

CITIGROUP INC
Form 10-Q
November 06, 2009

Table of Contents

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D. C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2009

OR

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

**For the transition period from to
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, New York

(Address of principal executive offices)

10043

(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

Smaller reporting company o

(Do not check if a smaller
reporting company)

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

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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, 2009: 22,863,947,261

Available on the web at www.citigroup.com

CITIGROUP INC.

THIRD QUARTER OF 2009 FORM 10-Q

<u>THE COMPANY</u>	<u>3</u>
<u>Citigroup Segments and Regions</u>	<u>4</u>
<u>SUMMARY OF SELECTED FINANCIAL DATA</u>	<u>5</u>
<u>MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</u>	
<u>Management Summary</u>	<u>7</u>
<u>Significant Events in the Third Quarter of 2009</u>	<u>9</u>
<u>SEGMENT, BUSINESS AND PRODUCT INCOME (LOSS) AND REVENUES</u>	<u>12</u>
<u>Citigroup Income (Loss)</u>	<u>12</u>
<u>Citigroup Revenues</u>	<u>13</u>
<u>CITICORP</u>	<u>14</u>
<u>Regional Consumer Banking</u>	<u>15</u>
<u>North America Regional Consumer Banking</u>	<u>16</u>
<u>EMEA Regional Consumer Banking</u>	<u>18</u>
<u>Latin America Regional Consumer Banking</u>	<u>19</u>
<u>Asia Regional Consumer Banking</u>	<u>20</u>
<u>Institutional Clients Group (ICG)</u>	<u>21</u>
<u>Securities and Banking</u>	<u>22</u>
<u>Transaction Services</u>	<u>24</u>
<u>CITI HOLDINGS</u>	<u>25</u>
<u>Brokerage and Asset Management</u>	<u>26</u>
<u>Local Consumer Lending</u>	<u>27</u>
<u>Special Asset Pool</u>	<u>29</u>
<u>CORPORATE/OTHER</u>	<u>32</u>
<u>GOVERNMENT PROGRAMS</u>	<u>33</u>
<u>MANAGING GLOBAL RISK</u>	<u>36</u>
<u>LOAN AND CREDIT DETAILS</u>	<u>36</u>
<u>Loans Outstanding</u>	<u>36</u>
<u>Details of Credit Loss Experience</u>	<u>40</u>
<u>Non-Accrual Assets</u>	

	<u>41</u>
<u>Consumer Loan Details</u>	<u>43</u>
<u>Consumer Loan Modification Programs</u>	<u>44</u>
<u>U.S. Consumer Mortgage Lending</u>	<u>45</u>
<u>N.A. Cards</u>	<u>50</u>
<u>U.S. Installment and Other Revolving Loans</u>	<u>53</u>
<u>Corporate Loan Details</u>	<u>54</u>
<u>U.S. Subprime-Related Direct Exposure in Citi Holdings Special Asset Pool</u>	<u>57</u>
<u>Exposure to Commercial Real Estate</u>	<u>58</u>
<u>Direct Exposure to Monolines</u>	<u>59</u>
<u>Highly Leveraged Financing Transactions</u>	<u>60</u>
<u>DERIVATIVES</u>	<u>60</u>
<u>Market Risk Management Process</u>	<u>64</u>
<u>Operational Risk Management Process</u>	<u>66</u>
<u>Country and Cross-Border Risk</u>	<u>67</u>
<u>INTEREST REVENUE/EXPENSE AND YIELDS</u>	<u>68</u>
<u>Average Balances and Interest Rates Assets</u>	<u>69</u>
<u>Average Balances and Interest Rates Liabilities and Equity, and Net Interest Revenue</u>	<u>70</u>
<u>Analysis of Changes in Interest Revenue</u>	<u>73</u>
<u>Analysis of Changes in Interest Expense and Net Interest Revenue</u>	<u>74</u>
<u>CAPITAL RESOURCES AND LIQUIDITY</u>	<u>76</u>
<u>Capital Resources</u>	<u>76</u>
<u>Common Equity</u>	<u>78</u>
<u>Funding and Liquidity</u>	<u>81</u>
<u>Off-Balance Sheet Arrangements</u>	<u>84</u>
<u>CONTRACTUAL OBLIGATIONS</u>	<u>85</u>
<u>FAIR VALUATION</u>	<u>85</u>
<u>CONTROLS AND PROCEDURES</u>	<u>85</u>
<u>FORWARD-LOOKING STATEMENTS</u>	<u>85</u>
<u>TABLE OF CONTENTS FOR FINANCIAL STATEMENTS AND NOTES</u>	<u>86</u>
<u>CONSOLIDATED FINANCIAL STATEMENTS</u>	<u>87</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

	<u>93</u>
<u>OTHER INFORMATION</u>	
	<u>195</u>
<u>Item 1. Legal Proceedings</u>	
	<u>195</u>
<u>Item 1A. Risk Factors</u>	
	<u>198</u>
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	
	<u>199</u>
<u>Item 4. Submission of Matters to a Vote of Security Holders</u>	
	<u>200</u>
<u>Item 6. Exhibits</u>	
	<u>201</u>
<u>Signatures</u>	
	<u>202</u>
<u>Exhibit Index</u>	
	<u>203</u>
	2

Table of Contents

THE COMPANY

Citigroup Inc. (Citigroup and, together with its subsidiaries, the Company, Citi or Citigroup) is a global diversified financial services holding company whose businesses provide a broad range of financial services to consumer and corporate customers. Citigroup has approximately 200 million customer accounts and does business in more than 140 countries. Citigroup was incorporated in 1988 under the laws of the State of Delaware.

The Company is a bank holding company within the meaning of the U.S. Bank Holding Company Act of 1956 registered with, and subject to examination by, the Board of Governors of the Federal Reserve System (FRB). Citibank, N.A. is a U.S. national bank subject to supervision and examination by the Office of the Comptroller of the Currency (OCC) and the Federal Deposit Insurance Corporation (FDIC). Some of the Company's other subsidiaries are also subject to supervision and examination by their respective federal and state authorities or, in the case of overseas subsidiaries, the regulators of the respective jurisdictions.

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, 2008 (2008 Annual Report on Form 10-K), Citigroup's updated 2008 historical financial statements and notes filed on Form 8-K with the Securities and Exchange Commission (SEC) on October 13, 2009 and Citigroup's Quarterly Reports on Form 10-Q for the quarters ended June 30, 2009 and March 31, 2009. Additional financial, statistical, and business-related information for the third quarter of 2009, as well as business and segment trends, are included in a Financial Supplement that was furnished as Exhibit 99.2 to the Company's Form 8-K, filed with the SEC on October 15, 2009.

The principal executive offices of the Company are located at 399 Park Avenue, New York, New York 10043, telephone number 212 559 1000. 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 the Company's 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 web site contains reports, proxy and information statements, and other information regarding the Company at www.sec.gov.

Table of Contents

Citigroup is managed along the following segment and product lines:

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

(1)

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

Table of Contents**CITIGROUP INC. AND SUBSIDIARIES****SUMMARY OF SELECTED FINANCIAL DATA Page 1**

<i>In millions of dollars, except per share amounts</i>	Third Quarter			Nine Months Ended September 30,		
	2009	2008	% Change	2009	2008	% Change
Net interest revenue	\$ 11,998	\$ 13,404	(10)%	\$ 37,753	\$ 40,478	(7)%
Non-interest revenue	8,392	2,854	NM	37,127	5,475	NM
Revenues, net of interest expense	\$ 20,390	\$ 16,258	25%	\$ 74,880	\$ 45,953	63%
Operating expenses	11,824	14,007	(16)	35,508	44,598	(20)
Provisions for credit losses and for benefits and claims	9,095	9,067		32,078	22,019	46
Income (Loss) from Continuing Operations before Income Taxes	\$ (529)	\$ (6,816)	92	\$ 7,294	\$ (20,664)	NM
Income taxes (benefits)	(1,122)	(3,295)	66	620	(9,628)	NM
Income (Loss) from Continuing Operations	\$ 593	\$ (3,521)	NM	\$ 6,674	\$ (11,036)	NM
Income (Loss) from Discontinued Operations, net of taxes	(418)	613	NM	(677)	578	NM
Net Income (Loss) before attribution of Noncontrolling Interests	\$ 175	\$ (2,908)	NM	\$ 5,997	\$ (10,458)	NM
Net Income (Loss) attributable to Noncontrolling Interests	74	(93)	NM	24	(37)	NM
Citigroup's Net Income (Loss)	\$ 101	\$ (2,815)	NM	\$ 5,973	\$ (10,421)	NM
Less:						
Preferred dividends Basic	\$ (272)	\$ (389)	30%	\$ (2,988)	\$ (833)	NM
Impact of the conversion price reset related to the \$12.5 billion convertible preferred stock private issuance Basic(1)				(1,285)		NM
Preferred stock Series H discount accretion Basic	(16)		NM	(123)		NM
Impact of the Public and Private Preferred stock exchange offer	(3,055)		NM	(3,055)		NM
Income (loss) available to common stockholders	(3,242)	(3,204)	(1)	(1,478)	(11,254)	87
Allocation of dividends to common stock and participating securities, net of forfeitures		(1,738)	NM	(63)	(5,151)	99
Undistributed earnings (loss) for basic EPS	\$ (3,242)	\$ (4,942)	34%	\$ (1,541)	\$ (16,405)	91%
Convertible Preferred Stock Dividends		270	NM	540	606	(11)
Undistributed earnings (loss) for diluted EPS	\$ (3,242)	\$ (4,672)	31%	\$ (1,001)	\$ (15,799)	94%
Earnings per share						
Basic(2)						
Income (loss) from continuing operations	\$ (0.23)	\$ (0.72)	68%	\$ (0.10)	\$ (2.28)	96%
Net income (loss)	(0.27)	(0.61)	56	(0.19)	(2.17)	91
Diluted(2)						
Income (loss) from continuing operations	\$ (0.23)	\$ (0.72)	68%	\$ (0.10)	\$ (2.28)	96%
Net income (loss)	(0.27)	(0.61)	56	(0.19)	(2.17)	91

[Continued on the following page, including notes to table.]

Table of Contents**SUMMARY OF SELECTED FINANCIAL DATA Page 2**

<i>In millions of dollars</i>	Third Quarter		%	Nine Months Ended		%
At September 30:	2009	2008	Change	September 2009,	2008	Change
Total assets	\$ 1,888,599	\$ 2,050,131	(8)%			
Total deposits	832,603	780,343	7			
Long-term debt	379,557	393,097	(3)			
Mandatorily redeemable securities of subsidiary Trusts (included in Long-term debt)	34,531	23,836	45			
Common stockholders' equity	140,530	98,638	42			
Total stockholders' equity	140,842	126,062	12			
Direct staff (<i>in thousands</i>)	276	352	(22)			
Ratios:						
Return on common stockholders' equity(3)	(12.2)%	(12.2)%		(2.3)%	(13.8)%	
Tier 1 Common(4)	9.12%	3.72%				
Tier 1 Capital	12.76%	8.19%				
Total Capital	16.58%	11.68%				
Leverage(5)	6.87%	4.70%				
Common stockholders' equity to assets	7.4%	4.8%				
Ratio of earnings to fixed charges and preferred stock dividends	0.96	NM		1.16	NM	

- (1) For the nine months ended September 30, 2009, Income available to common stockholders includes a reduction of \$1.285 billion related to a conversion price reset pursuant to Citigroup's prior agreement with the purchasers of \$12.5 billion convertible preferred stock issued in a private offering in January 2008. The conversion price was reset from \$31.62 per share to \$26.35 per share. There was no impact to net income, total stockholders' equity or capital ratios due to the reset. However, the reset resulted in a reclassification from Retained earnings to Additional paid-in capital of \$1.285 billion and a reduction in Income available to common stockholders of \$1.285 billion. The 2009 third quarter Income available to common stockholders includes a reduction of \$3.055 billion related to the preferred stock exchanged for common stock and trust preferred securities as part of the exchange offers.
- (2) The Company adopted Accounting Standards Codification (ASC) 260-10-45 to 65, "Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities" on January 1, 2009. All prior periods have been restated to conform to the current presentation. The Diluted EPS calculation for the third quarter and nine months of 2009 and 2008 utilize Basic shares and Income available to common stockholders (Basic) due to the negative Income available to common stockholders. Using actual Diluted shares and Income available to common stockholders (Diluted) would result in anti-dilution.
- (3) The return on average common stockholders' equity is calculated using income (loss) available to common stockholders.
- (4) As defined by the banking regulators, the Tier 1 Common ratio represents Tier 1 Capital less perpetual preferred stock, qualifying noncontrolling interests in subsidiaries and qualifying mandatorily redeemable securities of subsidiary trusts divided by risk-weighted assets. Tier 1 Common ratio is a non-GAAP measure. See "Capital Resources and Liquidity" below for additional information on this measure.
- (5) The Leverage ratio represents Tier 1 Capital divided by each period's quarterly adjusted average total assets.

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NM Not meaningful

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

Within this Form 10-Q, please refer to the indices on pages 2 and 86 for page references to the Management's Discussion and Analysis section and Notes to Consolidated Financial Statements, respectively.

Table of Contents

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

THIRD QUARTER OF 2009 MANAGEMENT SUMMARY

Citigroup reported net income of \$101 million, and a loss of (\$0.27) per diluted share, for the third quarter of 2009. The (\$0.27) loss per share reflected a \$3.1 billion charge to retained earnings related to the closing of the exchange offers, the remaining preferred stock dividends required to be paid prior to the closing of the exchange offers and the remaining quarterly accretion of the Series H preferred stock discount.

Revenues of \$20.4 billion increased 25% from year-ago levels due primarily to positive revenue marks and gains in Citi Holdings relative to the prior-year period, and a \$1.4 billion gain from the extinguishment of debt associated with the closing of the exchange offers. The increase was partially offset by credit valuation adjustments (CVA) of \$1.7 billion in Securities and Banking, the absence of Smith Barney revenues of \$2.0 billion in the third quarter of 2009 and foreign currency translation.

Net interest revenue declined 10% from the 2008 third quarter, primarily reflecting the Company's smaller balance sheet. Net interest margin in the third quarter of 2009 was 2.95%, down 20 basis points from the third quarter of 2008, reflecting a decrease in asset yields related to the decrease in the Federal funds rate, largely offset by significantly lower funding costs. *Non-interest revenue* increased \$5.5 billion from a year ago, primarily reflecting the absence of significant losses in the Citi Holdings Special Asset Pool portfolio.

Operating expenses decreased 16% from the year-ago quarter and were down 1% from the second quarter of 2009 primarily due to divestitures, including Smith Barney, the re-sizing of the Citi Holdings businesses, the re-engineering of Citicorp processes, expense control, and the impact of foreign currency translation. Headcount of 276,000 was down 76,000 from September 30, 2008 and down 3,000 from June 30, 2009.

The Company's total allowance for loan losses totaled \$36.4 billion at September 30, 2009, a coverage ratio of 5.85% of total loans up from 5.6% at June 30, 2009, even though corporate loans declined by \$13 billion during the quarter and consumer loans decreased by \$6 billion. During the third quarter of 2009, the Company recorded a net build of \$802 million to its credit reserves. The build for the quarter was \$3.1 billion lower than the second quarter of 2009, consisting of a net build of \$893 million for consumer loans and a net release of \$91 million for corporate loans.

Consumer non-accrual loans totaled \$17.9 billion at September 30, 2009, compared to \$15.8 billion at June 30, 2009 and \$10.8 billion at September 30, 2008, primarily related to the recognition of SFAS 114 charge-offs in the quarter. The consumer loan delinquency rate was 4.70% at September 30, 2009, compared to 4.24% at June 30, 2009 and 2.66% a year ago. Delinquencies continue to rise for the first mortgage portfolio in the U.S. due primarily 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 "Loan and Credit Details Consumer Loan Modification Programs" and " U.S. Consumer Mortgage Lending" below).

Corporate non-accrual loans were \$14.8 billion at September 30, 2009, compared to \$12.4 billion at June 30, 2009 and \$2.7 billion a year ago. The increase from the prior quarter is mainly due to the Company'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. The increase from prior-year levels is also attributable to the transfer of non-accrual loans from the held-for-sale portfolio (which are carried at lower-of-cost-or-fair value and excluded from non-accrual loans) to the held-for-investment portfolio during the fourth quarter of 2008. The total allowance for loan loss reserve balance for funded corporate loans remained stable at \$8 billion at the end of the quarter, or 4.4% of corporate loans, up from 4.1% in the second quarter of 2009.

The Company's effective tax rate on continuing operations in the third quarter of 2009 was 212% versus 48% in the prior-year period. The tax provision reflected a higher proportion of income earned and indefinitely reinvested in countries with relatively lower tax rates as well as a higher proportion of income from tax advantaged sources. The current quarter also includes a tax benefit of \$103 million in continuing operations relating to a release of tax reserves on interchange fees, which was supported by a favorable Tax Court decision in a case litigated by another financial institution.

Total deposits were \$833 billion at September 30, 2009, up 3% from June 30, 2009 and up 7% from year-ago levels. At September 30, 2009, the Company had increased its structural liquidity (equity, long-term debt and deposits) as a percentage of assets from 66% at December 31, 2008 to 72% at September 30, 2009. Over the past six months, Citigroup and its subsidiaries have issued \$20 billion of non-guaranteed debt outside of the FDIC's TLGP.

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Citigroup has continued its deleveraging, reducing total assets from \$2,050 billion a year ago to \$1,889 billion at September 30, 2009. Asset reductions in Citi Holdings made up approximately 98% of the decline, reflecting the Company's continued strategy of reducing its assets and exposures in this business segment, which are down by almost one-third since the peak levels of early 2008.

Primarily as a result of the exchange offers, Citigroup increased its Tier 1 Common by \$63 billion from the second quarter of 2009 to \$90 billion. In addition, the Company's Tangible Common Equity (TCE) increased by \$62 billion from the second quarter of 2009 to \$102 billion at September 30, 2009. (TCE and Tier 1 Common are non-GAAP financial

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Table of Contents

measures. See "Capital Resources and Liquidity" for additional information on these measures.)

The closing of the exchange offers also resulted in a reconstitution of the Company's equity base. Common Equity increased 98% from December 31, 2008 to \$140.5 billion. Citigroup's total stockholders' equity decreased by \$11.5 billion during the third quarter of 2009 to \$140.8 billion, primarily reflecting the impact of the exchange offers, partially offset by a \$4.0 billion improvement in *Accumulated Other Comprehensive Income*. Citigroup's total equity capital base and trust preferred securities were \$175.4 billion at September 30, 2009. The Tier 1 Capital ratio and Tier 1 Common ratio were 12.76% and 9.12%, respectively, at September 30, 2009.

Table of Contents

SIGNIFICANT EVENTS IN THE THIRD QUARTER OF 2009

Certain significant events have occurred during the fiscal year to date, including events subsequent to September 30, 2009, that had, or could have, an effect on Citigroup's current and future financial condition, results of operations, liquidity and capital resources. These events are summarized below and discussed throughout this MD&A.

EXCHANGE OFFERS

Private Exchange Offers

On July 23, 2009, Citigroup closed its exchange offers with the private holders of \$12.5 billion aggregate liquidation value of preferred stock. The U.S. Treasury (UST) matched these exchange offers by exchanging \$12.5 billion aggregate liquidation value of its preferred stock, for a total closing of \$25 billion. Following the approval, on September 2, 2009, by Citi shareholders of an increase in Citi's authorized common stock, on September 10, 2009, the private holders and the UST received an aggregate of approximately 7,692 million shares of Citigroup common stock.

Public Exchange Offers

On July 29, 2009, Citigroup closed its exchange offers with the holders of approximately \$20.4 billion in aggregate liquidation value of publicly-held preferred stock and trust preferred securities, representing 99% of the total liquidation value of securities Citigroup was offering to exchange. Upon closing of the public exchange offers, Citi issued approximately 5.8 billion shares of common stock to the public exchange offer participants.

In addition, on July 30, 2009, the UST matched the public exchange offers by exchanging an additional \$12.5 billion aggregate liquidation value of its preferred stock. Following the increase in Citigroup's authorized common stock, on September 10, 2009, the UST received an additional approximately 3.8 billion shares of Citigroup common stock.

In total, approximately \$58 billion in aggregate liquidation value of preferred stock and trust preferred securities were exchanged for common stock upon completion of all stages of the exchange offers. As a result of the exchange offers, the UST owned approximately 33.6% of Citigroup's outstanding common stock, not including the exercise of the warrants issued to the UST as part of TARP and pursuant to the loss-sharing agreement. See "Government Programs" below.

Trust Preferred Securities

On July 30, 2009, all remaining preferred stock of Citigroup held by the UST and the FDIC that was not exchanged into Citigroup common stock in connection with the exchange offers, in an aggregate liquidation amount of approximately \$27.1 billion, was exchanged into newly issued 8% trust preferred securities.

Accounting Impact

The accounting for the exchange offers resulted in the de-recognition of preferred stock and the recognition of the common stock issued at fair value in the *Common stock* and *Additional paid-in capital* accounts in equity. The difference between the carrying amount of preferred stock and the fair value of the common stock was recorded in *Retained earnings* (impacting net income available to common shareholders and EPS) or *Additional paid-in capital* accounts in equity, depending on whether the preferred stock was originally non-convertible or convertible.

For the U.S. Government (USG) preferred stock that was converted to 8% trust preferred securities, the newly issued trust preferred securities were initially recorded at fair value as *Long-term debt*. The difference between the carrying amount of the preferred stock and the fair value of the trust preferred securities was recorded in *Retained earnings* after adjusting for the appropriate deferred tax liability (impacting net income available to common shareholders and EPS). For trust preferred securities exchanged for common stock, the carrying amount recorded as long-term debt was de-recognized and the common stock issued was recorded at fair value in the *Common Stock* and the *Additional Paid-in Capital* accounts in equity. The difference between the carrying amount of the trust preferred securities and the fair value of the common stock was recorded in Other revenue in the third quarter of 2009.

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Table of Contents

The following table presents the impact of the completion of all stages of the exchange offers to Citigroup's common shares outstanding and to its balance sheet:

<i>(in millions of dollars, except incremental number of Citigroup common shares)</i>										
Security	Notional Amounts	Converted Into	Incremental Number of Citigroup Common Shares <i>(in millions)</i>	Date of Settlement	Other Assets(3)	Long- Term Debt	Impact on			
							Preferred Stock	Common Stock	Additional Paid In Capital	Retained Earnings(1)
Convertible Preferred Stock held by Private Investors	\$ 12,500	Common Stock	3,846	7/23/2009	\$		\$ (12,500)	\$ 38	\$ 21,801	\$ (9,340)
Convertible Preferred Stock held by Public Investors	3,146	Common Stock	823	7/29/2009			(3,146)	8	5,128	(1,990)
Non-Convertible Preferred Stock held by Public Investors	11,465	Common Stock	3,351	7/29/2009			(11,465)	33	9,116	2,316
Trust Preferred Securities held by Public Investors	5,773	Common Stock	1,660	7/29/2009	(602)	(5,972)		17	4,515	851
USG TARP Preferred Stock matching the Preferred Stock held by Private Investors	12,500	Common Stock	3,846	7/23/2009			(11,924)	38	10,615	1,270
USG TARP Preferred Stock matching the Preferred Stock and Trust Preferred Securities held by Public Investors	12,500	Common Stock	3,846	7/30/2009			(11,926)	39	10,615	1,272
USG TARP Preferred Stock	20,000	TruPS		7/30/2009	(2,883)	12,004	(19,514)			4,627
Non-Convertible Preferred Stock held by U.S. Treasury and FDIC related to covered asset guarantee (loss-sharing agreement)	7,059	TruPS		7/30/2009	(503)	4,237	(3,530)			(1,210)
Total			17,372		\$ (3,988)	\$ 10,269	\$ (74,005)	\$ 173	\$ 61,790	\$ 851 \$ (2,204)

Note: Table may not foot due to roundings.

Summary of Impact of Exchange Offers

During the third quarter of 2009, TCE increased by \$60 billion as a result of the exchange of approximately \$74 billion carrying amount of preferred shares and \$6 billion carrying value of trust preferred securities for 17,372 million shares of common stock and approximately \$27.1 billion liquidation amount of trust preferred securities (recorded as *Long-term debt* at its fair value of \$16.2 billion). This resulted in an increase to common stock and APIC of \$62 billion and a reduction in *Retained earnings* of approximately \$2 billion, for a total increase in TCE of approximately \$60 billion. The additional \$64 billion of Tier 1 Common includes the impact of the above plus a reduction in the disallowed Deferred tax asset (which increases Tier 1 Common) that arises from the accounting for the transactions. TCE and Tier 1 Common are non-GAAP financial measures. See "Capital Resources and Liquidity" below for additional information on these measures.

(1)

The *Retained earnings* impact primarily reflects:

- a) Difference between the carrying value of the preferred stock exchanged versus the fair value of the common stock and trust preferred securities issued.
- b) Value of inducement offer to the convertible preferred stock holders (calculated as the incremental shares received in excess of the original terms multiplied by stock price on the commitment date); and
- c) After-tax gain from extinguishment of debt associated with the trust preferred securities held by public investors.

(2)

After-tax gain reflected in third quarter 2009 earnings of approximately \$0.9 billion from the extinguishment of debt associated with the trust preferred securities held by public investors.

- (3) Primarily represents the impact on deferred taxes of the various exchange transactions, which will benefit Tier 1 Common and Tier 1 Capital.

Earnings per share in the third quarter of 2009 was impacted by (1) the increase in shares outstanding as a result of the issuance of common shares and interim securities and the timing thereof, (2) the net impact to *Retained earnings* and income statement resulting from the exchange offers and (3) dividends on USG preferred shares accrued up to the date of their conversion to interim securities and trust preferred securities.

Table of Contents

DEFERRED TAX ASSET

Deferred taxes are recorded for the future consequences of events that have been recognized in the financial statements or tax returns, based upon enacted tax laws and rates. Deferred tax assets (DTAs) are recognized subject to management's judgment that realization is more likely than not.

As of September 30, 2009, Citigroup had recognized a net deferred tax asset of approximately \$38 billion, down \$4 billion from approximately \$42 billion at June 30, 2009 and down \$6.5 billion from approximately \$44.5 billion at December 31, 2008. Approximately \$13 billion of the net deferred tax asset is included in Tier 1 and Tier 1 Common regulatory capital. The principal items reducing the deferred tax asset during 2009 were a decrease of approximately \$3.9 billion relating to the exchange offers and \$2.8 billion due to an increase in Other Comprehensive Income.

Although realization is not assured, the Company believes that the realization of the recognized net deferred tax asset at September 30, 2009 is more likely than not based upon expectations of future taxable income in the jurisdictions in which it operates and available tax planning strategies.

Approximately \$17 billion of Citigroup's DTA is represented by U.S. federal, state and local tax return carry-forwards subject to expiration substantially beginning in 2017 and continuing through 2028. The remaining \$21 billion DTA is largely due to timing differences between the recognition of income for GAAP and tax, representing net deductions that have not yet been taken on a tax return and are not currently subject to expiration. The most significant source of these timing differences is the loan loss reserve build, which accounts for approximately \$14 billion of the net DTA. In general, Citigroup would need to generate approximately \$85 billion of taxable income during the respective carry-forward periods to fully realize its U.S. federal, state and local DTA.

Citi's ability to utilize its deferred tax assets to offset future taxable income may be significantly limited if Citi 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 Citi's ownership by "5% 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 did not result in an ownership change under the Code. On June 9, 2009, the board of directors of Citigroup adopted a tax benefits preservation plan (the "Plan"). The purpose of the Plan is to minimize the likelihood of an ownership change occurring for Section 382 purposes and thus protect Citigroup's ability to utilize certain of its deferred tax assets, such as net operating loss and tax credit carry forwards, to offset future income. Despite adoption of the Plan, future stock issuance or transactions in our stock that may not be in our control, including sales by the USG, may cause Citi to experience an ownership change and thus limit the Company's ability to utilize its deferred tax asset and reduce its TCE and stockholders' equity.

DIVESTITURES

Sale of Nikko Cordial Securities

On October 1, 2009, Citigroup completed the sale of its domestic Japanese domestic securities business, conducted principally through Nikko Cordial Securities Inc. (NCS) to Sumitomo Mitsui Banking Corporation in a transaction with a total cash value of approximately \$8.7 billion (¥776 billion). The transaction will be recorded in the fourth quarter of 2009. After considering the impact of foreign exchange hedges of the proceeds of the transaction (most of which has been recorded in the second and third quarters of 2009), the sale will result in an immaterial after-tax gain to Citigroup.

Beginning in the second quarter of 2009, the results of NCS and its related companies are reflected as Discontinued Operations in the Company's Consolidated Financial Statements. At September 30, 2009, assets of \$23.6 billion and liabilities of \$16.0 billion are reflected on the Consolidated Balance Sheet as "Assets/ Liabilities of discontinued operations held for sale", respectively, including \$3.8 billion of identifiable goodwill and intangibles.

SUBSEQUENT EVENTS

As required by SFAS 165, Subsequent Events, the Company has evaluated subsequent events through November 6, 2009, which is the date its Consolidated Financial Statements were issued.

ACCOUNTING CHANGES AND FUTURE APPLICATION OF ACCOUNTING STANDARDS

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See Note 1 to the Consolidated Financial Statements for a discussion of "Accounting Changes" and "Future Application of Accounting Standards."

Table of Contents**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)

<i>In millions of dollars</i>	Third Quarter			Nine Months		
	2009	2008	% Change	2009	2008	% Change
Income from Continuing Operations						
CITICORP						
Regional						
Consumer						
Banking						
<i>North America</i>	\$ 163	\$ (44)	NM	\$ 345	\$ 470	(27)%
<i>EMEA</i>	(23)	31	NM	(166)	87	NM
<i>Latin America</i>	29	102	(72)%	268	867	(69)
<i>Asia</i>	446	357	25	969	1,344	(28)
Total	\$ 615	\$ 446	38	\$ 1,416	\$ 2,768	(49)%
Securities and Banking						
<i>North America</i>	\$ (77)	\$ 1,340	NM	\$ 2,493	\$ 3,368	(26)%
<i>EMEA</i>	548	102	NM	3,466	674	NM
<i>Latin America</i>	216	227	(5)%	1,137	853	33
<i>Asia</i>	68	569	(88)	1,720	1,502	15
Total	\$ 755	\$ 2,238	(66)%	\$ 8,816	\$ 6,397	38%
Transaction Services						
<i>North America</i>	\$ 152	\$ 94	62%	\$ 471	\$ 243	94%
<i>EMEA</i>	308	348	(11)	984	925	6
<i>Latin America</i>	148	159	(7)	458	451	2
<i>Asia</i>	331	317	4	904	899	1
Total	\$ 939	\$ 918	2%	\$ 2,817	\$ 2,518	12%
<i>Institutional Clients Group</i>	\$ 1,694	\$ 3,156	(46)%	\$ 11,633	\$ 8,915	30%
Total Citicorp	\$ 2,309	\$ 3,602	(36)%	\$ 13,049	\$ 11,683	12%
CITI HOLDINGS						
Brokerage and Asset Management						
	\$ 139	\$ (57)	NM	\$ 7,011	\$ 96	NM
Local Consumer Lending						
	(2,099)	(2,285)	8%	(7,711)	(3,366)	NM
Special Asset Pool						
	142	(4,594)	NM	(5,095)	(18,041)	72%

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Total Citi Holdings	\$	(1,818)	\$	(6,936)	74%	\$	(5,795)	\$	(21,311)	73%
Corporate/Other Income (Loss) from Continuing Operations	\$	102	\$	(187)	NM	\$	(580)	\$	(1,408)	59
	\$	593	\$	(3,521)	NM	\$	6,674	\$	(11,036)	NM
Discontinued Operations	\$	(418)	\$	613		\$	(677)	\$	578	
Net Income (Loss) attributable to Noncontrolling Interests		74	\$	(93)			24	\$	(37)	
Citigroup's Net Income (Loss)	\$	101	\$	(2,815)	NM	\$	5,973	\$	(10,421)	NM

NM Not meaningful

[Table of Contents](#)
Citigroup Revenues

<i>In millions of dollars</i>	Third Quarter			Nine Months		
	2009	2008	% Change	2009	2008	% Change
CITICORP						
Regional						
Consumer Banking						
<i>North America</i>	\$ 1,754	\$ 1,472	19%	\$ 5,604	\$ 5,917	(5)%
<i>EMEA</i>	415	498	(17)	1,169	1,467	(20)
<i>Latin America</i>	1,826	2,300	(21)	5,436	6,906	(21)
<i>Asia</i>	1,680	1,839	(9)	4,842	5,674	(15)
Total	\$ 5,675	\$ 6,109	(7)%	\$ 17,051	\$ 19,964	(15)%
Securities and Banking						
<i>North America</i>	\$ 1,312	\$ 4,018	(67)%	\$ 8,454	\$ 11,117	(24)%
<i>EMEA</i>	2,198	1,395	58	8,974	5,098	76
<i>Latin America</i>	703	469	50	2,547	1,872	36
<i>Asia</i>	680	1,463	(54)	4,214	4,382	(4)
Total	\$ 4,893	\$ 7,345	(33)%	\$ 24,189	\$ 22,469	8%
Transaction Services						
<i>North America</i>	\$ 643	\$ 540	19%	\$ 1,888	\$ 1,557	21%
<i>EMEA</i>	845	953	(11)	2,549	2,784	(8)
<i>Latin America</i>	337	378	(11)	1,020	1,092	(7)
<i>Asia</i>	632	695	(9)	1,857	2,029	(8)
Total	\$ 2,457	\$ 2,566	(4)	\$ 7,314	\$ 7,462	(2)%
<i>Institutional Clients Group</i>	\$ 7,350	\$ 9,911	(26)%	\$ 31,503	\$ 29,931	5%
Total Citicorp	\$ 13,025	\$ 16,020	(19)%	\$ 48,554	\$ 49,895	(3)%
CITI HOLDINGS						
Brokerage and Asset Management						
	\$ 670	\$ 2,094	(68)%	\$ 14,710	\$ 6,951	NM
Local Consumer Lending						
	4,647	5,432	(14)	15,030	19,156	(22)%
Special Asset Pool						
	1,377	(6,822)	NM	(3,844)	(27,842)	86
Total Citi Holdings	\$ 6,694	\$ 704	NM	\$ 25,896	\$ (1,735)	NM
Corporate/Other	\$ 671	\$ (466)	NM	\$ 430	\$ (2,207)	NM
Total Net Revenues	\$ 20,390	\$ 16,258	25%	\$ 74,880	\$ 45,953	63%

NM Not meaningful

Table of Contents
CITICORP

<i>In millions of dollars</i>	Third Quarter		%	Nine Months		%
	2009	2008	Change	2009	2008	Change
Net interest revenue	\$ 8,435	\$ 8,316	1%	\$ 25,067	\$ 24,980	
Non-interest revenue	4,590	7,704	(40)	23,487	24,915	(6)%
Total Revenues, net of interest expense	\$ 13,025	\$ 16,020	(19)%	\$ 48,554	\$ 49,895	(3)%
Provision for credit losses and for benefits and claims						
Net credit losses	\$ 1,718	\$ 1,317	30%	\$ 4,515	\$ 3,535	28%
Credit reserve build (release)	465	799	(42)	2,570	1,846	39
Provision for loan losses	\$ 2,183	\$ 2,116	3	\$ 7,085	\$ 5,381	32%
Provision for benefits & claims	14			41	3	NM
Provision for unfunded lending commitments		(80)	100	115	(155)	NM
Total provision for credit losses and for benefits and claims	\$ 2,197	\$ 2,036	8%	\$ 7,241	\$ 5,229	38%
Total operating expenses	\$ 8,181	\$ 8,948	(9)	\$ 23,227	\$ 28,174	(18)%
Income from continuing operations before taxes	\$ 2,647	\$ 5,036	(47)%	\$ 18,086	\$ 16,492	10%
Provision for income taxes	338	1,434	(76)	5,037	4,809	5
Income from continuing operations	\$ 2,309	\$ 3,602	(36)%	\$ 13,049	\$ 11,683	12%
Net income (loss) attributable to noncontrolling interests	25	16	56	25	50	(50)
&nb						