Installment Lending.

As set forth in the table below, approximately 73% of the Citi-branded portfolio had FICO credit scores of at least 660 on a refreshed basis as of December 31, 2009, while 63% of the retail partner cards portfolio had scores above 660.

Balances: December 31, 2009

Refreshed	Citi Branded	Retail Partners
FICO ≥ 660	73%	63%
620 ≤ FICO < 660	11%	13%
FICO < 620	16%	24%

Note: Based on balances of $137 billion. Balances include interest and fees. Excludes Canada, Puerto Rico, Installment and Classified portfolios. Excludes balances where FICO was unavailable ($0.7 billion for Citi-branded, $2.1 billion for retail partners cards).

The table below provides delinquency statistics for loans 90+DPD for both the Citi-branded and retail partners cards portfolios as of December 31, 2009. Given the economic environment, customers have migrated down from higher FICO score ranges, driven by their delinquencies with Citi and/or with other creditors. As these customers roll through the delinquency buckets, they materially damage their credit score and may ultimately go to charge-off. Loans 90+DPD are more likely to be associated with low refreshed FICO scores, both because low scores are indicative of repayment risk and because their delinquency has been reported by Citigroup to the credit bureaus. Loans with FICO scores less than 620, which constitute 16% of the Citi-branded portfolio, have a 90+DPD rate of 16.9%; in the retail partner cards portfolio, loans with FICO scores less than 620 constitute 24% of the portfolio and have a 90+DPD rate of 18.0%.

90+DPD Delinquency Rate: December 31, 2009

Refreshed	Citi Branded 90+DPD%	Retail Partners 90+DPD%
FICO ≥ 660	0.1%	0.2%
620 ≤ FICO < 660	0.4%	0.7%
FICO < 620	16.9%	18.0%

Note: Based on balances of $137 billion. Balances include interest and fees. Excludes Canada, Puerto Rico, Installment and Classified portfolios.

U.S. Installment and Other Revolving Loans

In the table below, Citi's U.S. Installment portfolio consists of consumer loans in the following businesses: Consumer Finance, Retail Banking, Auto, Student Lending and Cards. Other Revolving consists of consumer loans (Ready Credit and Checking Plus products) in the Consumer Retail Banking business. Commercial-related loans are not included.

As of December 31, 2009, the U.S. Installment portfolio totaled approximately $56 billion, while the U.S. Other Revolving portfolio was approximately $1 billion. While substantially all of the U.S. Installment portfolio is managed under LCL within Citi Holdings, it does include $0.4 billion of Consumer Retail Banking loans which are reported in Citicorp. The U.S. Other Revolving portfolio is managed under Citicorp.

The U.S. Installment portfolio includes $20 billion of Student Loans originated under the Federal Family Education Loan Program (FFELP) where losses are substantially mitigated by federal guarantees. These loans generally have higher 90+DPD rates compared to other installment loans, but due to the federal guarantees, have lower net credit loss rates relative to other installment loans.

Approximately 43% of the Installment portfolio had FICO credit scores less than 620 on a refreshed basis. Approximately 30% of the Other Revolving portfolio is composed of loans having FICO less than 620.

Balances: December 31, 2009

Refreshed	Installment	Other Revolving
FICO ≥ 660	42%	55%
620 ≤ FICO < 660	15%	15%
FICO < 620	43%	30%

Note: Based on balances of $54 billion for Installment and $0.9 billion for Other Revolving. Excludes Canada and Puerto Rico. Excludes balances where FICO was unavailable ($2.3 billion for Installment, $0.1 billion for Other Revolving).

The table below provides delinquency statistics for loans 90+DPD for both the Installment and Other Revolving portfolios. Loans 90+DPD are more likely to be associated with low refreshed FICO scores both because low scores are indicative of repayment risk and because their delinquency has been reported by Citigroup to the credit bureaus. On a refreshed basis, loans with FICO scores of less than 620 exhibit significantly higher delinquencies than in any other FICO band and will drive the majority of the losses.

90+DPD Delinquency Rate: December 31, 2009

Refreshed	Installment 90+DPD%	Other Revolving 90+DPD%
FICO ≥ 660	0.2%	0.0%
620 ≤ FICO < 660	0.7%	0.3%

FICO < 620	6.1%	8.3%

Note: Based on balances of $54 billion for Installment and $0.9 billion for Other Revolving. Excludes Canada and Puerto Rico.

Interest Rate Risk Associated with Consumer Mortgage Lending Activity

Citigroup originates and funds mortgage loans. As with all other lending activity, this exposes Citigroup to several risks, including credit, liquidity and interest rate risks. To manage credit and liquidity risk, Citigroup sells most of the mortgage loans it originates, but retains the servicing rights. These sale transactions create an intangible asset referred to as mortgage servicing rights (MSRs). The fair value of this asset is primarily affected by changes in prepayments that result from shifts in mortgage interest rates. Thus, by retaining the servicing rights of sold mortgage loans, Citigroup is still exposed to interest rate risk.

In managing this risk, Citigroup hedges a significant portion of the value of its MSRs through the use of interest rate derivative contracts, forward purchase commitments of mortgage-backed securities, and purchased securities classified as trading (primarily mortgage-backed securities including principal-only strips).

Since the change in the value of these hedging instruments does not perfectly match the change in the value of the MSRs, Citigroup is still exposed to what is commonly referred to as "basis risk." Citigroup manages this risk by reviewing the mix of the various hedging instruments referred to above on a daily basis.

Citigroup's MSRs totaled $6.530 billion and $5.657 billion at December 31, 2009 and December 31, 2008, respectively. For additional information on Citi's MSRs, see Notes 19 and 23 to the Consolidated Financial Statements.

As part of the mortgage lending activity, Citigroup commonly enters into purchase commitments to fund residential mortgage loans at specific interest rates within a given period of time, generally up to 60 days after the rate has been set. If the resulting loans from these commitments will be classified as loans held-for-sale, Citigroup accounts for the commitments as derivatives. Accordingly, the initial and subsequent changes in the fair value of these commitments, which are driven by changes in mortgage interest rates, are recognized in current earnings after taking into consideration the likelihood that the commitment will be funded.

Citigroup hedges its exposure to the change in the value of these commitments by utilizing hedging instruments similar to those referred to above.

CORPORATE LOAN DETAILS

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

- joint business and independent risk management responsibility for managing credit risks;
- a single center of control for each credit relationship that coordinates credit activities with that client;
- portfolio limits to ensure diversification and maintain risk/capital alignment;
- a minimum of two authorized credit officer signatures required on extensions of credit, one of which must be from a credit officer in credit risk management;
- risk rating standards, applicable to every obligor and facility; and
- consistent standards for credit origination documentation and remedial management.

Corporate Credit Portfolio

The following table presents credit data for Citigroup’s corporate loans and unfunded lending commitments at December 31, 2009. The ratings scale is based on Citi’s internal risk ratings, which generally correspond to the ratings as defined by S&P and Moody’s.

In millions of dollars	At December 31, 2009			
Corporate loans (1)	Recorded investment in loans (2)	% of total (3)	Unfunded lending commitments	% of total (3)
Investment grade (4)	$ 91,565	59%	$ 271,444	88%
Non-investment grade (4)				
Noncriticized	17,984	12	13,769	4
Criticized performing (5)	30,873	20	19,953	6
Commercial real estate (CRE)	6,926	4	1,872	1
Commercial and Industrial and Other	23,947	16	18,081	6
Non-accrual (criticized) (5)	13,545	9	2,570	1
Commercial real estate (CRE)	4,051	3	732	0
Commercial and Industrial and Other	9,494	6	1,838	1
Total non-investment grade	$ 62,402	41%	$ 36,292	12%
Private Banking loans managed on a delinquency basis (4)	14,349		2,451	
Loans at fair value	1,405		—	
Total corporate loans	$ 169,721		$ 310,187	
Unearned income	(2,274)		—	
Corporate loans, net of unearned income	$ 167,447		$ 310,187	

(1) Includes $955 million of TDRs for which concessions, such as the reduction of interest rates or the deferral of interest or principal payments, have been granted as a result of deterioration in the borrowers’ financial condition. Each of the borrowers is current under the restructured terms.
(2) Recorded investment in a loan includes accrued interest, net deferred loan fees and costs, unamortized premium or discount, less any direct write-downs.
(3) Percentages disclosed above exclude Private Banking loans managed on a delinquency basis and loans at fair value.
(4) Held-for-investment loans accounted for on an amortized cost basis.
(5) Criticized exposures correspond to the “Special Mention,” “Substandard” and “Doubtful” asset categories defined by banking regulatory authorities.

The following tables represent the corporate credit portfolio (excluding Private Banking), before consideration of collateral, by maturity at December 31, 2009. The corporate portfolio is broken out by direct outstandings that include drawn loans, overdrafts, interbank placements, bankers' acceptances, certain investment securities and leases and unfunded commitments that include unused commitments to lend, letters of credit and financial guarantees.

				At December 31, 2009
In billions of dollars	Due within 1 year	Greater than 1 year but within 5 years	Greater than 5 years	Total exposure
Direct outstandings	$213	$ 66	$ 7	$286
Unfunded lending commitments	182	120	10	312
Total	$395	$ 186	$ 17	$598

				At December 31, 2008
In billions of dollars	Due within 1 year	Greater than 1 year but within 5 years	Greater than 5 years	Total exposure
Direct outstandings	$161	$ 100	$ 9	$270
Unfunded lending commitments	206	141	12	359
Total	$367	$ 241	$ 21	$629

Portfolio Mix

The corporate credit portfolio is diverse across counterparty and industry, and geography. The following table shows direct outstandings and unfunded commitments by region:

	December 31, 2009	December 31, 2008
North America	51%	49%
EMEA	27	29
Latin America	9	8
Asia	13	14
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 statistical models (which are validated periodically), external rating agencies (under defined circumstances) or approved scoring methodologies. Facility risk ratings are assigned, using the obligor risk rating, and then factors that affect the loss-given default of the facility, such as support or collateral, are taken into account.With regard to climate change risk, factors evaluated include consideration of the business impact, impact of regulatory requirements, or lack thereof, and impact of physical effects on obligors and their assets.
These factors may adversely affect the ability of some obligors to perform and thus increase the risk of lending activities to these obligors. Citigroup also has incorporated climate risk assessment criteria for certain obligors, as necessary.

Internal obligor ratings equivalent to BBB and above are considered investment grade. Ratings below the equivalent of the BBB category are considered non-investment grade.

The following table presents the corporate credit portfolio by facility risk rating at December 31, 2009 and 2008, as a percentage of the total portfolio:

		Direct outstandings and unfunded commitments
	December 31, 2009	December 31, 2008
AAA/AA/A	58%	58%
BBB	24	24
BB/B	11	13

CCC or below	7	5
Unrated	—	—
Total	100%	100%

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

	Direct outstandings and unfunded commitments	
	December 31, 2009	December 31, 2008
Government and central banks	12%	11%
Investment banks	5	7
Banks	9	6
Other financial institutions	12	5
Utilities	4	4
Insurance	4	4
Petroleum	4	4
Agriculture and food preparation	4	4
Telephone and cable	3	3
Industrial machinery and equipment	2	3
Global information technology	2	2
Chemicals	2	2
Real estate	3	3
Other industries (1)	34	42
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 portfolio, in addition to outright asset sales. The purpose of these transactions is to transfer credit risk to third parties. The results of the mark-to-market and any realized gains or losses on credit derivatives are reflected in the Principal transactions line on the Consolidated Statement of Income.

At December 31, 2009 and 2008, $59.6 billion and $95.5 billion, respectively, of credit risk exposure 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 risk mitigants. In addition, the reported amounts of direct outstandings and unfunded commitments in this report do not reflect the impact of these hedging transactions. At December 31, 2009 and 2008, the credit protection was economically hedging underlying credit exposure with the following risk rating distribution, respectively:

Rating of Hedged Exposure

	December 31, 2009	December 31, 2008
AAA/AA/A	45%	54%
BBB	37	32
BB/B	11	9
CCC or below	7	5
Total	100%	100%

At December 31, 2009 and 2008, the credit protection was economically hedging underlying credit exposure with the following industry distribution, respectively:

Industry of Hedged Exposure

	December 31, 2009	December 31, 2008
Utilities	9%	10%
Telephone and cable	9	9
Agriculture and food preparation	8	7
Petroleum	6	7
Industrial machinery and equipment	6	6
Insurance	4	5
Chemicals	8	5
Retail	4	5
Other financial institutions	4	4
Autos	6	4
Pharmaceuticals	5	4
Natural gas distribution	3	4
Global information technology	3	4
Metals	4	3
Other industries (1)	21	23
Total	100%	100%

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

U.S. Subprime-Related Direct Exposure in Citi Holdings—Special Asset Pool

The following table summarizes Citigroup's U.S. subprime-related direct exposures in Citi Holdings—SAP at December 31, 2009 and December 31, 2008:

In billions of dollars	Dec. 31, 2008 exposures	2009 write-ups (downs) (1)	2009 other (2)	Dec. 31, 2009 exposures
Direct ABS CDO super-senior exposures:				
Gross ABS CDO super-senior exposures (A)	$ 18.9			$ 13.3
Hedged exposures (B)	6.9			5.9
Net ABS CDO super-senior exposures:				
ABCP/CDO (3)	9.9	$ 0.6	$ (3.6)	7.0
High grade	0.8	0.3	(1.0)	0.1
Mezzanine	1.3	— (4)	(1.0)	0.3
Total net ABS CDO super-senior exposures (A-B=C)	$ 12.0	$ 0.9	$ (5.6) (4)	$ 7.4
Lending and structuring exposures (D)	$ 2.0	$ (0.1)	$ (0.9)	$ 1.0
Total net exposures (C+D) (5) (6)	$ 14.1	$ 0.8	$ (6.5)	$ 8.4
Credit adjustment on hedged counterparty exposures (E) (7)		$ (1.3)		
Total net write-ups (downs) (C+D+E)		$ (0.5)		

Note: Table may not foot or cross-foot due to rounding.

(1) Includes net profits and losses associated with liquidations.

(2) Reflects sales, transfers and repayment or liquidations of principal.

(3) Consists of older-vintage, high-grade ABS CDOs.

(4) A portion of the underlying securities was purchased in liquidations of CDOs and reported as Trading account assets. As of December 31, 2009, $235 million relating to deals liquidated was held in the trading books.

(5) Composed of net CDO super-senior exposures and gross lending and structuring exposures.

(6) This $8.4 billion in net direct exposures includes the $7.3 billion of assets reflected in the table titled "Assets Within Special Asset Pool" under "Results of Operations—Citi Holdings—Special Asset Pool" above.

(7) Adjustment related to counterparty credit risk.

Citi Holdings had approximately $8.4 billion in net U.S. subprime-related direct exposures in the SAP at December 31, 2009. The exposure consisted of (a) approximately $7.4 billion of net exposures in the super-senior tranches (i.e., the most senior tranches) of CDOs, which are collateralized by asset-backed securities, derivatives on asset-backed securities, or both (ABS CDOs), and (b) approximately $1.0 billion of exposures in its lending and structuring business.

The SAP also has trading positions, both long and short, in U.S. subprime RMBS and related products, including ABS CDOs, which are not included in the figures above. The exposure from these positions is actively managed and hedged, although the effectiveness of the hedging products used may vary with material changes in market conditions.

Direct ABS CDO super-senior exposures

The net $7.4 billion in ABS CDO super-senior exposures as of December 31, 2009 is collateralized primarily by subprime RMBS, derivatives on RMBS, or both.

Citi Holdings' CDO super-senior subprime direct exposures are Level 3 assets. The valuation of the high-grade and mezzanine ABS CDO positions uses trader prices based on the underlying assets of each high-grade and mezzanine ABS CDO. Unlike the ABCP positions, the high-grade and
mezzanine positions are now largely hedged through the ABX and bond short positions, which are trader priced. This results in closer symmetry in the way these long and short positions are valued by the business. Citi Holdings intends to use trader marks to value this portion of the portfolio going forward so long as it remains largely hedged.

The valuation of the ABCP positions is subject to valuation based on significant unobservable inputs. Fair value of these exposures is based on estimates of future cash flows from the mortgage loans underlying the assets of the ABS CDOs. To determine the performance of the underlying mortgage loan portfolios, Citi estimates the prepayments, defaults and loss severities based on a number of macroeconomic factors. The model is calibrated using available mortgage loan information including historical loan performance. An appropriate discount rate is then applied to the cash flows generated for each ABCP tranche, in order to estimate its fair value under current market conditions.

The valuation as of December 31, 2009 assumes that U.S. housing prices are unchanged in 2010, increase 1.1% in 2011, increase 1.4% in 2012, and increase 3% from 2013 onwards. The U.S. unemployment rate is assumed to peak at 10.3% during the first half of 2010.

The primary drivers that currently impact the model valuations are the discount rates used to calculate the present value of projected cash flows and projected mortgage loan performance. Each 10-basis-point change in the discount rate used generally results in an approximate $24 million change in the fair value of Citi's direct ABCP exposures as of December 31, 2009.

Estimates of the fair value of the CDO super-senior exposures depend on market conditions and are subject to further change over time. For a further discussion of the valuation methodology and assumptions used to value direct ABS CDO super-senior exposures to U.S. subprime mortgages, see Note 26 to the Consolidated Financial Statements.

Lending and structuring exposures

The $1.0 billion of subprime-related exposures includes approximately $0.6 billion of actively managed subprime loans purchased for resale or securitization at a discount to par during 2007 that continue to be held by SAP and approximately $0.4 billion of financing transactions with customers secured by subprime collateral, and are carried at fair value.

Exposure to Commercial Real Estate in ICG and SAP

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

(1) Assets held at fair value include approximately $5.5 billion, of which approximately $4.6 billion are securities, loans and other items linked to CRE that are carried at fair value as trading account assets, and of which approximately $0.9 billion are securities backed by CRE carried at fair value as available-for-sale (AFS) investments. Changes in fair value for these trading account assets are reported in current earnings, while AFS investments are reported in Accumulated other comprehensive income with other-than-temporary impairments reported in current earnings.

The majority of these exposures are classified as Level 3 in the fair value hierarchy. Weakening activity in the trading markets for some of these instruments resulted in reduced liquidity, thereby decreasing the observable inputs for such valuations, and could have an adverse impact on how these instruments are valued in the future if such conditions persist.

(2) Assets held at amortized cost include approximately $1.8 billion of securities classified as held-to-maturity (HTM) and $20.9 billion of loans and commitments. The HTM securities were classified as such during the fourth quarter of 2008 and were previously classified as either trading or AFS. They are accounted for at amortized cost, subject to other-than-temporary impairment. Loans and commitments are recorded at amortized cost, less loan loss reserves. The impact from changes in credit is reflected in the calculation of the allowance for loan losses and in net credit losses.

(3) Equity and other investments include approximately $4.3 billion of equity and other investments such as limited partner fund investments that are accounted for under the equity method, which recognizes gains or losses based on the investor's share of the net income of the investee.

Direct Exposure to Monolines

Citi Holdings has exposure, via the SAP, to various monoline bond insurers (Monolines), listed in the table below, from hedges on certain investments and from trading positions. The hedges are composed of credit default swaps and other hedge instruments. Citi Holdings recorded $1.3 billion
in downward credit valuation adjustments (CVA) related to exposure to Monolines during 2009, bringing the total CVA balance to $5.6 billion.

The following table summarizes the market value of Citi Holdings' direct exposures to and the corresponding notional amounts of transactions with the various Monolines, as well as the aggregate credit valuation adjustment associated with these exposures as of December 31, 2009 and 2008.

	December 31, 2009		December 31, 2008	
In millions of dollars	Fair value exposure	Notional amount of transactions	Fair value exposure	Notional amount of transactions
Direct subprime ABS CDO super senior—Ambac	$ 4,468	$ 5,295	$ 4,461	$ 5,357
Trading assets—non-subprime:				
MBIA	$ 1,939	$ 3,828	$ 1,924	$ 4,040
FSA	52	835	204	1,126
Assured	81	452	141	465
Radian	3	150	58	150
Ambac	—	178	21	1,106
Subtotal trading assets—non-subprime	$ 2,075	$ 5,443	$ 2,348	$ 6,887
Total gross fair value direct exposure	$ 6,543		$ 6,809	
Credit valuation adjustment	(5,580)		(4,279)	
Total net fair value direct exposure	$ 963		$ 2,530	

The fair value exposure, net of payable and receivable positions, represents the market value of the contract as of December 31, 2009 and 2008, respectively, excluding the CVA. The notional amount of the transactions, including both long and short positions, is used as a reference value to calculate payments. The CVA is a downward adjustment to the fair value exposure to a counterparty to reflect the counterparty's creditworthiness in respect of the obligations in question.

Credit valuation adjustments are based on credit spreads and on estimates of the terms and timing of the payment obligations of the Monolines. Timing in turn depends on estimates of the performance of the transactions to which Citi's exposure relates, estimates of whether and when liquidation of such transactions may occur and other factors, each considered in the context of the terms of the Monolines' obligations.

As of December 31, 2009 and 2008, SAP had $5.9 billion and $6.9 billion, respectively, in notional amount of hedges against its direct subprime ABS CDO super-senior positions. Of those amounts, $5.3 billion and $5.4 billion, respectively, were purchased from Monolines and are included in the notional amount of transactions in the table above.

With respect to SAP's trading assets, there were $2.1 billion and $2.3 billion of fair value exposure to Monolines as of December 31, 2009 and 2008, respectively. Trading assets include trading positions, both long and short, in U.S. subprime RMBS and related products, including ABS CDOs.

The notional amount of transactions related to the remaining non-subprime trading assets as of December 31, 2009 was $5.4 billion. Of the $5.4 billion, $4.7 billion was in the form of credit default swaps and total return swaps with a fair value exposure of $2.1 billion. The remaining notional amount comprised $0.7 billion, primarily in interest-rate swaps, with a corresponding fair value exposure of $12 million net payable.

The notional amount of transactions related to the remaining non-subprime trading assets at December 31, 2008 was $6.9 billion, with a corresponding fair value exposure of $2.3 billion. Of the $6.9 billion, $5.1 billion was in the form of credit default swaps and total return swaps with a fair value of $2.3 billion. The remaining notional amount comprised $1.8 billion, primarily in interest-rate swaps with a corresponding fair value exposure of $3.9 million.

Citigroup has purchased mortgage insurance from various Monoline mortgage insurers on first-mortgage loans. The notional amount of this insurance protection was approximately $230 million and $400 million as of December 31, 2009 and 2008, respectively, with nominal pending claims against this notional amount.

In addition, Citigroup has indirect exposure to Monolines in various other parts of its businesses. Indirect exposure includes circumstances in which Citigroup is not a contractual counterparty to the Monolines, but instead owns securities that may benefit from embedded credit enhancements provided by a Monoline. For example, corporate or municipal bonds in the trading business may be insured by the Monolines. The table and discussion above do not reflect this type of indirect exposure to the Monolines.

Highly Leveraged Financing Transactions

Highly leveraged financing commitments 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 the case for other companies. In recent years through mid-2008, highly leveraged financing had been commonly employed in corporate acquisitions, management buy-outs and similar transactions.

In these financings, debt service (that is, principal and interest payments) absorbs a significant portion of the cash flows generated by the borrower's business. Consequently, the risk that the borrower may not be able to meet its debt obligations is greater. Due to this risk, the interest rates and fees charged for this type of financing are generally higher than for other types of financing.

Prior to funding, highly leveraged financing commitments are assessed for impairment and losses are recorded when they are probable and reasonably estimable. For the portion of loan commitments that relates to loans that will be held for investment, loss estimates are made based on the borrower's ability to repay the facility according to its contractual terms. For the portion of loan commitments that relates to loans that will be held-for-sale, loss estimates are made in reference to current conditions in the resale market (both interest rate risk and credit risk are considered in the estimate). Loan origination, commitment, underwriting and other fees are netted against any recorded losses.

Citigroup generally manages the risk associated with highly leveraged financings it has entered into by seeking to sell a majority of its exposures to the market prior to or shortly after funding. In certain cases, all or a portion of a highly leveraged financing to be retained is hedged with credit derivatives or other hedging instruments. Thus, when a highly leveraged financing is funded, Citigroup records the resulting loan as follows:

- the portion that Citigroup will seek to sell is recorded as a loan held-for-sale in Other assets on the Consolidated Balance Sheet, and measured at the lower of cost or market; and
- the portion that will be retained is recorded as a loan held-for-investment in Loans and measured at amortized cost less a reserve for loan losses.

Due to the dislocation of the credit markets and the reduced market interest in higher-risk/higher-yield instruments since the latter half of 2007, liquidity in the market for highly leveraged financings has been limited. This has resulted in Citi's recording pretax write-downs on funded and unfunded highly leveraged finance exposures of $521 million in 2009 and $4.9 billion in 2008.

Citigroup's exposures to highly leveraged financing commitments totaled $5.0 billion at December 31, 2009 ($4.7 billion funded and $0.3 billion in unfunded commitments), reflecting a decrease of $5 billion from December 31, 2008.

In 2008, Citigroup completed the transfer of approximately $12.0 billion of loans to third parties, of which $8.5 billion relates to highly leveraged loan commitments. In these transactions, the third parties purchased subordinate interests backed by the transferred loans. These subordinate interests absorb first loss on the transferred loans and provide the third parties with control of the loans. Citigroup retained senior debt securities backed by the transferred loans. These transactions were accounted for as sales of the transferred loans. The loans were removed from the balance sheet and the retained securities are classified as AFS securities on Citi's Consolidated Balance Sheet.

In addition, Citigroup purchased protection on the senior debt securities from the third-party subordinate interest holders via total return swaps (TRS). The counterparty credit risk in the TRS is protected through margin agreements that provide for both initial margin and additional margin at specified triggers. Due to the initial cash margin received, the existing margin requirements on the TRS, and the substantive subordinate investments made by third parties, Citi believes that the transactions largely mitigate Citi's risk related to the transferred loans.

Citigroup's sole remaining exposure to the transferred loans are the senior debt securities, which have an amortized cost basis and fair value of $7.0 billion at December 31, 2009. The change in the value of the retained senior debt securities that are classified as AFS securities are recorded in AOCI as they are deemed temporary. The offsetting change in the TRS are recorded as cash flow hedges within AOCI. See Notes 16 and 22 to the Consolidated Financial Statements for additional information.

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. See "Capital Resources and Liquidity" for further discussion.

Price risk is the earnings risk from changes in interest rates, foreign exchange rates, and equity and commodity prices, and in their implied volatilities. Price risk arises in non-trading portfolios, as well as in trading portfolios.

Market risks are measured in accordance with established standards to ensure consistency across businesses and the ability to aggregate risk. Each business is required to establish, with approval from independent market risk management, a market risk limit framework for identified risk factors that clearly defines approved risk profiles and is within the parameters of Citigroup's overall risk appetite. In all cases, the businesses are ultimately responsible for the market risks they take and for remaining within their defined limits.

Non-Trading Portfolios Interest Rate Risk

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

- At any given time, there may be an unequal amount of assets and liabilities that are subject to market rates due to maturation or repricing. Whenever the amount of liabilities subject to repricing exceeds the amount of assets subject to repricing, a company is considered "liability sensitive." In this case, a company's NIR will deteriorate in a rising rate environment.
- The assets and liabilities of a company may reprice at different speeds or mature at different times, subjecting both "liability-sensitive" and "asset-sensitive" companies to NIR sensitivity from changing interest rates. For example, a company may have a large amount of loans that are subject to repricing in the current period, but the majority of deposits are not scheduled for repricing until the following period. That company would suffer from NIR deterioration if interest rates were to fall.

NIR in the current period is the result of customer transactions and the related contractual rates originated in prior periods as well as new transactions in the current period; those prior-period transactions will be impacted by changes in rates on floating-rate assets and liabilities in the current period.

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

Interest Rate Risk Governance

The risks in Citigroup's non-traded portfolios are estimated using a common set of standards that define, measure, limit and report the market risk. Each business is required to establish, with approval from independent market risk management, a market risk limit framework that clearly defines approved risk profiles and is within the parameters of Citigroup's overall risk appetite. In all cases, the businesses are ultimately responsible for the market risks they take and for remaining within their defined limits. These limits are monitored by independent market risk, country and business Asset and Liability Committees (ALCOs) and the Global Finance and Asset and Liability Committee (FinALCO).

Interest Rate Risk Measurement

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

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

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

Mitigation and Hedging of Risk

Financial institutions' financial performance is subject to some degree of risk due to changes in interest rates. In order to manage these risks effectively, Citigroup may modify pricing on new customer loans and deposits, enter into transactions with other institutions or enter into off-balance-sheet derivative transactions that have the opposite risk exposures. Therefore, Citigroup regularly assesses the viability of strategies to reduce unacceptable risks to earnings and implements such strategies when it believes those actions are prudent. As information becomes available, Citigroup formulates strategies aimed at protecting earnings from the potential negative effects of changes in interest rates.

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

Non-Trading Portfolios

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

	December 31, 2009		December 31, 2008	
In millions of dollars	Increase	Decrease	Increase	Decrease
U.S. dollar				
Instantaneous change				
Gross IRE	$(1,194)	$1,473	$(801)	$ 391
Less: ICG trading	336	(350)	563	(465)
Net non-trading IRE	$ (859)	$1,123	$(238)	$ (74)
Gradual change				
Gross IRE	$ (565)	$ 872	$(456)	$ 81
Less: ICG trading	105	(164)	281	(308)
Net non-trading IRE	$ (460)	$ 708	$(175)	$ (227)
Mexican peso				
Instantaneous change	$ 50	$ (50)	$ (18)	$ 18
Gradual change	$ 26	$ (26)	$ (14)	$ 14
Euro				
Instantaneous change	$ (139)	$ 87	$ (56)	$ 57
Gradual change	$ (89)	$ 89	$ (43)	$ 43
Japanese yen				
Instantaneous change	$ 213	NM	$ 172	NM
Gradual change	$ 124	NM	$ 51	NM
Pound sterling				
Instantaneous change	$ (4)	$ 15	$ (1)	$ 1
Gradual change	$ (1)	$ 1	$ —	$ —

NM Not meaningful. A 100 bps decrease in interest rates would imply negative rates for the Japanese yen yield curve.

Certain trading-oriented businesses within Citi have accrual-accounted positions that are hedged with mark-to-market positions. If the economic impact of these offsetting positions is included, Citi's 12-month exposure to a 100 bps instantaneous rise in interest rates is reduced from $(1,194) million to $(731) million. The changes in the U.S. dollar IRE from the prior year reflect changes in the customer-related asset and liability mix, the expected impact of market rates on customer behavior and Citigroup's view of prevailing interest rates.

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

	Scenario 1	Scenario 2	Scenario 3	Scenario 4	Scenario 5	Scenario 6
Overnight rate change (bps)	—	100	200	(200)	(100)	—
10-year rate change (bps)	(100)	—	100	(100)	—	100
Impact to net interest revenue (in millions of dollars)	$ 199	$ (502)	$ (1,161)	$ 560	$ 464	$ (42)

Trading Portfolios
Price risk in trading portfolios is monitored using a series of measures, including:

- factor sensitivities;
- value-at-risk (VAR); and
- stress testing.

Factor sensitivities are expressed as the change in the value of a position for a defined change in a market risk factor, such as a change in the value of a Treasury bill for a one-basis-point change in interest rates. Citigroup's independent market risk management ensures that factor sensitivities are calculated, monitored and, in most cases, limited, for all relevant risks taken in a trading portfolio.

VAR estimates the potential decline in the value of a position or a portfolio under normal market conditions. The VAR method incorporates the factor sensitivities of the trading portfolio with the volatilities and correlations of those factors and is expressed as the risk to Citigroup over a one-day holding period, at a 99% confidence level. Citigroup's VAR is based on the volatilities of and correlations among a multitude of market risk factors as well as factors that track the specific issuer risk in debt and equity securities.

Stress testing is performed on trading portfolios on a regular basis to estimate the impact of extreme market movements. It is performed on both individual trading portfolios, and on aggregations of portfolios and businesses. Independent market risk management, in conjunction with the businesses, develops stress scenarios, reviews the output of periodic stress-testing exercises, and uses the information to make judgments as to the ongoing appropriateness of exposure levels and limits.

Each trading portfolio has its own market risk limit framework encompassing these measures and other controls, including permitted product lists and a new product approval process for complex products.

Total revenues of the trading business consist of:

- customer revenue, which includes spreads from customer flow and positions taken to facilitate customer orders;
- proprietary trading activities in both cash and derivative transactions; and
- net interest revenue.

All trading positions are marked-to-market, with the result reflected in earnings. In 2009, negative trading-related revenue (net losses) was recorded for 58 of 260 trading days. Of the 58 days on which negative revenue (net losses) was recorded, two days were greater than $400 million. The following histogram of total daily revenue or loss captures trading volatility and shows the number of days in which Citigroup's trading-related revenues fell within particular ranges.

Histogram of Daily-Trading Related Revenue—12 Months Ended December 31, 2009

Revenues (in millions of dollars)

Citigroup periodically performs extensive back-testing of many hypothetical test portfolios as one check of the accuracy of its VAR. 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 its transactions. Back-testing is conducted
to confirm that the daily market value losses in excess of a 99% confidence level occur, on average, only 1% of the time. The VAR calculation for the hypothetical test portfolios, with different degrees of risk concentration, meets this statistical criteria.

The level of price risk exposure at any given point in time depends on the market environment and expectations of future price and market movements, and will vary from period to period.

For Citigroup's major trading centers, the aggregate pretax VAR in the trading portfolios was $205 million at December 31, 2009 and $319 million at December 31, 2008. Daily exposures averaged $266 million in 2009 and ranged from $200 million to $335 million.

The following table summarizes VAR to Citigroup in the trading portfolios as of December 31, 2009 and 2008, including the total VAR, the specific risk-only component of VAR, and total—general market factors only, along with the yearly averages:

In millions of dollars	Dec. 31, 2009	2009 average	Dec. 31, 2008	2008 average
Interest rate	$ 191	$ 235	$ 320	$ 280
Foreign exchange	45	65	118	54
Equity	69	79	84	99
Commodity	18	34	15	34
Covariance adjustment	(118)	(147)	(218)	(175)
Total—all market risk factors, including general and specific risk	$ 205	$ 266	$ 319	$ 292
Specific risk-only component	$ 20	$ 20	$ 8	$ 21
Total—general market factors only	$ 185	$ 246	$ 311	$ 271

VAR reflects the divestiture of Phibro LLC as of December 31, 2009 (see Note 2 to the Consolidated Financial Statements). The specific risk-only component represents the level of equity and debt issuer-specific risk embedded in VAR.
The table below provides the range of VAR in each type of trading portfolio that was experienced during 2009 and 2008:

In millions of dollars	2009 Low	2009 High	2008 Low	2008 High
Interest rate	$ 185	$320	$ 227	$339
Foreign exchange	18	140	23	130
Equity	46	167	58	235
Commodity	12	50	12	60

The following table provides the VAR for Citicorp'sSecurities and Banking business (ICG Citicorp VAR, which excludes Consumer) during 2009:

In millions of dollars	December 31, 2009
Total—all market risk factors, including general and specific risk	$163
Average—during year	180
High—during year	247
Low—during year	144

Interest Revenue/Expense and Yields

Average Rates—Interest Revenue, Interest Expense and Net Interest Margin

In millions of dollars	2009	2008 (1)	2007 (1)	Change 2009 vs. 2008	Change 2008 vs. 2007
Interest revenue (2)	$ 76,635	$ 106,499	$ 121,347	(28)%	(12)%
Interest expense (3)	27,721	52,750	75,958	(47)	(31)
Net interest revenue (2) (3)	$ 48,914	$ 53,749	$ 45,389	(9)%	18%
Interest revenue—average rate	4.75%	6.13%	6.47%	(138) bps	(34) bps
Interest expense—average rate	1.92%	3.28%	4.43%	(136) bps	(115) bps
Net interest margin	3.03%	3.09%	2.42%	(6) bps	67 bps
Interest-rate benchmarks:					
Federal Funds rate—end of period	0.00-0.25%	0.00-0.25%	4.25%	—	(400+) bps
Federal Funds rate—average rate	0.00-0.25%	2.08%	5.05%	—	(297) bps
Two-year U.S. Treasury note—average rate	0.96%	2.01%	4.36%	(105) bps	(235) bps
10-year U.S. Treasury note—average rate	3.26%	3.66%	4.63%	(40) bps	(97) bps
10-year vs. two-year spread	230 bps	165 bps	27 bps		

(1) Reclassified to conform to the current period's presentation and to exclude discontinued operations.

(2) Excludes taxable equivalent adjustments (based on the U.S. federal statutory tax rate of 35%) of $752 million, $323 million, and $125 million for 2009, 2008, and 2007, respectively.

(3) Excludes expenses associated with hybrid financial instruments and beneficial interest in consolidated VIEs. These obligations are classified as Long-term debt and accounted for at fair value with changes recorded in Principal transactions. In addition, the majority of the funding provided by Treasury to CitiCapital operations is excluded from this line.

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

During the second half of 2009, the yields across both the interest-earning assets as well as the interest-bearing liabilities dropped significantly from the same period in 2008. The lower asset yields more than offset the lower cost of funds, resulting in slightly lower NIM compared to the prior-year period. The narrowing of yields in Citi's asset businesses due to the continued de-risking of loan portfolios and expansion of loss mitigation efforts and the natural compression of spreads in the deposit businesses, a result of the continued low rates environment, negatively impacted NIM. The impact of these factors was reduced by the lower asset base.

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

	Average volume			Interest revenue			% Average rate		
In millions of dollars	2009	2008	2007	2009	2008	2007	2009	2008	2007
Assets									
Deposits with banks (5)	$ 186,841	$ 77,200	$ 53,044	$ 1,478	$ 3,074	$ 3,097	0.79%	3.98%	5.84%
Federal funds sold and securities borrowed or purchased under agreements to resell (6)									
In U.S. offices	$ 138,579	$ 164,732	$ 192,824	$ 1,975	$ 5,071	$ 11,728	1.43%	3.08%	6.08%
In offices outside the U.S. (5)	63,909	73,833	129,301	1,109	4,079	6,613	1.74	5.52	5.11
Total	$ 202,488	$ 238,565	$ 322,125	$ 3,084	$ 9,150	$ 18,341	1.52%	3.84%	5.69%
Trading account assets (7) (8)									
In U.S. offices	$ 140,233	$ 221,455	$ 263,922	$ 6,844	$ 12,331	$ 13,557	4.88%	5.57%	5.14%
In offices outside the U.S. (5)	126,309	151,071	171,504	3,879	5,115	4,917	3.07	3.39	2.87
Total	$ 266,542	$ 372,526	$ 435,426	$ 10,723	$ 17,446	$ 18,474	4.02%	4.68%	4.24%
Investments									
In U.S. offices									
Taxable	$ 124,404	$ 112,071	$ 136,482	$ 6,208	$ 4,846	$ 6,840	4.99%	4.32%	5.01%
Exempt from U.S. income tax (1)	16,489	13,584	17,796	864	613	909	5.24	4.51	5.11
In offices outside the U.S. (5)	118,988	94,725	108,875	6,047	5,259	5,674	5.08	5.55	5.21
Total	$ 259,881	$ 220,380	$ 263,153	$ 13,119	$ 10,718	$ 13,423	5.05%	4.86%	5.10%
Loans (net of unearned income) (9)									
Consumer loans									
In U.S. offices	$ 304,976	$ 339,417	$ 336,742	$ 21,982	$ 27,456	$ 27,794	7.21%	8.09%	8.25%
In offices outside the U.S. (5)	151,262	173,851	157,888	13,402	17,963	17,016	8.86	10.33	10.78
Total consumer loans	$ 456,238	$ 513,268	$ 494,630	$ 35,384	$ 45,419	$ 44,810	7.76%	8.85%	9.06%
Corporate loans									
In U.S. offices	$ 73,961	$ 77,450	$ 62,321	$ 2,709	$ 3,482	$ 5,095	3.66%	4.50%	8.18%
In offices outside the U.S. (5)	116,421	143,806	153,956	9,364	13,435	13,296	8.04	9.34	8.64
Total corporate loans	$ 190,382	$ 221,256	$ 216,277	$ 12,073	$ 16,917	$ 18,391	6.34%	7.65%	8.50%
Total loans	$ 646,620	$ 734,524	$ 710,907	$ 47,457	$ 62,336	$ 63,201	7.34%	8.49%	8.89%
Other interest-earning assets	$ 49,707	$ 94,123	$ 89,742	$ 774	$ 3,775	$ 4,811	1.56%	4.01%	5.36%
Total interest-earning assets	$ 1,612,079	$ 1,737,318	$ 1,874,397	$ 76,635	$ 106,499	$ 121,347	4.75%	6.13%	6.47%
Non-interest-earning assets (7)	$ 264,165	$ 383,150	$ 249,958						
Total assets from discontinued operations	15,137	47,010	47,177						
Total assets	$ 1,891,381	$ 2,167,478	$ 2,171,532						

(1) Interest revenue excludes the taxable equivalent adjustments (based on the U.S. federal statutory tax rate of 35%) of $752 million, $323 million, and $125 million for 2009, 2008, and 2007, respectively.
(2) Interest rates and amounts include the effects of risk management activities associated with the respective asset and liability categories.
(3) Monthly or quarterly averages have been used by certain subsidiaries where daily averages are unavailable.
(4) Detailed average volume, interest revenue and interest expense exclude discontinued operations. See Note 3 to the Consolidated Financial Statements.
(5) Average rates reflect prevailing local interest rates, including inflationary effects and monetary corrections in certain countries.
(6) Average volumes of securities borrowed or purchased under agreements to resell are reported net. However, Interest revenue is reflected gross.
(7) The fair value carrying amounts of derivative and foreign exchange 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 Trading account assets and Trading account liabilities, respectively.
(9) Includes cash-basis loans.

Reclassified to conform to the current period's presentation.

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

	Average volume			Interest expense			% Average rate		
In millions of dollars	2009	2008	2007	2009	2008	2007	2009	2008	2007
Liabilities									
Deposits									
In U.S. offices									
Savings deposits (5)	$ 174,260	$ 167,509	$ 154,229	$ 2,765	$ 2,921	$ 4,772	1.59%	1.74%	3.09%
Other time deposits	59,673	58,998	58,808	1,104	2,604	3,358	1.85	4.41	5.71
In offices outside the U.S. (6)	443,601	473,452	481,874	6,277	14,746	20,272	1.42	3.11	4.21
Total	$ 677,534	$ 699,959	$ 694,911	$10,146	$20,271	$28,402	1.50%	2.90%	4.09%
Federal funds purchased and securities loaned or sold under agreements to repurchase (7)									
In U.S. offices	$ 133,375	$ 185,621	$ 244,258	$ 988	$ 5,066	$14,339	0.74%	2.73%	5.87%
In offices outside the U.S. (6)	72,258	95,857	140,941	2,445	6,199	8,664	3.38	6.47	6.15
Total	$ 205,633	$ 281,478	$ 385,199	$ 3,433	$11,265	$23,003	1.67%	4.00%	5.97%
Trading account liabilities (8) (9)									
In U.S. offices	$ 22,854	$ 31,984	$ 46,383	$ 222	$ 1,107	$ 1,142	0.97%	3.46%	2.46%
In offices outside the U.S. (6)	37,244	42,941	56,843	67	150	278	0.18	0.35	0.49
Total	$ 60,098	$ 74,925	$ 103,226	$ 289	$ 1,257	$ 1,420	0.48%	1.68%	1.38%
Short-term borrowings									
In U.S. offices	$ 123,168	$ 154,190	$ 169,457	$ 1,050	$ 3,241	$ 6,234	0.85%	2.10%	3.68%
In offices outside the U.S. (6)	33,379	51,499	58,384	375	670	789	1.12	1.30	1.35
Total	$ 156,547	$ 205,689	$ 227,841	$ 1,425	$ 3,911	$ 7,023	0.91%	1.90%	3.08%
Long-term debt (10)									
In U.S. offices	$ 316,223	$ 311,439	$ 266,968	$11,347	$14,305	$14,245	3.59%	4.59%	5.34%
In offices outside the U.S. (6)	29,132	36,981	35,709	1,081	1,741	1,865	3.71	4.71	5.22
Total	$ 345,355	$ 348,420	$ 302,677	$12,428	$16,046	$16,110	3.60%	4.61%	5.32%
Total interest-bearing liabilities	$1,445,167	$1,610,471	$ 1,713,854	$27,721	$52,750	$75,958	1.92%	3.28%	4.43%
Demand deposits in U.S. offices	$ 27,032	$ 8,308	$ 7,510						
Other non-interest-bearing liabilities (8)	263,296	381,912	300,156						
Total liabilities from discontinued operations	9,502	28,471	23,969						
Total liabilities	$1,744,997	$2,029,162	$ 2,045,489						
Citigroup equity (11)	$ 144,510	$ 132,708	$ 122,823						
Noncontrolling interest	1,874	5,608	3,220						
Total stockholders' equity (11)	$ 146,384	$ 138,316	$ 126,043						
Total liabilities and stockholders' equity	$1,891,381	$2,167,478	$ 2,171,532						
Net interest revenue as a percentage of average interest-earning assets (12)									
In U.S. offices	$ 962,084	$1,005,414	$ 1,079,565	$23,956	$25,982	$22,069	2.49%	2.58%	2.04%
In offices outside the U.S. (6)	649,995	731,903	794,832	24,958	27,767	23,320	3.84	3.79	2.93
Total	$1,612,079	$1,737,317	$ 1,874,397	$48,914	$53,749	$45,389	3.03%	3.09%	2.42%

(1) Interest revenue excludes the taxable equivalent adjustments (based on the U.S. federal statutory tax rate of 35%) of $752 million, $323 million, and $125 million for 2009, 2008, and 2007, respectively.

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

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

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

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

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

(7) Average volumes of securities loaned or sold under agreements to repurchase are reported net. However, Interest revenue is reflected gross.

(8) The fair value carrying amounts of derivative and foreign exchange 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 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. In addition, the majority of the funding provided by Treasury to CitiCapital operations is excluded from this line.

(11) Includes stockholders' equity from discontinued operations.

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

Reclassified to conform to the current period's presentation.

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

	2009 vs. 2008			2008 vs. 2007		
	Increase (decrease) due to change in:			Increase (decrease) due to change in:		
In millions of dollars	Average volume	Average rate	Net change	Average volume	Average rate	Net change
Deposits with banks (4)	$ 2,129	$ (3,725)	$ (1,596)	$ 1,146	$(1,169)	$ (23)
Federal funds sold and securities borrowed or purchased under agreements to resell						
In U.S. offices	$ (706)	$ (2,390)	$ (3,096)	$(1,516)	$(5,141)	$ (6,657)
In offices outside the U.S. (4)	(487)	(2,483)	(2,970)	(3,029)	495	(2,534)
Total	$ (1,193)	$ (4,873)	$ (6,066)	$(4,545)	$(4,646)	$ (9,191)
Trading account assets (5)						
In U.S. offices	$ (4,105)	$ (1,382)	$ (5,487)	$(2,302)	$ 1,076	$ (1,226)
In offices outside the U.S. (4)	(788)	(448)	(1,236)	(628)	826	198
Total	$ (4,893)	$ (1,830)	$ (6,723)	$(2,930)	$ 1,902	$ (1,028)
Investments (1)						
In U.S. offices	$ 707	$ 906	$ 1,613	$(1,325)	$ (965)	$ (2,290)
In offices outside the U.S. (4)	1,261	(473)	788	(769)	354	(415)
Total	$ 1,968	$ 433	$ 2,401	$(2,094)	$ (611)	$ (2,705)
Loans—consumer						
In U.S. offices	$ (2,640)	$ (2,834)	$ (5,474)	$ 220	$ (558)	$ (338)
In offices outside the U.S. (4)	(2,175)	(2,386)	(4,561)	1,670	(723)	947
Total	$ (4,815)	$ (5,220)	$ (10,035)	$ 1,890	$(1,281)	$ 609
Loans—corporate						
In U.S. offices	$ (151)	$ (622)	$ (773)	$ 1,042	$(2,655)	$ (1,613)
In offices outside the U.S. (4)	(2,353)	(1,718)	(4,071)	(909)	1,048	139
Total	$ (2,504)	$ (2,340)	$ (4,844)	$ 133	$(1,607)	$ (1,474)
Total loans	$ (7,319)	$ (7,560)	$ (14,879)	$ 2,023	$(2,888)	$ (865)
Other interest-earning assets	$ (1,307)	$ (1,694)	$ (3,001)	$ 225	$(1,261)	$ (1,036)
Total interest revenue	$(10,615)	$(19,249)	$ (29,864)	$(6,175)	$(8,673)	$ (14,848)

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

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

	2009 vs. 2008			2008 vs. 2007		
	Increase (decrease) due to change in:			Increase (decrease) due to change in:		
In millions of dollars	Average volume	Average rate	Net change	Average volume	Average rate	Net change
Deposits						
In U.S. offices	$ 176	$ (1,832)	$ (1,656)	$ 486	$ (3,091)	$ (2,605)
In offices outside the U.S. (4)	(877)	(7,592)	(8,469)	(349)	(5,177)	(5,526)
Total	$ (701)	$ (9,424)	$ (10,125)	$ 137	$ (8,268)	$ (8,131)
Federal funds purchased and securities loaned or sold under agreements to repurchase						
In U.S. offices	$ (1,136)	$ (2,942)	$ (4,078)	$ (2,872)	$ (6,401)	$ (9,273)
In offices outside the U.S. (4)	(1,279)	(2,475)	(3,754)	(2,895)	430	(2,465)
Total	$ (2,415)	$ (5,417)	$ (7,832)	$ (5,767)	$ (5,971)	$ (11,738)
Trading account liabilities (5)						
In U.S. offices	$ (251)	$ (634)	$ (885)	$ (417)	$ 382	$ (35)
In offices outside the U.S. (4)	(18)	(65)	(83)	(59)	(69)	(128)
Total	$ (269)	$ (699)	$ (968)	$ (476)	$ 313	$ (163)
Short-term borrowings						
In U.S. offices	$ (554)	$ (1,637)	$ (2,191)	$ (520)	$ (2,473)	$ (2,993)
In offices outside the U.S. (4)	(213)	(82)	(295)	(90)	(29)	(119)
Total	$ (767)	$ (1,719)	$ (2,486)	$ (610)	$ (2,502)	$ (3,112)
Long-term debt						
In U.S. offices	$ 217	$ (3,175)	$ (2,958)	$ 2,193	$ (2,133)	$ 60
In offices outside the U.S. (4)						