CITIGROUP INC
Form 10-Q
November 04, 2011

# UNITED STATES
# SECURITIES AND EXCHANGE COMMISSION

**WASHINGTON, D.C. 20549**

# FORM 10-Q

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

**For the quarterly period ended September 30, 2011**

**Commission file number 1-9924**

# Citigroup Inc.

(Exact name of registrant as specified in its charter)

| | |
|---|---|
| **Delaware** | **52-1568099** |
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification No.) |
| **399 Park Avenue, New York, NY** | **10043** |
| (Address of principal executive offices) | (Zip code) |

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

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

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

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

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

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

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

Common stock outstanding as of September 30, 2011: 2,923,708,189

**Available on the web at www.citigroup.com**

**CITIGROUP INC.**

**THIRD QUARTER 2011 FORM 10-Q**

## OVERVIEW

### Introduction

Citigroup operates, for management reporting purposes, via two primary business segments: Citicorp, consisting of Citi's *Regional Consumer Banking* businesses and *Institutional Clients Group*; and Citi Holdings, consisting of Citi's *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 3 to the Consolidated Financial Statements.

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

This Quarterly Report on Form 10-Q should be read in conjunction with Citigroup's Annual Report on Form 10-K for the year ended December 31, 2010 (2010 Annual Report on Form 10-K) and Citigroup's Quarterly Reports on Form 10-Q for the quarters ended March 31, 2011 and June 30, 2011. 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 SEC are available free of charge through the company's Web site by clicking on the "Investors" page and selecting "All SEC Filings." The SEC's Web site also contains periodic and current reports, proxy and information statements, and other information regarding Citi at *www.sec.gov*.

Certain reclassifications have been made to the prior periods' financial statements to conform to the current period's presentation. All per share amounts and Citigroup shares outstanding for the third quarter of 2011 and all prior periods reflect Citigroup's 1-for-10 reverse stock split, which was effective May 6, 2011.

Within this Form 10-Q, please refer to the tables of contents on pages 2 and 92 for page references to Management's Discussion and Analysis of Financial Condition and Results of Operations and Notes to Consolidated Financial Statements, respectively.

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

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As announced on October 17, 2011, Citi will transfer the substantial majority of the retail partner cards business from Citi Holdings *Local Consumer Lending* to Citicorp *North America RCB*. While Citi previously announced this transfer would be completed during the fourth quarter of 2011, it now intends to complete this transfer during the first quarter of 2012.

**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 the U.S., Canada and Puerto Rico comprise *North America*.

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

## THIRD QUARTER 2011 EXECUTIVE SUMMARY

### *Citigroup*

Citigroup reported third quarter of 2011 net income of $3.8 billion, or $1.23 per diluted share. Citigroup's income increased by 74%, or $1.6 billion, from the third quarter of 2010. Results for the third quarter of 2011 included a significant positive credit valuation adjustment (CVA) of $1.9 billion, compared to $115 million in the third quarter of 2010, driven by Citigroup's credit spreads widening during the quarter. Excluding CVA, Citigroup earned $2.6 billion in the third quarter of 2011, or $0.84 per diluted share, compared to $0.70 per diluted share in the prior-year period. The year-over-year increase in earnings per share, excluding CVA, primarily reflects a significant decline in credit costs, offset by the impact of lower revenues (excluding CVA) and an increase in operating expenses as compared to the prior-year period. Net income in the prior-year period was also affected by a loss on the announced sale of The Student Loan Corporation recorded in Discontinued Operations.

Citigroup revenues, net of interest expense, were $20.8 billion, or roughly flat versus the prior-year period. Excluding CVA, revenues were down $1.7 billion, or 8%, from the third quarter of 2010 as continued growth in international *Regional Consumer Banking* and *Transaction Services* was more than offset by lower revenues in Citi Holdings, *Securities and Banking* and *North America Regional Consumer Banking*. Net interest revenues of $12.1 billion were 8% lower than the prior-year period, largely due to continued declining loan balances and lower interest-earning assets in Citi Holdings. Non-interest revenues were $8.7 billion, up 15% from the prior-year period, principally driven by significant positive CVA in the third quarter of 2011. Excluding CVA, non-interest revenues of $6.8 billion decreased by 10%, due primarily to lower revenues in *Securities and Banking*.

Year-over-year, the U.S. dollar generally depreciated versus local currencies in which Citi generates revenues and incurs expenses. In the third quarter of 2011, the impact of foreign exchange in the translation of local currency results into U.S. dollars (as used throughout this Form 10-Q, FX translation) accounted for 2% of the growth in Citi's revenues and expenses, respectively, while contributing 1% to net income growth over the prior-year period.

### *Operating Expenses*

Citigroup expenses increased $940 million, or 8%, year-over-year to $12.5 billion. Roughly three-quarters of the increase was driven by FX translation, higher legal and related costs and the absence of one-time benefits recorded in the prior period. Excluding these items, operating expenses grew 2% year-over-year in the third quarter, driven by higher investment spending, which was partially offset by ongoing productivity savings and other expense reductions.

For the first nine months of 2011, Citigroup expenses were $37.7 billion, up $2.8 billion, or 8%, from the prior-year period. Nearly two-thirds of this increase, or approximately $1.8 billion, resulted primarily from the impact of FX translation and higher legal and related costs in the first nine months of 2011 as compared to the same period in 2010. Excluding these items, operating expenses were up $1.0 billion, or 3%, versus the prior-year period. Investment spending was $2.8 billion higher in the first nine months of 2011, of which roughly half was funded with efficiency savings of $1.4 billion. All other expenses, including higher volume-related costs, were more than offset by a decline in Citi Holdings expenses. The impact of FX translation and legal and related costs will likely continue to affect Citigroup's operating expenses in the near term and will remain difficult to predict.

Citicorp expenses of $9.8 billion in the third quarter of 2011 grew 9% from the third quarter of 2010. Roughly a quarter of this increase resulted from the impact of FX translation, and the remainder was primarily driven by investment spending, which was partially offset by ongoing productivity savings and other expense reductions.

Citi Holdings expenses were down 6% year-over-year to $2.1 billion, principally due to the continued decline in assets and thus lowered operating expenses. As the pace of asset decline in Citi Holdings continues to slow, Citi's ability to continue to reduce its expenses in Citi Holdings will likely also decline.

### *Credit Costs*

Citigroup total provisions for credit losses and for benefits and claims of $3.4 billion declined $2.6 billion, or 43%, from the prior-year period. Net credit losses of $4.5 billion were down $3.1 billion, or 41%, from the third quarter of 2010. Consumer net credit losses declined $2.5 billion, or 37%, to $4.2 billion, driven by continued improvement in credit in *North America* Citi-branded cards in Citicorp and retail partner cards and residential real estate lending in Citi Holdings. Corporate net credit losses decreased $650 million year-over-year to

$272 million, as credit quality continued to improve in the Corporate portfolio.

The net release of allowance for loan losses and unfunded lending commitments was $1.4 billion in the third quarter of 2011, compared to a net release of $2.0 billion in the third quarter of 2010. Of the $1.4 billion net reserve release, $1.2 billion related to Consumer and was mainly driven by *North America* Citi-branded cards and retail partner cards. The $186 million net Corporate reserve release reflected continued improvement in Corporate credit trends, partially offset by growth in the Corporate loan portfolio.

More than half of the net credit reserve release in the third quarter of 2011, or $838 million, was attributable to Citi Holdings. The $585 million net credit release in Citicorp was up from $426 million in the prior-year period and was due primarily to higher net releases in Citi-branded cards, partially offset by lower releases in international *Regional Consumer*

*Banking* and a net build in the Corporate portfolio, each driven by continued loan growth. Citi continues to expect international *Regional Consumer Banking* and Corporate credit costs in Citicorp to increase, reflecting growing loan portfolios.

***Capital and Loan Loss Reserve Positions***

Citigroup's Tier 1 Capital ratio was 13.5% at quarter-end, and its Tier 1 Common ratio was 11.7%.

Citigroup's total allowance for loan losses was $32.1 billion at quarter-end, or 5.1% of total loans, down from $43.7 billion, or 6.7% of total loans, at the end of the prior-year period. The decline in the total allowance for loan losses reflected asset sales, lower non-accrual loans, and overall continued improvement in the credit quality of the loan portfolios.

The Consumer allowance for loan losses was $28.9 billion, or 6.82% of total Consumer loans at quarter-end, compared to $37.6 billion, or 8.19% of total loans, at September 30, 2010.

Citigroup's non-accrual loans of $12.1 billion declined 46% from the prior-year period. At the end of the third quarter of 2011, the allowance for loan losses was 265% of non-accrual loans.

***Citicorp***

Citicorp net income of $4.6 billion in the third quarter of 2011 increased by $1.1 billion, or 32%, from the prior-year period, driven by the significant positive CVA, lower net credit losses and a higher net loan loss reserve release, offset by lower revenues (excluding CVA) and an increase in operating expenses.

Citicorp revenues were $17.7 billion, up $1.4 billion from the third quarter of 2010, driven by the CVA of $1.9 billion in the third quarter of 2011, compared to CVA of $99 million in the prior-year period. Excluding CVA, Citicorp revenues of $15.8 billion were down 2% year-over-year, as growth in international *Regional Consumer Banking* and *Transaction Services* was more than offset by lower revenues in *North America Regional Consumer Banking* and *Securities and Banking*. Net interest revenues of $9.7 billion increased 3% from the prior-year period, reflecting continuing growth in international business volumes, and non-interest revenues of $8.0 billion were up $1.2 billion, or 17%, driven by CVA.

*Regional Consumer Banking* revenues of $8.3 billion were 2% higher year-over-year, mostly due to continued growth in business volumes across international regions as well as the impact of FX translation. This growth was partly offset by lower credit card balances in *North America*, the impact in *North America* of the look-back provisions of The Credit Card Accountability Responsibility and Disclosure Act (CARD Act) (see "*Regional Consumer Banking North America Regional Consumer Banking*" below) and continued spread compression. Average retail banking loans increased 18% year-over-year to $128.6 billion, and average deposits increased 6% to $313.2 billion, both driven by *Asia* and *Latin America*. Citi-branded cards average loans increased 1% year-over-year to $110.2 billion, as growth in *Asia* and *Latin America* was offset by lower balances in *North America*. Cards purchase sales grew 9% from the prior-year period to $71.4 billion, and international investment sales increased 1% to $21.5 billion.

*Securities and Banking* revenues of $6.7 billion increased 20% year-over-year and 23% sequentially, driven by the positive CVA (for details on *S&B* CVA amounts, see "*Institutional Clients Group Securities and Banking*" below). Excluding CVA, revenues were $4.8 billion, down 12% from the prior-year period and 9% sequentially, driven by lower fixed income markets, equity markets and investment banking revenues, partially offset by higher lending revenues. Fixed income markets revenues of $2.3 billion, excluding CVA, decreased 33% year-over-year and 22% sequentially, as growth in rates and currencies was more than offset by lower revenues in credit-related and securitized products. Equity markets revenues of $289 million, excluding CVA, were down 73% year-over-year and 63% sequentially, mainly driven by weak trading revenues in derivatives, as well as losses in equity proprietary trading (which Citi also refers to as equity principal strategies). Investment banking revenues of $736 million were down 21% year-over-year and 32% sequentially, driven by lower activity levels across all products. Lending revenues were $1.0 billion, up from negative $11 million in the prior-year period and positive $356 million in the second quarter of 2011, due to hedging gains.

*Transaction Services* revenues were $2.7 billion, up 7% from the prior-year period, driven by growth in Treasury and Trade Solutions as well as Securities and Fund Services. Revenues grew year-over-year in all international regions, as strong growth in business volumes was partially offset by continued spread compression. Average deposits and other customer liabilities grew 7% year-over-year to $365 billion. Assets under custody grew 1% year-over-year to $12.5 trillion, but were down 7% from the prior quarter due to a negative impact of FX translation and lower market values.

Citicorp end of period loans increased 13% year-over-year to $443.6 billion, with 6% growth in Consumer loans and 21% growth in Corporate loans.

***Citi Holdings***

Citi Holdings net loss of $802 million in the third quarter of 2011 improved by $344 million, or 30%, from a net loss of $1.1 billion in the third quarter of 2010, as continued improvement in net credit losses and lower operating expenses offset lower revenues and a lower net loan loss reserve release.

Citi Holdings revenues declined 27% to $2.8 billion from the prior-year period, primarily due to lower assets. Net interest revenues declined 30% year-over-year to $2.5 billion, largely driven by declining loan balances in *Local Consumer Lending* and lower interest-earning assets in the *Special Asset Pool*. Non-interest revenues increased 6% to $353 million from the prior-year period.

Citi Holdings assets declined 31% from the third quarter of 2010 to $289 billion at the end of the third quarter of 2011. The decline reflected $86 billion in asset sales and business dispositions, $40 billion in net run-off and amortization, and $6 billion in net cost of credit and net asset marks. On October 17, 2011, Citi announced it will transfer the substantial majority of the retail partner cards business from *Local Consumer Lending* to Citicorp *North America Regional Consumer Banking,* which Citi intends to complete during the first quarter of 2012. This transfer will further decrease the assets within Citi Holdings as well as materially impact the earnings profile of Citi Holdings.

At September 30, 2011, *Local Consumer Lending* continued to represent the largest segment within Citi Holdings, with $218 billion of assets. Over half of *Local Consumer Lending* assets, or approximately $117 billion, were related to *North America* real estate lending. As of the end of the third quarter of 2011, there were approximately $10 billion of loan loss reserves allocated to *North America* real estate lending in Citi Holdings, representing over 30 months of coincident net credit loss coverage.

At the end of the third quarter of 2011, Citi Holdings assets comprised approximately 15% of total Citigroup GAAP assets and 27% of risk-weighted assets.

## RESULTS OF OPERATIONS

### SUMMARY OF SELECTED FINANCIAL DATA

*Citigroup Inc. and Consolidated Subsidiaries*

| *In millions of dollars, except per-share amounts, ratios and direct staff* | Third Quarter 2011 | Third Quarter 2010 | % Change | Nine Months Ended 2011 | Nine Months Ended 2010 | % Change |
|---|---|---|---|---|---|---|
| Net interest revenue | **$ 12,114** | $ 13,128 | (8)% | **$ 36,364** | $ 41,496 | (12)% |
| Non-interest revenue | **8,717** | 7,610 | 15 | **24,815** | 26,734 | (7) |
| **Revenues, net of interest expense** | **$ 20,831** | $ 20,738 | | **$ 61,179** | $ 68,230 | (10)% |
| Operating expenses | **12,460** | 11,520 | 8 | **37,722** | 34,904 | 8 |
| Provisions for credit losses and for benefits and claims | **3,351** | 5,919 | (43) | **9,922** | 21,202 | (53) |
| **Income from continuing operations before income taxes** | **$ 5,020** | $ 3,299 | 52% | **$ 13,535** | $ 12,124 | 12% |
| Income taxes | **1,278** | 698 | 83 | **3,430** | 2,546 | 35 |
| **Income from continuing operations** | **$ 3,742** | $ 2,601 | 44% | **$ 10,105** | $ 9,578 | 6% |
| **Income (loss) from discontinued operations, net of taxes(1)** | **1** | (374) | NM | **112** | (166) | NM |
| **Net income before attribution of noncontrolling interests** | **$ 3,743** | $ 2,227 | 68% | **$ 10,217** | $ 9,412 | 9% |
| Net income (loss) attributable to noncontrolling interests | **(28)** | 59 | NM | **106** | 119 | (11) |
| **Citigroup's net income** | **$ 3,771** | $ 2,168 | 74% | **$ 10,111** | $ 9,293 | 9% |
| Less: Preferred dividends Basic | **$ 4** | $ | NM | **$ 17** | $ | NM |
| Less: Dividends and undistributed earnings allocated to employee restricted and deferred shares that contain nonforfeitable rights to dividends, applicable to Basic EPS | **70** | 20 | NM | **164** | 78 | NM |
| **Income allocated to unrestricted common shareholders for basic EPS** | **$ 3,697** | $ 2,148 | 72% | **$ 9,930** | $ 9,215 | 8% |
| Add: Interest expense, net of tax, on convertible securities and adjustment of undistributed earnings allocated to employee restricted and deferred shares that contain nonforfeitable rights to dividends, applicable to Diluted EPS | **6** | 1 | NM | **12** | 2 | NM |
| **Income allocated to unrestricted common shareholders for diluted EPS** | **$ 3,703** | $ 2,149 | 72% | **$ 9,942** | $ 9,217 | 8% |
| **Earnings per share(2)** | | | | | | |
| **Basic** | | | | | | |
| Income from continuing operations | **$ 1.27** | $ 0.85 | 49 | **$ 3.38** | $ 3.25 | 4% |
| Net income | **1.27** | 0.74 | 72 | **3.41** | 3.21 | 6 |
| **Diluted** | | | | | | |
| Income from continuing operations | **$ 1.23** | $ 0.83 | 48% | **$ 3.28** | $ 3.15 | 4% |
| Net income | **1.23** | 0.72 | 71 | **3.32** | 3.11 | 7 |
| **At September 30:** | | | | | | |
| Total assets | **$ 1,935,992** | $ 1,983,280 | (2)% | | | |
| Total deposits | **851,281** | 850,095 | | | | |
| Long-term debt | **333,824** | 387,330 | (14) | | | |
| Junior subordinated debentures owned by trust issuers of mandatorily redeemable securities (included in long-term debt) | **16,089** | 20,449 | (21) | | | |

| | | | | | |
|---|---|---|---|---|---|
| Citigroup common stockholders' equity | **177,060** | 162,601 | 9 | | |
| Total Citigroup stockholders' equity | **177,372** | 162,913 | 9 | | |
| Direct staff *(in thousands)* | **267** | 258 | 3 | | |
| **Ratios:** | | | | | |
| Return on average common stockholders' equity(3) | **8.4%** | 5.4% | | **7.8%** | 8.1% |
| Return on average total stockholders' equity(3) | **8.4** | 5.4 | | **7.8** | 8.1 |
| Tier 1 Common(4) | **11.71%** | 10.33% | | | |
| Tier 1 Capital | **13.45** | 12.50 | | | |
| Total Capital | **16.89** | 16.14 | | | |
| Leverage(5) | **7.01** | 6.57 | | | |
| Citigroup common stockholders' equity to assets | **9.15%** | 8.20% | | | |
| Total Citigroup stockholders' equity to assets | **9.16** | 8.21 | | | |
| Book value per common share(2) | **$ 60.56** | $ 55.97 | | | |
| Tangible book value per share(2)(6) | **49.50** | 44.42 | | | |
| Ratio of earnings to fixed charges and preferred stock dividends | **1.81** | 1.52 | | **1.71** | 1.63 |

(1) Discontinued operations primarily reflects the sale of the Egg Banking PLC credit card business and the sale of The Student Loan Corporation business. Additionally, there continues to be minimal residual costs associated with the sale of Nikko Cordial Securities, the sale of Citigroup's German retail banking operations and the sale of CitiCapital's equipment finance unit to General Electric. See Note 2 to the Consolidated Financial Statements.

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

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

(4) As defined by the banking regulators, the Tier 1 Common ratio represents Tier 1 Capital less qualifying perpetual preferred stock, qualifying noncontrolling interests in subsidiaries and junior subordinated debentures owned by trust issuers of mandatorily redeemable securities (included in long-term debt) divided by risk-weighted assets.

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

(6) Tangible book value per share is considered a non-GAAP financial measure for SEC reporting purposes. For additional information and a reconciliation of this measure to the most directly comparable GAAP measure, see "Capital Resources and Liquidity Capital Resources Tangible Common Equity and Tangible Book Value Per Share" below.

NM Not meaningful

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**SEGMENT AND BUSINESS INCOME (LOSS) AND REVENUES**

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

**CITIGROUP INCOME (LOSS)**

| *In millions of dollars* | Third Quarter 2011 | 2010(1) | % Change | Nine Months Ended 2011 | 2010(1) | % Change |
|---|---|---|---|---|---|---|
| **Income (loss) from continuing operations** | | | | | | |
| **CITICORP** | | | | | | |
| **Regional Consumer Banking** | | | | | | |
| *North America* | **$ 692** | $ 177 | NM | **$ 1,928** | $ 247 | NM |
| *EMEA* | **9** | 17 | (47)% | **85** | 89 | (4)% |
| *Latin America* | **344** | 532 | (35) | **1,224** | 1,363 | (10) |
| *Asia* | **567** | 496 | 14 | **1,512** | 1,624 | (7) |
| **Total** | **$ 1,612** | $ 1,222 | 32% | **$ 4,749** | $ 3,323 | 43% |
| **Securities and Banking** | | | | | | |
| *North America* | **$ 666** | $ 430 | 55% | **$ 1,461** | $ 2,669 | (45)% |
| *EMEA* | **737** | 499 | 48 | **1,846** | 1,874 | (1) |
| *Latin America* | **208** | 277 | (25) | **779** | 747 | 4 |
| *Asia* | **526** | 179 | NM | **948** | 952 | |
| **Total** | **$ 2,137** | $ 1,385 | 54% | **$ 5,034** | $ 6,242 | (19)% |
| **Transaction Services** | | | | | | |
| *North America* | **$ 121** | $ 127 | (5)% | **$ 372** | $ 444 | (16)% |
| *EMEA* | **289** | 306 | (6) | **856** | 929 | (8) |
| *Latin America* | **169** | 174 | (3) | **504** | 487 | 3 |
| *Asia* | **318** | 319 | | **894** | 936 | (4) |
| **Total** | **$ 897** | $ 926 | (3)% | **$ 2,626** | $ 2,796 | (6)% |
| *Institutional Clients Group (ICG)* | **$ 3,034** | $ 2,311 | 31% | **$ 7,660** | $ 9,038 | (15)% |
| **Total Citicorp** | **$ 4,646** | $ 3,533 | 32% | **$ 12,409** | $ 12,361 | |
| **CITI HOLDINGS** | | | | | | |
| **Brokerage and Asset Management** | **$ (83)** | $ (153) | 46% | **$ (193)** | $ (171) | (13)% |
| **Local Consumer Lending** | **(585)** | (830) | 30 | **(1,930)** | (3,885) | 50 |
| **Special Asset Pool** | **(127)** | (83) | (53) | **613** | 911 | (33) |
| | **$ (795)** | $ (1,066) | 25% | **$ (1,510)** | $ (3,145) | 52% |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| **Total Citi Holdings** | | | | | | | | | |
| **Corporate/Other** | **$** | **(109)** | $ | 134 | NM | **$** | **(794)** | $ | 362 | NM |
| **Income from continuing operations** | **$** | **3,742** | $ | 2,601 | 44% | **$** | **10,105** | $ | 9,578 | 6% |
| **Income (loss) from discontinued operations** | **$** | **1** | $ | (374) | | **$** | **112** | $ | (166) | |
| **Net income attributable to noncontrolling interests** | | **(28)** | | 59 | | | **106** | | 119 | |
| **Citigroup's net income** | **$** | **3,771** | $ | 2,168 | 74% | **$** | **10,111** | $ | 9,293 | 9% |

(1) The prior period balances reflect reclassifications to conform the presentation in those periods to the current period's presentation. These reclassifications related to Citi's re-allocation of certain expenses between businesses and segments and the transfer of certain commercial market loans from *RCB* to *ICG*.

NM Not meaningful

**CITIGROUP REVENUES**

| *In millions of dollars* | Third Quarter 2011 | 2010 | % Change | Nine Months Ended 2011 | 2010 | % Change |
|---|---|---|---|---|---|---|
| **CITICORP** | | | | | | |
| **Regional Consumer Banking** | | | | | | |
| *North America* | **$ 3,418** | $ 3,741 | (9)% | **$ 10,120** | $ 11,235 | (10)% |
| *EMEA* | **363** | 347 | 5 | **1,147** | 1,124 | 2 |
| *Latin America* | **2,420** | 2,223 | 9 | **7,129** | 6,398 | 11 |
| *Asia* | **2,067** | 1,834 | 13 | **5,989** | 5,470 | 9 |
| **Total** | **$ 8,268** | $ 8,145 | 2% | **$ 24,385** | $ 24,227 | 1% |
| **Securities and Banking** | | | | | | |
| *North America* | **$ 2,445** | $ 2,203 | 11% | **$ 6,898** | $ 8,384 | (18)% |
| *EMEA* | **2,299** | 1,735 | 33 | **6,002** | 6,015 | |
| *Latin America* | **519** | 643 | (19) | **1,786** | 1,815 | (2) |
| *Asia* | **1,460** | 1,020 | 43 | **3,538** | 3,360 | 5 |
| **Total** | **$ 6,723** | $ 5,601 | 20% | **$ 18,224** | $ 19,574 | (7)% |
| **Transaction Services** | | | | | | |
| *North America* | **$ 620** | $ 621 | | **$ 1,838** | $ 1,896 | (3)% |
| *EMEA* | **893** | 835 | 7% | **2,628** | 2,516 | 4 |
| *Latin America* | **442** | 389 | 14 | **1,294** | 1,101 | 18 |
| *Asia* | **759** | 698 | 9 | **2,188** | 1,986 | 10 |
| **Total** | **$ 2,714** | $ 2,543 | 7% | **$ 7,948** | $ 7,499 | 6% |
| *Institutional Clients Group* | **$ 9,437** | $ 8,144 | 16% | **$ 26,172** | $ 27,073 | (3)% |
| **Total Citicorp** | **$ 17,705** | $ 16,289 | 9% | **$ 50,557** | $ 51,300 | (1)% |
| **CITI HOLDINGS** | | | | | | |
| **Brokerage and Asset Management** | **$ 55** | $ (8) | NM | **$ 239** | $ 473 | (49)% |
| **Local Consumer Lending** | **2,998** | 3,547 | (15)% | **9,100** | 12,423 | (27) |
| **Special Asset Pool** | **(227)** | 314 | NM | **781** | 2,426 | (68) |
| **Total Citi Holdings** | **$ 2,826** | $ 3,853 | (27)% | **$ 10,120** | $ 15,322 | (34)% |
| **Corporate/Other** | **$ 300** | $ 596 | (50)% | **$ 502** | $ 1,608 | (69)% |
| **Total net revenues** | **$ 20,831** | $ 20,738 | | **$ 61,179** | $ 68,230 | (10)% |

## CITICORP

Citicorp is the Company's global bank for consumers and businesses and represents Citi's core franchises. Citicorp is focused on providing best-in-class products and services to customers and leveraging Citigroup's unparalleled global network. Citicorp is physically present in approximately 100 countries, many for over 100 years, and offers services in over 160 countries and jurisdictions. Citi believes this global network provides a strong foundation for servicing the broad financial services needs of large multinational clients and for meeting the needs of retail, private banking, commercial, public sector and institutional clients around the world. Citigroup's global footprint provides coverage of the world's emerging economies, which Citi believes represent a strong area of growth. At September 30, 2011, Citicorp had approximately $1.4 trillion of assets and $776 billion of deposits, representing approximately 70% of Citi's total assets and approximately 91% of its deposits.

At September 30, 2011, Citicorp consisted 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* | Third Quarter 2011 | 2010 | % Change | Nine Months 2011 | 2010 | % Change |
|---|---|---|---|---|---|---|
| Net interest revenue | **$ 9,663** | $ 9,415 | 3% | **$ 28,670** | $ 28,895 | (1)% |
| Non-interest revenue | **8,042** | 6,874 | 17 | **21,887** | 22,405 | (2) |
| **Total revenues, net of interest expense** | **$ 17,705** | $ 16,289 | 9% | **$ 50,557** | $ 51,300 | (1)% |
| **Provisions for credit losses and for benefits and claims** | | | | | | |
| Net credit losses | **$ 1,933** | $ 3,020 | (36)% | **$ 6,404** | $ 9,127 | (30)% |
| Credit reserve build (release) | **(630)** | (427) | (48) | **(2,797)** | (1,426) | (96) |
| Provision for loan losses | **$ 1,303** | $ 2,593 | (50)% | **$ 3,607** | $ 7,701 | (53)% |
| Provision for benefits and claims | **45** | 38 | 18 | **115** | 109 | 6 |
| Provision for unfunded lending commitments | **45** | 1 | NM | **44** | (32) | NM |
| Total provisions for credit losses and for benefits and claims | **$ 1,393** | $ 2,632 | (47)% | **$ 3,766** | $ 7,778 | (52)% |
| **Total operating expenses** | **$ 9,778** | $ 8,931 | 9% | **$ 29,441** | $ 26,702 | 10% |
| **Income from continuing operations before taxes** | **$ 6,534** | $ 4,726 | 38% | **$ 17,350** | $ 16,820 | 3% |
| Provisions for income taxes | **1,888** | 1,193 | 58 | **4,941** | 4,459 | 11 |
| **Income from continuing operations** | **$ 4,646** | $ 3,533 | 32% | **$ 12,409** | $ 12,361 | |
| Net income attributable to noncontrolling interests | **6** | 30 | (80) | **29** | 71 | (59)% |
| **Citicorp's net income** | **$ 4,640** | $ 3,503 | 32% | **$ 12,380** | $ 12,290 | 1% |
| **Balance sheet data** *(in billions of dollars)* | | | | | | |
| **Total EOP assets** | **$ 1,364** | $ 1,283 | 6% | | | |
| **EOP Loans:** | | | | | | |
| Consumer | **237** | 223 | 6 | | | |
| Corporate | **207** | 171 | 21 | | | |
| **Average assets** | **1,381** | 1,252 | 10 | **$ 1,362** | $ 1,245 | 9% |
| **Total EOP deposits** | **776** | 757 | 3 | | | |

NM Not meaningful

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## REGIONAL CONSUMER BANKING

*Regional Consumer Banking (RCB)* consists of Citigroup's four geographical *RCB* businesses that provide traditional banking services to retail customers. *RCB* also contains Citigroup's branded cards business and Citi's local commercial banking business. *RCB* is a globally diversified business with nearly 4,200 branches in 39 countries around the world. At September 30, 2011, *RCB* had $335 billion of assets and $310 billion of deposits.

| *In millions of dollars* | Third Quarter 2011 | Third Quarter 2010 | % Change | Nine Months 2011 | Nine Months 2010 | % Change |
|---|---|---|---|---|---|---|
| Net interest revenue | **$ 5,817** | $ 5,675 | 3% | **$ 17,350** | $ 17,338 | |
| Non-interest revenue | **2,451** | 2,470 | (1) | **7,035** | 6,889 | 2% |
| **Total revenues, net of interest expense** | **$ 8,268** | $ 8,145 | 2% | **$ 24,385** | $ 24,227 | |
| Total operating expenses | **$ 4,753** | $ 4,085 | 16% | **$ 14,000** | $ 12,111 | 16% |
| Net credit losses | **$ 1,846** | $ 2,730 | (32)% | **$ 5,957** | $ 8,691 | (31)% |
| Credit reserve build (release) | **(662)** | (400) | (66) | **(2,379)** | (990) | NM |
| Provisions for unfunded lending commitments | | | | **3** | (3) | NM |
| Provision for benefits and claims | **45** | 38 | 18 | **115** | 109 | 6% |
| Provisions for credit losses and for benefits and claims | **$ 1,229** | $ 2,368 | (48)% | **$ 3,696** | $ 7,807 | (53)% |
| Income from continuing operations before taxes | **$ 2,286** | $ 1,692 | 35% | **$ 6,689** | $ 4,309 | 55% |
| Income taxes | **674** | 470 | 43 | **1,940** | 986 | 97 |
| **Income from continuing operations** | **$ 1,612** | $ 1,222 | 32% | **$ 4,749** | $ 3,323 | 43% |
| Net income (loss) attributable to noncontrolling interests | **1** | (4) | NM | **2** | (9) | NM |
| **Net income** | **$ 1,611** | $ 1,226 | 31% | **$ 4,747** | $ 3,332 | 42% |
| | **$ 338** | $ 309 | 9% | **$ 333** | $ 307 | 8% |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Average assets *(in billions of dollars)* | | | | | | | | | |
| Return on assets | | **1.89%** | | 1.57% | | | **1.91%** | | 1.45% | |
| Total EOP assets *(in billions of dollars)* | | **335** | | 318 | 6% | | | | | |
| Average deposits *(in billions of dollars)* | | **313** | | 296 | 6 | | **312** | | 292 | 7% |
| **Net credit losses as a percentage of average loans** | | **3.07%** | | 4.95% | | | | | | |
| **Revenue by business** | | | | | | | | | | |
| Retail banking | **$** | **4,133** | $ | 3,989 | 4% | **$** | **12,121** | $ | 11,688 | 4% |
| Citi-branded cards | | **4,135** | | 4,156 | (1) | | **12,264** | | 12,539 | (2) |
| **Total** | **$** | **8,268** | $ | 8,145 | 2% | **$** | **24,385** | $ | 24,227 | |
| **Income from continuing operations by business** | | | | | | | | | | |
| Retail banking | **$** | **634** | $ | 755 | (16)% | **$** | **1,939** | $ | 2,388 | (19)% |
| Citi-branded cards | | **978** | | 467 | NM | | **2,810** | | 935 | NM |
| **Total** | **$** | **1,612** | $ | 1,222 | 32% | **$** | **4,749** | $ | 3,323 | 43% |

NM Not meaningful

## NORTH AMERICA REGIONAL CONSUMER BANKING

*North America Regional Consumer Banking (NA RCB)* provides traditional banking and Citi-branded card services to retail customers and small to mid-size businesses in the U.S. *NA RCB*'s approximate 1,000 retail bank branches and 12.9 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 certain larger cities in Texas. At September 30, 2011, *NA RCB* had $36.5 billion of retail banking loans and $147.4 billion of deposits. In addition, *NA RCB* had 21.6 million Citi-branded credit card accounts, with $73.8 billion in outstanding card loan balances.

As previously announced, Citi will transfer the substantial majority of the retail partner cards business from Citi Holdings *Local Consumer Lending* to *NA RCB,* which Citi intends to complete during the first quarter of 2012.

| *In millions of dollars* | **Third Quarter** | | | **Nine Months** | | |
|---|---|---|---|---|---|---|
| | **2011** | **2010** | **% Change** | **2011** | **2010** | **% Change** |
| Net interest revenue | **$ 2,580** | $ 2,734 | (6)% | **$ 7,794** | $ 8,466 | (8)% |
| Non-interest revenue | **838** | 1,007 | (17) | **2,326** | 2,769 | (16) |
| **Total revenues, net of interest expense** | **$ 3,418** | $ 3,741 | (9)% | **$ 10,120** | $ 11,235 | (10)% |
| Total operating expenses | **$ 1,811** | $ 1,458 | 24% | **$ 5,274** | $ 4,591 | 15% |
| Net credit losses | **$ 1,155** | $ 1,970 | (41)% | **$ 3,901** | $ 6,253 | (38)% |
| Credit reserve build (release) | **(653)** | 40 | NM | **(2,059)** | 36 | NM |
| Provisions for benefits and claims | **7** | 6 | 17 | **17** | 19 | (11) |
| Provisions for loan losses and for benefits and claims | **$ 509** | $ 2,016 | (75)% | **$ 1,859** | $ 6,308 | (71)% |
| Income from continuing operations before taxes | **$ 1,098** | $ 267 | NM | **$ 2,987** | $ 336 | NM |
| Income taxes (benefits) | **406** | 90 | NM | **1,059** | 89 | NM |
| **Income from continuing operations** | **$ 692** | $ 177 | NM | **$ 1,928** | $ 247 | NM |
| Net income attributable to noncontrolling interests | | | | | | |
| **Net income** | **$ 692** | $ 177 | NM | **$ 1,928** | $ 247 | NM |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Average assets *(in billions of dollars)* | **$** | **125** | $ | 118 | 6% | **$** | **121** | $ 119 | 2% |
| Average deposits *(in billions of dollars)* | | **145** | | 145 | | | **144** | 145 | |
| **Net credit losses as a percentage of average loans** | | **4.24%** | | 7.39% | | | | | |
| **Revenue by business** | | | | | | | | | |
| Retail banking | **$** | **1,282** | $ | 1,373 | (7)% | **$** | **3,720** | $ 3,976 | (6)% |
| Citi-branded cards | | **2,136** | | 2,368 | (10) | | **6,400** | 7,259 | (12) |
| **Total** | **$** | **3,418** | $ | 3,741 | (9)% | **$** | **10,120** | $ 11,235 | (10)% |
| **Income (loss) from continuing operations by business** | | | | | | | | | |
| Retail banking | **$** | **126** | $ | 205 | (39)% | **$** | **318** | $ 579 | (45)% |
| Citi-branded cards | | **566** | | (28) | NM | | **1,610** | (332) | NM |
| **Total** | **$** | **692** | $ | 177 | NM | **$** | **1,928** | $ 247 | NM |

NM
Not meaningful

**3Q11 vs. 3Q10**

*Net income* increased $515 million as compared to the prior year, driven by improvements in credit costs, in part offset by lower *revenues* and higher *expenses*.

*Revenues* decreased 9% mainly due to lower loan balances and margin pressure in the cards business as well as lower mortgage-related revenues (primarily lower refinancing activity as compared to the prior-year period). *Net interest revenue* was down 6% driven primarily by a 4% reduction in average loans. In addition, cards net interest revenue was negatively impacted by the look-back provision of the Credit Card Accountability Responsibility and Disclosure Act (CARD Act) which reduced the net interest margin. (The "look-back" provision of the CARD Act generally requires a review to be done once every six months for card accounts where the annual percentage rate (APR) has been increased since January 1, 2009 to assess whether changes in credit risk, market conditions or other factors merit a future decline in the APR.) Cards net interest revenue as a percentage of average loans decreased to 9.38% from 10.06% in the prior year. *Non-interest revenue* decreased 17% due to lower gains from mortgage loan sales. This was primarily driven by loan originations which were 9% lower than the prior year. Cards purchase sales were up 2% as compared to the prior year.

*Expenses* increased 24%, primarily driven by higher investment spending, particularly in cards marketing and technology, and the absence of a $78 million benefit from the renegotiation of a third-party contract in the prior period. Assuming credit continues to improve, investment spending will likely remain at elevated levels, but is expected to be partly offset by continued savings initiatives.

*Provisions* decreased $1.5 billion, or 75%, primarily due to a net loan loss reserve release of $653 million in the current quarter and lower net credit losses in the Citi-branded cards portfolio. Cards net credit losses were down $790 million, or 42%, from the prior-year quarter, and the net credit loss ratio decreased 387 basis points to 5.94%. The decline in credit costs was driven by improving credit conditions as well as stricter underwriting criteria, which has lowered the cards risk profile. Citi believes the improvements in, and Citi's resulting benefit from, declining credit costs in *NA RCB* will likely slow during the remainder of 2011 and into 2012 as credit trends begin to approach more normalized levels.

**3Q11 YTD vs. 3Q10 YTD**

Year-to-date, *NA RCB* has experienced similar trends to those described above. *Net income* increased $1,681 million as compared to the prior year driven by improvements in credit costs partially offset by lower *revenues* and higher *expenses*.

*Revenues* decreased 10% mainly due to lower loan balances and the margin pressure in the cards business as well as lower mortgage-related revenues, as described above. *Net interest revenue* was down 8% driven primarily by lower volumes in cards, with average loans lower by 5%. In addition, cards net interest margin was negatively impacted, primarily by the look-back provision of the CARD Act. *Non-interest revenue* decreased 16% from the prior year, mainly due to lower gains from mortgage loan sales and lower net mortgage servicing revenues.

*Expenses* increased 15%, primarily driven by the higher investment spending described above. This was offset partly by ongoing savings initiatives.

*Provisions* decreased $4.4 billion, or 71%, primarily due to a loan loss reserve release of $2.1 billion in the current year-to-date period and lower net credit losses in the Citi-branded cards portfolio. Cards net credit losses were down $2.3 billion, or 39%, from the prior year-to-date, and the net credit loss ratio decreased 370 basis points to 6.72%. The decline in credit costs was driven by the improving credit conditions and stricter underwriting criteria described above.

**EMEA REGIONAL CONSUMER BANKING**

*EMEA Regional Consumer Banking (EMEA RCB)* provides traditional banking and Citi-branded card services to retail customers and small to mid-size businesses, primarily in Central and Eastern Europe, the Middle East and Africa. Remaining retail banking and cards activities in Western Europe are included in Citi Holdings. The countries in which *EMEA RCB* has the largest presence are Poland, Turkey, Russia and the United Arab Emirates. At September 30, 2011, *EMEA RCB* had 294 retail bank branches with 3.7 million customer accounts, $4.3 billion in retail banking loans and $9.4 billion in deposits. In addition, the business had 2.6 million Citi-branded card accounts with $2.7 billion in outstanding card loan balances.

| | Third Quarter | | | Nine Months | | |
|---|---|---|---|---|---|---|
| ***In millions of dollars*** | **2011** | **2010** | **% Change** | **2011** | **2010** | **% Change** |
| Net interest revenue | **$ 221** | $ 220 | | **$ 680** | $ 694 | (2)% |
| Non-interest revenue | **142** | 127 | 12% | **467** | 430 | 9 |
| **Total revenues, net of interest expense** | **$ 363** | $ 347 | 5% | **$ 1,147** | $ 1,124 | 2% |
| Total operating expenses | **$ 328** | $ 305 | 8% | **$ 975** | $ 855 | 14% |
| Net credit losses | **$ 49** | $ 63 | (22)% | **$ 145** | $ 244 | (41)% |
| Credit reserve build (release) | **(32)** | (48) | 33 | **(121)** | (105) | (15) |
| Provision for unfunded lending commitments | | | | **3** | (4) | NM |
| Provisions for loan losses | **$ 17** | $ 15 | 13% | **$ 27** | $ 135 | (80)% |
| Income from continuing operations before taxes | **$ 18** | $ 27 | (33)% | **$ 145** | $ 134 | 8% |
| Income taxes | **9** | 10 | (10) | **60** | 45 | 33 |
| **Income from continuing operations** | **$ 9** | $ 17 | (47)% | **$ 85** | $ 89 | (4)% |
| Net income attributable to noncontrolling interests | **1** | (1) | NM | **3** | (1) | NM |
| **Net income** | **$ 8** | $ 18 | (56)% | **$ 82** | $ 90 | (9)% |
| Average assets *(in billions of dollars)* | **$ 10** | $ 10 | | **$ 10** | $ 10 | |
| Return on assets | **0.32%** | 0.71% | | **1.10%** | 1.20% | |
| Average deposits *(in billions of dollars)* | **$ 10** | $ 9 | 11% | **10** | 9 | 11% |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| **Net credit losses as a percentage of average loans** | | **2.70%** | | 3.57% | | | | | |
| **Revenue by business** | | | | | | | | | |
| Retail banking | $ | **199** | $ | 184 | 8% | $ | **628** | $ 607 | 3% |
| Citi-branded cards | | **164** | | 163 | 1 | | **519** | 517 | |
| **Total** | $ | **363** | $ | 347 | 5% | $ | **1,147** | $ 1,124 | 2% |
| **Income (loss) from continuing operations by business** | | | | | | | | | |
| Retail banking | $ | **(21)** | $ | (24) | 13% | $ | **(35)** | $ (27) | (30)% |
| Citi-branded cards | | **30** | | 41 | (27) | | **120** | 116 | 3 |
| **Total** | $ | **9** | $ | 17 | (47)% | $ | **85** | $ 89 | (4)% |

NM
Not meaningful

**3Q11 vs. 3Q10**

*Net income* declined 56%, as higher revenues were more than offset by higher operating expenses and an increase in credit costs as compared to the prior-year-period. On a year-over-year basis, the U.S. dollar generally depreciated versus local currencies. The impact of FX translation accounted for 3% of the growth in *revenues*, while contributing 2% to *expenses* and approximately $1 million to *net income*.

*Revenues* were up 5%, driven by the impact of FX translation, as well as the overall improved underlying performance and a higher contribution from Akbank, Citi's equity investment in Turkey. *Net interest revenue* was flat, as better spreads on lower cost deposits and retail loan growth of 5% were mostly offset by spread compression. Interest rate caps on credit cards, particularly in Turkey and Poland, and the continued liquidation of a higher yielding non-strategic retail banking portfolio were the main contributors to the lower spreads. *Non-interest revenue* increased 12%, reflecting higher investment sales, credit cards fees and the higher contribution from Akbank. The underlying drivers in *EMEA RCB* showed growth as investment sales grew 67% and cards purchase sales grew 13% year-on-year.

*Expenses* increased 8%, mostly reflecting account acquisition-focused investment spending, an expansion of the sales force and higher transactional expenses, partly offset by continued savings initiatives.

*Provisions* were 13% higher due to lower loan loss reserve releases. Net credit losses continued to improve, declining 22% due to the ongoing improvement in credit quality and the move towards lower risk products, although the pace of improvement has slowed and will likely continue to slow. Citi expects that as the portfolio continues to grow and season, *provisions* could continue to increase.

**3Q11 YTD vs. 3Q10 YTD**

*Net income* declined 9%, primarily due to the increased investment spending, partially offset by the improvement in credit trends. The impact of FX translation accounted for 3% of the growth in *revenues*, while contributing 2% to *expenses* and $9 million to *net income*.

*Revenues* improved 2% driven by the impact of FX translation and improved underlying trends, mostly offset by the continued liquidation of non-strategic customer portfolios and a lower contribution from Akbank. *Net interest revenue* was 2% lower due to the continued decline in the higher yielding non-strategic retail banking portfolio and spread

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compression in the cards portfolio. The spread headwind created by lowering the risk of the portfolio is currently expected to continue in the near term. *Non-interest revenue* increased 9%, reflecting higher investment sales and cards fees partly offset by the lower contribution from Akbank. Underlying drivers continued to show growth as investment sales grew 40% from the prior year-to-date period and average assets under management grew 17%.

*Expenses* increased 14%, primarily due to the factors described above.

*Provisions* were 80% lower than the prior year-to-date period. Net credit losses decreased 41%, reflecting continued credit quality improvement and the move to lower risk products, and loan loss reserve releases were $15 million higher in the current year-to-date period, Citi expects that as the portfolio continues to grow and season, *provisions* could increase in the future.

## 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 Banco Nacional de Mexico, or Banamex, Mexico's second-largest bank, with over 1,700 branches. At September 30, 2011, *LATAM RCB* overall had 2,215 retail branches, with 27.2 million customer accounts, $22.0 billion in retail banking loans and $43.7 billion in deposits. In addition, the business had 13.3 million Citi-branded card accounts with $12.9 billion in outstanding loan balances.

| *In millions of dollars* | **Third Quarter 2011** | **Third Quarter 2010** | **% Change** | **Nine Months 2011** | **Nine Months 2010** | **% Change** |
|---|---|---|---|---|---|---|
| Net interest revenue | **$ 1,656** | $ 1,492 | 11% | **$ 4,843** | $ 4,402 | 10% |
| Non-interest revenue | **764** | 731 | 5 | **2,286** | 1,996 | 15 |
| **Total revenues, net of interest expense** | **$ 2,420** | $ 2,223 | 9% | **$ 7,129** | $ 6,398 | 11% |
| Total operating expenses | **$ 1,481** | $ 1,287 | 15% | **$ 4,332** | $ 3,750 | 16% |
| Net credit losses | **$ 406** | $ 451 | (10)% | **$ 1,238** | $ 1,417 | (13)% |
| Credit reserve build (release) | **63** | (298) | NM | **(105)** | (676) | 84 |
| Provision for benefits and claims | **38** | 32 | | **98** | 90 | 9 |
| Provisions for loan losses and for benefits and claims | **$ 507** | $ 185 | NM | **$ 1,231** | $ 831 | 48% |
| Income from continuing operations before taxes | **$ 432** | $ 751 | (42)% | **$ 1,566** | $ 1,817 | (14)% |
| Income taxes | **88** | 219 | (60) | **342** | 454 | (25) |
| **Income from continuing operations** | **$ 344** | $ 532 | (35)% | **$ 1,224** | $ 1,363 | (10)% |
| Net income (loss) attributable to noncontrolling interests | | (3) | NM | **(1)** | (8) | 88 |
| **Net income** | **$ 344** | $ 535 | (36)% | **$ 1,225** | $ 1,371 | (11)% |
| Average assets *(in billions of dollars)* | **$ 80** | $ 73 | 10% | **$ 80** | $ 72 | 11% |
| Return on assets | **1.71%** | 2.91% | | **2.05%** | 2.55% | |
| Average deposits *(in billions of* | **$ 46** | $ 40 | 15 | **47** | 40 | 17 |

*dollars)*

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| **Net credit losses as a percentage of average loans** | | **4.37%** | | 5.72% | | | | | |
| **Revenue by business** | | | | | | | | | |
| Retail banking | **$** | **1,397** | $ | 1,290 | 8% | **$** | **4,135** | $ | 3,704 | 12% |
| Citi-branded cards | | **1,023** | | 933 | 10 | | **2,994** | | 2,694 | 11 |
| **Total** | **$** | **2,420** | $ | 2,223 | 9% | **$** | **7,129** | $ | 6,398 | 11% |
| **Income from continuing operations by business** | | | | | | | | | |
| Retail banking | **$** | **173** | $ | 251 | (31)% | **$** | **714** | $ | 733 | (3)% |
| Citi-branded cards | | **171** | | 281 | (39) | | **510** | | 630 | (19) |
| **Total** | **$** | **344** | $ | 532 | (35)% | **$** | **1,224** | $ | 1,363 | (10)% |

**3Q11 vs. 3Q10**

*LATAM RCB net income* declined 36% due to an increase in *provisions* and *expenses*, partly offset by higher *revenues*. Year-over-year, the U.S. dollar generally depreciated versus local currencies. While the impact of FX translation accounted for 4% of the growth in *revenues* and *expenses*, it contributed half that amount to *net income*.

*Revenues* were up 9%, driven by the impact of FX translation as well as positive momentum from investment initiatives and sustained economic growth in the region which resulted in continued expansion in business volumes. *Net interest revenue* increased 11% due to growth in loans and deposits, partially offset by continued spread compression. Average loans expanded in both retail banking and cards by 22% and 12%, respectively, and deposits grew by 14%. While the portfolio expanded, stricter underwriting criteria resulted in a lowering of the risk profile, causing spread compression, which is likely to remain an issue in the near term. *Non-interest revenue* was up 5%, primarily due to higher fees in cards resulting from a 26% increase in purchase sales and a 7% increase in card accounts.

*Expenses* increased 15% mostly due to the higher volumes, investment initiatives and legal and related charges. These increases were partly offset by continued savings initiatives.

*Provisions* increased by $322 million, as a prior-year loan loss reserve release was replaced by a build of $63 million in the current quarter, related to certain specific Local Commercial Bank clients. Net credit losses declined by 10%, as credit conditions continued to improve, particularly in Mexico and ACCA (Andean, Caribbean and Central American) cards. The cards net credit loss ratio declined across the region year-over-year, from 10.4% to 8.4%. Similarly, the retail banking net credit loss ratio also improved from 2.7% to 1.9%, reflecting the continued improving credit in the region. Citi expects that as the portfolio continues to grow and to season, *provisions* could continue to increase.

**3Q11 YTD vs. 3Q10 YTD**

Year-to-date, *LATAM RCB* has experienced similar trends to those described above. *Net income* declined 11% driven primarily by an increase in provisions, while FX translation contributed 5% to the growth in *revenues* and *expenses* and 4% to *net income*.

*Revenues* increased 11%, mainly due to higher business volumes as well as the impact of FX translation. *Net interest* *revenue* increased 10%, driven by the continued growth in lending and deposit volumes, partly offset by spread compression. *Non-interest revenue* was up 14%, mostly due to higher cards fees resulting from a 27% growth in purchase sales.

*Expenses* increased 16%, mostly due to higher volumes and investment spending (mainly marketing and account acquisition), partly offset by continued savings initiatives.

*Provisions* increased 48%, as lower loan loss reserve releases were only partially offset by a decline in net credit losses. Mexico and ACCA cards continued to experience improving credit conditions. As mentioned above, *provisions* could continue to increase as the portfolio continues to grow and season.

**ASIA REGIONAL CONSUMER BANKING**

*Asia Regional Consumer Banking (Asia RCB)* provides traditional banking and Citi-branded card services to retail customers and small to mid-size businesses, with the largest Citi presence in South Korea, Japan, Taiwan, Singapore, Australia, Hong Kong, India and Indonesia. At September 30, 2011, *Asia RCB* had 673 retail branches, 16.5 million retail banking accounts, $64.5 billion in retail banking loans and $109.3 billion in deposits. In addition, the business had 15.8 million Citi-branded card accounts with $20.0 billion in outstanding loan balances.

| *In millions of dollars* | Third Quarter 2011 | Third Quarter 2010 | % Change | Nine Months 2011 | Nine Months 2010 | % Change |
|---|---|---|---|---|---|---|
| Net interest revenue | **$ 1,360** | $ 1,229 | 11% | **$ 4,033** | $ 3,776 | 7% |
| Non-interest revenue | **707** | 605 | 17 | **1,956** | 1,694 | 15 |
| **Total revenues, net of interest expense** | **$ 2,067** | $ 1,834 | 13% | **$ 5,989** | $ 5,470 | 9% |
| Total operating expenses | **$ 1,133** | $ 1,035 | 9% | **$ 3,419** | $ 2,915 | 17% |
| Net credit losses | **$ 236** | $ 246 | (4)% | **$ 673** | $ 777 | (13)% |
| Credit reserve build (release) | **(40)** | (94) | 57 | **(94)** | (244) | 61 |
| Provisions for loan losses | **$ 196** | $ 152 | 29% | **$ 579** | $ 533 | 9% |
| Income from continuing operations before taxes | **$ 738** | $ 647 | 14% | **$ 1,991** | $ 2,022 | (2)% |
| Income taxes | **171** | 151 | 13 | **479** | 398 | 20 |
| **Income from continuing operations** | **$ 567** | $ 496 | 14% | **$ 1,512** | $ 1,624 | (7)% |
| Net income attributable to noncontrolling interests | | | | | | |
| **Net income** | **$ 567** | $ 496 | 14% | **$ 1,512** | $ 1,624 | (7)% |
| Average assets *(in billions of dollars)* | **$ 123** | $ 108 | 14% | **$ 121** | $ 106 | 14% |
| Return on assets | **1.83%** | 1.82% | | **1.67%** | 2.05% | |
| Average deposits *(in billions of dollars)* | **$ 112** | $ 101 | 11 | **111** | 98 | 13 |
| **Net credit losses as a percentage of average loans** | **1.08%** | 1.30% | | | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| **Revenue by business** | | | | | | |
| Retail banking | **$ 1,255** | $ 1,142 | 10% | **$ 3,638** | $ 3,401 | 7% |
| Citi-branded cards | **812** | 692 | 17 | **2,351** | 2,069 | 14 |
| **Total** | **$ 2,067** | $ 1,834 | 13% | **$ 5,989** | $ 5,470 | 9% |
| **Income from continuing operations by business** | | | | | | |
| Retail banking | **$ 356** | $ 323 | 10% | **$ 942** | $ 1,103 | (15)% |
| Citi-branded cards | **211** | 173 | 22 | **570** | 521 | 9 |
| **Total** | **$ 567** | $ 496 | 14% | **$ 1,512** | $ 1,624 | (7)% |

**3Q11 vs. 3Q10**

*Net income* increased 14% year-over-year driven by positive operating leverage which contributed to increased margin, partially offset by an increase in *provisions*. Year-over-year, the U.S. dollar generally depreciated versus local currencies. While the impact of FX translation accounted for approximately 7% of the growth in *revenues* and *expenses*, it contributed about half that amount to *net income*.

*Revenues* increased 13%, driven by higher business volumes and the impact of FX translation, partly offset by continued spread compression. *Net interest revenue* increased 11%, as past investment initiatives and sustained economic growth in the region continue to drive higher lending and deposit volumes. Spread compression partly offset the benefit of higher balances. Stricter underwriting criteria also resulted in a lowering of the risk profile. While spread compression will likely remain a headwind in the near-term, there are other indications that it is beginning to abate. *Non-interest revenue* increased 17%, primarily due to an 18% increase in cards purchase sales and higher revenues from FX products. Investment sales declined 16% as a result of market volatility, particularly in Japan and Taiwan.

*Expenses* increased 9%, due to continued investment spending and growth in business volumes as well as the impact of FX translation, while ongoing productivity savings were a partial offset.

*Provisions* increased 29% as lower loan loss reserve releases were partially offset by lower net credit losses. The increase in credit provisions reflected the increasing volumes in the region, partially offset by continued credit quality improvement. India remained a significant driver of the improvement in credit quality, as it continued to de-risk elements of its legacy portfolio. Citi expects that *provisions* could continue to increase as the portfolio continues to grow and season.

**3Q11 YTD vs. 3Q10 YTD**

Year-to-date, *Asia RCB* has experienced similar trends to those described above. *Net income* decreased 7%, driven by higher operating expenses and lower loan loss reserve releases. The impact of FX translation accounted for 6% of the growth in *revenue* and *expenses* and 5% for *net income*.

*Revenues* increased 9%, primarily driven by the impact of FX translation and higher business volumes, partially offset by lower spreads and an $80 million charge for the repurchase of certain securities in the current year-to-date period. *Net interest revenue* increased 7% mainly due to higher lending and deposit volumes. This was partially offset by spread compression. The 15% increase in *non-interest revenue* was primarily due to a 20% increase in cards purchase sales and a 6% increase in investment sales, partially offset by the charge for the repurchase of certain securities.

*Expenses* increased 17% year-to-date in part due to higher legal and related expenses, continued investment spending and increases in business volumes. The increase in operating expenses was partially offset by ongoing productivity savings.

*Provisions* were 9% higher year-to-date as lower loan loss reserve releases were partially offset by lower net credit losses. The increase in *provisions* reflected the increasing volumes in the region, partially offset by continued credit quality improvement, particularly in India. As described above, *provisions* could continue to increase as the portfolio continues to grow and season.

**INSTITUTIONAL CLIENTS GROUP**

*Institutional Clients Group (ICG)* includes *Securities and Banking* and *Transaction Services*. *ICG* provides corporate, institutional, public sector and high-net-worth clients around the world with a full range of products and services, including cash management, foreign exchange, trade finance and services, securities services, sales and trading, institutional brokerage, underwriting, lending and advisory services. *ICG*'s international presence is supported by trading floors in approximately 75 countries and jurisdictions and a proprietary network within *Transaction Services* in over 95 countries and jurisdictions. At September 30, 2011, *ICG* had $1,029 billion of assets and $466 billion of deposits.

| *In millions of dollars* | Third Quarter 2011 | Third Quarter 2010 | % Change | Nine Months 2011 | Nine Months 2010 | % Change |
|---|---|---|---|---|---|---|
| Commissions and fees | **$ 1,159** | $ 1,016 | 14% | **$ 3,423** | $ 3,210 | 7% |
| Administration and other fiduciary fees | **649** | 674 | (4) | **2,127** | 2,012 | 6 |
| Investment banking | **590** | 829 | (29) | **2,384** | 2,374 | |
| Principal transactions | **1,665** | 1,539 | 8 | **5,213** | 6,623 | (21) |
| Other | **1,528** | 346 | NM | **1,705** | 1,297 | 31 |
| Total non-interest revenue | **$ 5,591** | $ 4,404 | 27% | **$ 14,852** | $ 15,516 | (4)% |
| Net interest revenue (including dividends) | **3,846** | 3,740 | 3 | **11,320** | 11,557 | (2) |
| **Total revenues, net of interest expense** | **$ 9,437** | $ 8,144 | 16% | **$ 26,172** | $ 27,073 | (3)% |
| Total operating expenses | **5,025** | 4,846 | 4 | **15,441** | 14,591 | 6 |
| Net credit losses | **87** | 290 | (70) | **447** | 436 | 3 |
| Provision (release) for unfunded lending commitments | **45** | 1 | NM | **41** | (29) | NM |
| Credit reserve build (release) | **32** | (27) | NM | **(418)** | (436) | 4 |
| Provisions for loan losses and benefits and claims | **$ 164** | $ 264 | (38)% | **$ 70** | $ (29) | NM |
| Income from continuing operations before taxes | **$ 4,248** | $ 3,034 | 40% | **$ 10,661** | $ 12,511 | (15)% |
| Income taxes | **1,214** | 723 | 68 | **3,001** | 3,473 | (14) |
| **Income from continuing operations** | **$ 3,034** | $ 2,311 | 31% | **$ 7,660** | $ 9,038 | (15)% |
| Net income attributable to noncontrolling interests | **5** | 34 | (85) | **27** | 80 | (66) |
| Net income | **$ 3,029** | $ 2,277 | 33% | **$ 7,633** | $ 8,958 | (15)% |
| Average assets *(in billions of dollars)* | **$ 1,043** | $ 943 | 11% | **$ 1,028** | $ 938 | 10% |
| Return on assets | **1.15%** | 0.96% | | **0.99%** | 1.28% | |
| **Revenues by region** | | | | | | |
| *North America* | **$ 3,065** | $ 2,824 | 9% | **$ 8,736** | $ 10,280 | (15)% |
| *EMEA* | **3,192** | 2,570 | 24 | **8,630** | 8,531 | 1 |
| *Latin America* | **961** | 1,032 | (7) | **3,080** | 2,916 | 6 |
| *Asia* | **2,219** | 1,718 | 29 | **5,726** | 5,346 | 7 |
| **Total** | **$ 9,437** | $ 8,144 | 16% | **$ 26,172** | $ 27,073 | (3)% |
| **Income from continuing operations by region** | | | | | | |
| *North America* | **$ 787** | $ 557 | 41% | **$ 1,833** | $ 3,113 | (41)% |
| *EMEA* | **1,026** | 805 | 27 | **2,702** | 2,803 | (4) |
| *Latin America* | **377** | 451 | (16) | **1,283** | 1,234 | 4 |
| *Asia* | **844** | 498 | 69 | **1,842** | 1,888 | (2) |
| **Total** | **$ 3,034** | $ 2,311 | 31% | **$ 7,660** | $ 9,038 | (15)% |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Average loans by region** *(in billions of dollars)* | | | | | | | | |
| *North America* | **$** | **70** | $ | 66 | 6% | **$** | **68** | $ | 68 | |
| *EMEA* | | **48** | | 38 | 26 | | **46** | | 37 | 24% |
| *Latin America* | | **30** | | 23 | 30 | | **28** | | 23 | 22 |
| *Asia* | | **54** | | 38 | 42 | | **49** | | 34 | 44 |
| **Total** | **$** | **202** | $ | 165 | 22% | **$** | **191** | $ | 162 | 18% |

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 high-net-worth individuals. *S&B* transacts with clients in both cash instruments and derivatives, including fixed income, foreign currency, equity, and commodity products. *S&B* includes investment banking and advisory services, lending, debt and equity sales and trading, institutional brokerage, derivative services and private banking.

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

| | **Third Quarter** | | **%** | **Nine Months** | | **%** |
|---|---|---|---|---|---|---|
| ***In millions of dollars*** | **2011** | **2010** | **Change** | **2011** | **2010** | **Change** |
| Net interest revenue | **$ 2,347** | $ 2,301 | 2% | **$ 6,904** | $ 7,319 | (6)% |
| Non-interest revenue | **4,376** | 3,300 | 33 | **11,320** | 12,255 | (8) |
| **Revenues, net of interest expense** | **$ 6,723** | $ 5,601 | 20% | **$ 18,224** | $ 19,574 | (7)% |
| Total operating expenses | **3,582** | 3,610 | (1) | **11,288** | 11,011 | 3 |
| Net credit losses | **70** | 289 | (76) | **424** | 433 | (2) |
| Provisions for unfunded lending commitments | **54** | 1 | NM | **50** | (29) | NM |
| Credit reserve build (release) | **50** | (11) | NM | **(427)** | (368) | (16) |
| Provisions for loan losses and benefits and claims | **$ 174** | $ 279 | (38)% | **$ 47** | $ 36 | 31% |
| **Income before taxes and noncontrolling interests** | **$ 2,967** | $ 1,712 | 73% | **$ 6,889** | $ 8,527 | (19)% |
| Income taxes | **830** | 327 | NM | **1,855** | 2,285 | (19) |
| Income from continuing operations | **2,137** | 1,385 | 54 | **5,034** | 6,242 | (19) |
| Net income attributable to noncontrolling interests | | 29 | (100) | **13** | 65 | (80) |
| **Net income** | **$ 2,137** | $ 1,356 | 58% | **$ 5,021** | $ 6,177 | (19)% |
| Average assets *(in billions of dollars)* | **$ 910** | $ 834 | 9% | **$ 899** | $ 835 | 8% |
| Return on assets | **0.93%** | 0.65% | | **0.75%** | 0.99% | |
| **Revenues by region** | | | | | | |
| *North America* | **$ 2,445** | $ 2,203 | 11% | **$ 6,898** | $ 8,384 | (18)% |
| *EMEA* | **2,299** | 1,735 | 33 | **6,002** | 6,015 | |
| *Latin America* | **519** | 643 | (19) | **1,786** | 1,815 | (2) |
| *Asia* | **1,460** | 1,020 | 43 | **3,538** | 3,360 | 5 |
| **Total revenues** | **$ 6,723** | $ 5,601 | 20% | **$ 18,224** | $ 19,574 | (7)% |
| **Net income from continuing operations by region** | | | | | | |
| *North America* | **$ 666** | $ 430 | 55% | **$ 1,461** | $ 2,669 | (45)% |
| *EMEA* | **737** | 499 | 48 | **1,846** | 1,874 | (1) |
| *Latin America* | **208** | 277 | (25) | **779** | 747 | 4 |
| *Asia* | **526** | 179 | NM | **948** | 952 | |

| | | | | | | |
|---|---|---|---|---|---|---|
| **Total net income from continuing operations** | **$ 2,137** | $ 1,385 | 54% | **$ 5,034** | $ 6,242 | (19)% |
| | | | | | | |
| *Securities and Banking* revenue details | | | | | | |
| Total investment banking | **$ 736** | $ 930 | (21)% | **$ 2,672** | $ 2,661 | |
| Lending | **1,030** | (11) | NM | **1,638** | 769 | NM |
| Equity markets | **634** | 1,040 | (39) | **2,516** | 2,905 | (13)% |
| Fixed income markets | **3,802** | 3,501 | 9 | **10,630** | 12,596 | (16) |
| Private bank | **557** | 497 | 12 | **1,627** | 1,503 | 8 |
| Other | **(36)** | (356) | 90 | **(859)** | (860) | |
| | | | | | | |
| **Total *Securities and Banking* revenues** | **$ 6,723** | $ 5,601 | 20% | **$ 18,224** | $ 19,574 | (7)% |

NM
Not meaningful

**3Q11 vs. 3Q10**

Third quarter of 2011 *S&B* results of operations were significantly impacted by continued macroeconomic concerns, including the U.S. debt ceiling debate and subsequent downgrade of U.S. sovereign credit, the ongoing sovereign debt crisis in Europe and general continued concerns about the health of the global economy. Market fears led to a broad widening of credit spreads and heightened volatility during the quarter, combined with declining liquidity in many markets as many participants stayed on the sidelines.

*Net Income* of $2.1 billion increased 58% primarily due to $1.9 billion of CVA recorded in the current quarter (see table below). *Expenses* and *provisions* both declined.

*Revenues* of $6.7 billion increased 20%, including $1.8 billion higher CVA gains driven by the widening of Citigroup's credit spreads. Excluding CVA, revenues decreased 12%, reflecting lower results in fixed income markets, equity markets and investment banking, partially offset by increased lending revenues. Fixed income markets revenues decreased 33% excluding CVA, driven by lower results in credit and securitized products as the market volatility and widening credit spreads negatively impacted market making revenues. These declines were partially offset by growth in rates and currencies.

Equity markets revenues decreased 73% excluding CVA, reflecting the difficult market conditions which drove declines in derivatives and equity proprietary trading (which Citi also refers to as equity principal strategies). The decline in equity proprietary trading was also driven in part by the ongoing wind down of positions in Citi's equity proprietary trading business. As of September 30, 2011, Citi estimates it is approximately two-thirds through with the wind down of this business. Overall, "bright line" proprietary trading, as described and defined in the Financial Stability Oversight Committee's study released in January 2011, did not have a material impact on *S&B*'s revenues during the periods reported herein.

Investment banking revenues declined 21%, as the macroeconomic concerns and market uncertainty drove lower volumes in mergers and acquisitions and debt and equity issuance. Lending revenues increased $1.0 billion due to gains on hedges as credit spreads widened during the quarter. Private Bank revenues increased 11% excluding CVA, due to higher loan and deposit balances, improved customer pricing, and stronger capital markets-related activity.

*Expenses* decreased 1%, as lower incentive compensation and ongoing productivity savings more than offset continued investment spending and the impact of FX translation.

*Provisions* decreased 38%, primarily attributable to lower net credit losses, partly offset by loan loss reserve builds due to portfolio growth.

**3Q11 YTD vs. 3Q10 YTD**

*Net Income* of $5.0 billion decreased 19% as CVA gains (see table below) were more than offset by declines in fixed income and equity trading activities and higher *expenses*.

*Revenues* of $18.2 billion decreased 7%, despite $1.2 billion of higher CVA gains. Excluding CVA, revenues decreased 13%, primarily driven by lower results in fixed income markets and equity markets, partially offset by increases in lending. Fixed income markets revenues decreased 23% excluding CVA, reflecting lower results in rates and currencies, securitized products and credit products. Equity markets revenues decreased 25% excluding CVA, reflecting lower results in derivatives and equity proprietary trading (which Citi also refers to as equity principal strategies) revenues due to the difficult market conditions. The decrease was partially offset by higher revenues in lending, driven by gains on hedges as credit spreads widened during the year compared to a contraction of spreads in the prior year period, and an increase in Private Bank revenues of 8% excluding CVA.

*Expenses* increased 3%. Excluding the impact of the U.K. bonus tax and a litigation reserve release in the first half of 2010, operating expenses grew 4%, primarily due to continued investment spending, increased business volumes and the impact of FX translation, partially offset by productivity saves.

*Provisions* increased 31%, primarily due to loan loss reserve builds as a result of portfolio growth.

**Securities and Banking Credit Valuation Adjustments**

The table below summarizes pretax gains (losses) related to changes in credit valuation adjustments on debt liabilities for which Citi has elected the fair value option, and on derivative positions, net of hedges, in *S&B*:

**Credit valuation adjustment gain (loss)**

| *In millions of dollars* | **Third Quarter 2011** | **Third Quarter 2010** | **Nine months ended Sept. 30, 2011** | **Nine months ended Sept. 30, 2010** |
|---|---|---|---|---|
| Fixed Income Markets | **$ 1,531** | $ 116 | **$ 1,452** | $ 634 |
| Equity Markets | **345** | (22) | **347** | 5 |
| Private Bank | **12** | 5 | **7** | (0) |
| **Total S&B CVA** | **$ 1,888** | $ 99 | **$ 1,806** | $ 639 |

**TRANSACTION SERVICES**

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

| *In millions of dollars* | Third Quarter 2011 | Third Quarter 2010 | % Change | Nine Months 2011 | Nine Months 2010 | % Change |
|---|---|---|---|---|---|---|
| Net interest revenue | **$ 1,499** | $ 1,439 | 4% | **$ 4,416** | $ 4,238 | 4% |
| Non-interest revenue | **1,215** | 1,104 | 10 | **3,532** | 3,261 | 8 |
| **Total revenues, net of interest expense** | **$ 2,714** | $ 2,543 | 7% | **$ 7,948** | $ 7,499 | 6% |
| Total operating expenses | **1,443** | 1,236 | 17 | **4,153** | 3,580 | 16 |
| Provisions (releases) for credit losses and for benefits and claims | **(10)** | (15) | 33 | **23** | (65) | NM |
| **Income before taxes and noncontrolling interests** | **$ 1,281** | $ 1,322 | (3)% | **$ 3,772** | $ 3,984 | (5)% |
| Income taxes | **384** | 396 | (3) | **1,146** | 1,188 | (4) |
| Income from continuing operations | **897** | 926 | (3) | **2,626** | 2,796 | (6) |
| Net income attributable to noncontrolling interests | **5** | 5 | | **14** | 15 | (7) |
| **Net income** | **$ 892** | $ 921 | (3)% | **$ 2,612** | $ 2,781 | (6)% |