CITIGROUP INC
Form 10-Q
May 11, 2009

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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 March 31, 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 o 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 March 31, 2009: 5,512,800,000

Available on the Web at www.citigroup.com

CITIGROUP INC.

FIRST QUARTER OF 2009 FORM 10-Q

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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 more than 200 million customer accounts and does business in more than 100 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). Some of the Company's subsidiaries are subject to supervision and examination by their respective federal and state authorities.

This quarterly report on Form 10-Q should be read in conjunction with Citigroup's 2008 Annual Report on Form 10-K. Additional financial, statistical, and business-related information, as well as business and segment trends, are included in a Financial Supplement that was filed as Exhibit 99.2 to the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission (SEC) on Apri1 17, 2009. On January 16, 2009, Citigroup announced a realignment of its businesses to be effective, for financial reporting purposes, in the second quarter of 2009. Accordingly, Citi's businesses in this Form 10-Q are presented under the same structure that was reported at December 31, 2008.

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*.

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At March 31, 2009, Citigroup was 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.

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CITIGROUP INC. AND SUBSIDIARIES

SUMMARY OF SELECTED FINANCIAL DATA

In millions of dollars, except per share amounts	Three Months Ended March 31, 2009	2008	% Change
Net interest revenue	$ **12,898**	$ 13,068	(1)%
Non-interest revenue	**11,891**	(627)	NM
Revenues, net of interest expense	**24,789**	12,441	99%
Operating expenses	**12,087**	15,775	(23)
Provisions for credit losses and for benefits and claims	**10,307**	5,852	76
Income (Loss) from Continuing Operations before Income Taxes	**2,395**	(9,186)	NM
Income taxes (benefits)	**785**	(3,939)	NM
Income (Loss) from Continuing Operations	**1,610**	(5,247)	NM
Income (Loss) from Discontinued Operations, net of taxes	**(33)**	115	NM
Net Income (Loss) before attribution of Noncontrolling Interests	**1,577**	(5,132)	NM
Net Income (Loss) attributable to Noncontrolling Interests	**(16)**	(21)	24%
Citigroup's Net Income (Loss)	$ **1,593**	$ (5,111)	NM
Less:			
Preferred dividends Basic	**1,221**	83	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(1)	**53**		NM
Income (loss) available to common stockholders for Basic EPS	$ **(966)**	$ (5,194)	81%
Earnings per share			
Basic(2)			
Income (loss) from continuing operations	$ **(0.18)**	$ (1.06)	83%
Net income (loss)	$ **(0.18)**	$ (1.03)	83
Diluted(2)			
Income (loss) from continuing operations	$ **(0.18)**	$ (1.06)	83%
Net income (loss)	**(0.18)**	(1.03)	83
Dividends declared per common share	$ **0.01**	$ 0.32	(97)
At March 31:			
Total assets	$ **1,822,578**	$ 2,199,697	(17)%
Total deposits	**762,696**	831,208	(8)
Long-term debt	**337,252**	424,959	(21)
Mandatorily redeemable securities of subsidiary trusts	**24,532**	23,959	2
Common stockholders' equity	**69,688**	108,684	(36)
Total stockholders' equity	$ **143,934**	$ 128,068	12
Direct staff *(in thousands)*	**309**	369	(16)
Ratios:			
Return on common stockholders' equity(3)	**(5.6)%**	(18.6)%	
Tier 1 Common(4)	**2.16%**	4.22%	

Tier 1 Capital	**11.92%**	7.71%
Total Capital	**15.61%**	11.18%
Leverage(5)	**6.60%**	4.45%
Common stockholders' equity to assets	**3.82%**	4.94%
Dividend payout ratio(6)	**N/A**	N/A
Ratio of earnings to fixed charges and preferred stock dividends	**1.06x**	NM

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(1)

The first quarter of 2009 Income available to common shareholders 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. The reset will result in Citigroup's issuing up to approximately 79 million additional common shares when the preferred stock is converted. There is 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 shareholders of $1.285 billion. Income available to common shareholders for the first quarter of 2009 also includes a reduction of $53 million related to the quarterly preferred stock Series H discount accretion.

(2)

The Company adopted Financial Accounting Standards Board (FASB) Staff Position (FSP) Emerging Issues Task Force (EITF) 03-6-1 "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 first quarters of 2008 and 2009 utilize Basic shares and Income available to common shareholders (Basic) due to the negative Income available to common shareholders. Using actual Diluted shares and Income available to common shareholders (Diluted) would result in anti-dilution.

(3)

The return on average common stockholders' equity is calculated using income/(loss) available to common stockholders.

(4)

The Tier 1 Common ratio represents Tier 1 Capital less perpetual preferred stock, qualifying minority interests in subsidiaries and qualifying trust preferred securities divided by risk-weighted assets.

(5)

The Leverage ratio represents Tier 1 Capital divided by each period's quarterly adjusted average assets.

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(6) Dividends declared per common share as a percentage of net income per diluted share. For the first quarters of 2009 and 2008, the dividend payout ratio was not calculable due to the net loss.

NM Not meaningful

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

Certain statements in this Form 10-Q, including, but not limited to, statements made in "Management's Discussion and Analysis," are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. These statements are based on management's current expectations and are subject to uncertainty and changes in circumstances. Actual results may differ materially from those included in these statements due to a variety of factors including, but not limited to, those described in Citigroup's 2008 Annual Report on Form 10-K under "Risk Factors."

Within this Form 10-Q, please refer to the indices on pages 1 and 64 for page references to the Management's Discussion and Analysis section and Notes to Consolidated Financial Statements, respectively.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

FIRST QUARTER OF 2009 MANAGEMENT SUMMARY

Citigroup reported net income of $1.593 billion for the first quarter of 2009. The results reflected Revenues of $24.8 billion, driven by strong results in *ICG*, partially offset by net write-downs, $7.3 billion in net credit losses and a $2.7 billion net loan loss reserve builds.

The $0.18 loss per share reflected the reset in January 2009 of the conversion price of $12.5 billion of convertible preferred stock issued in a private offering in January 2008. This did not have an impact on net income or total capital but resulted in a reduction to income available to common shareholders of $1.285 billion or $0.24 per share. Without this reduction, EPS was positive. The loss per share also reflected preferred stock dividends and the quarterly accretion of the Series H warrant discount, which did not impact net income but reduced income available to common shareholders by $1.274 billion.

Revenues of $24.8 billion increased 99% from year-ago levels, with sequential improvement across all regions. Strong trading results and lower net write-downs (partially attributable to a positive credit valuation adjustment (CVA) in respect of the Company's own debt and derivatives) in S&B drove revenues. The difficult economic environment continued to have a negative impact on all businesses.

Net interest revenue declined 1% from the 2008 first quarter, reflecting the smaller balance sheet. Net interest margin in the first quarter of 2009 was 3.30%, up 50 basis points from the first quarter of 2008, reflecting significantly lower cost of funding, partially offset by a decrease in asset yields related to the decrease in the fed funds rate. Non-interest revenue increased $12.5 billion from a year ago, primarily reflecting lower write-downs on highly leveraged finance commitments, subprime-related direct exposures and other fixed income exposures.

Operating expenses decreased 23% from the previous year, reflecting benefits from Citi's ongoing re-engineering efforts, the impact of foreign exchange translation, and a $250 million litigation reserve release. Expenses in the prior-year period included $626 million of net non-recurring charges. Expenses have continued their downward momentum, due to lower compensation costs and continued benefits from re-engineering efforts. Headcount was down 60,000 from March 31, 2008 and 14,000 from December 31, 2008.

The Company's equity capital base and trust preferred securities were $168.5 billion at March 31, 2009. Citigroup's Stockholders' equity increased by $2.3 billion during the first quarter of 2009 to $143.9 billion. The Company issued $3.6 billion in preferred stock and warrants related to the loss-sharing agreement during the first quarter and distributed $1.06 billion in dividends to its preferred shareholders. Citigroup had a Tier 1 Capital Ratio of 11.92% at March 31, 2009.

During the first quarter of 2009, the Company recorded a net build of $2.7 billion to its credit reserves. The net build consisted of $2.3 billion in *Global Cards* and *Consumer Banking* ($1.6 billion in *North America* Consumer and $642 million in regions outside of *North America*), $313 million in *ICG* and $94 million in *GWM*. The Consumer credit loss rate was 4.64%, a 212 basis-point increase from the first quarter of 2008. Corporate cash-basis loans were $10.8 billion at March 31, 2009, an increase of $8.8 billion from year-ago levels. This increase is primarily attributable to the transfer of non-accrual loans from the held-for-sale portfolio to the held-for-investment portfolio during the fourth quarter of 2008. The allowance for loan losses totaled $31.7 billion at March 31, 2009, a coverage ratio of 4.82% of total loans.

The Company's effective tax rate was 32.8% in the first quarter of 2009, which includes a tax benefit of $110 million relating to the conclusion of the audit of certain issues in the Company's 2003-2005 U.S. Federal tax audit.

At March 31, 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 approximately 68% at March 31, 2009. Citigroup has continued its deleveraging, reducing total assets from $1,938 billion at December 31, 2008 to $1,823 billion at March 31, 2009.

At March 31, 2009, the maturity profile of Citigroup's senior long-term unsecured borrowings had a weighted average maturity of seven years.

On February 27, 2009, the Company announced an exchange offer of its common stock for up to $27.5 billion of its existing preferred securities and trust preferred securities at a conversion price of $3.25 per share (Exchange Offer). On May 7, 2009, the Company announced that it will expand the Exchange Offer by increasing the maximum amount of preferred securities and trust preferred securities that it will accept in the Exchange Offer by $5.5 billion to a total of $33 billion. All other terms of the Exchange Offer, including that the U.S. government (USG) will match the Exchange Offer up to a maximum of $25 billion of its preferred stock at the same conversion price, remain unchanged. The increase in the Exchange Offer reflects the results of the USG's Supervisory Capital Assessment Program (SCAP) and will further increase the

Company's Tier 1 Common without any additional USG investment or conversion of USG securities into common stock.

In April 2009, Citi's shareholders elected four new directors to its board. Additionally, the Company recently announced several senior management appointments, including Edward (Ned) Kelly as Chief Financial Officer, replacing Gary Crittenden, who was appointed Chairman of Citi Holdings.

During the first quarter of 2009, Citi continued to extend significant amounts of credit to U.S. consumers and continued to focus on supporting the U.S. housing market. In the first quarter of 2009, Citi successfully worked with approximately 80,000 borrowers, whose mortgages Citi owns or services, to avoid potential foreclosure through modifications, extensions, forbearances, and reinstatements of loans totaling more than $9 billion. Citi was able to keep more than 9 out of 10 distressed borrowers with Citi mortgages owned by the Company in their homes. Also, Citi's U.S. Cards business is currently providing help to 1.3 million card members to help them manage their credit card debt through a variety of forbearance programs.

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EVENTS IN 2009

Certain significant events during the first quarter of 2009 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 in more detail throughout this MD&A.

EXCHANGE OFFER AND CONVERSIONS

On February 27, 2009, Citigroup announced an exchange offer of its common stock for up to a total of $27.5 billion of its existing preferred securities and trust preferred securities at a conversion price of $3.25 per share (Exchange Offer). As described above, on May 7, 2009, the Company announced that it will expand the Exchange Offer by increasing the maximum amount of preferred securities and trust preferred securities that it will accept in the Exchange Offer by $5.5 billion to a total of $33 billion. All other terms of the Exchange Offer, including that the USG will match the Exchange Offer up to a maximum of $25 billion of its preferred stock at the same conversion price, remain unchanged. All remaining preferred stock held by the USG that is not converted to common stock in the Exchange Offer will be exchanged into newly issued 8% trust preferred securities.

This transaction could increase Tier 1 Common of the Company from the first quarter of 2009 level of $22.1 billion to as much as $86.2 billion, which assumes the exchange of $33 billion of preferred securities and trust preferred securities, the maximum eligible under the transaction. Citi's tangible common equity (TCE), which was $30.9 billion as of March 31, 2009, will increase by as much as $60.4 billion to up to $91.3 billion.

Based on the maximum participation in the Exchange Offer, the USG would own approximately 34% of Citi's outstanding common stock and existing common stockholders would own approximately 24% of the outstanding common stock.

Citi intends to continue to pay full dividends on the preferred stock up to and including the closing of the public exchange offers, at which point the dividends will be suspended. Citi does not intend to pay common stock dividends during this period. The Company has no plans to suspend distributions at current rates on its trust preferred securities.

The accounting for the Exchange Offer will result 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 will be 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 USG preferred stock that is converted to 8% trust preferred securities, the newly issued trust preferred securities will be 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 will be recorded in *Retained earnings* after adjusting for appropriate deferred tax liability (impacting net income available to common shareholders and EPS).

On January 23, 2009, pursuant to Citigroup's prior agreement with the purchasers of the $12.5 billion of 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. The reset will result in Citigroup's issuing up to approximately 79 million additional common shares when the preferred stock is converted. There was no impact to *Net income*, total Citigroup 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 reflecting the benefit of the reset to the preferred stockholders. The reclassification of $1.285 billion represents (i) the reset conversion rate ($12.5 billion divided by the reset price of $26.35) multiplied by (ii) the difference between Citi's stock price on the commitment date ($29.06) and the reset price ($26.35). This reclassification resulted in a corresponding reduction of income available to common shareholders during the first quarter of 2009, reducing basic and diluted EPS by approximately 24 cents.

THE SUPERVISORY CAPITAL ASSESSMENT PROGRAM (SCAP)

On May 7, 2009, the USG released the results of its Supervisory Capital Assessment Program (SCAP). The SCAP constituted a comprehensive capital assessment of the 19 largest U.S. financial institutions, including Citi.

Based on the results of the USG's assessment under the SCAP, Citi will be required to increase its Tier 1 Common by an additional $5.5 billion, which the Company intends to accomplish by expanding its previously-announced Exchange Offer (as described above) from $27.5 billion to $33 billion, an action that will require no additional USG investment or conversion of USG preferred securities into Citi common stock.

Pursuant to the SCAP, any financial institution that is required to augment its capital as a result of the SCAP must develop a capital plan, to be approved by the Federal Reserve Board in consultation with the FDIC, and will have six months to implement this plan. Capital plans must be submitted and approved by June 8, 2009 and the required capital increase must be established by November 9, 2009. Like other financial institutions, Citi's capital plan must consist of three main elements:

- a detailed description of the specific actions to be taken to increase the level of capital and/or to enhance the quality of capital consistent with the SCAP results;

- a list of steps to address weaknesses, where appropriate, in the institution's internal processes for assessing capital needs and engaging in effective capital planning; and

- an outline of the steps the firm will take over time to repay USG-provided capital under TARP and reduce reliance on guaranteed debt issued under the TLGP (see "TARP and Other Regulatory Programs").

In addition, as required by the SCAP, Citi, like other financial institutions required to augment their capital, will review its existing management and Board of Directors in

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order to assure that the leadership of the Company has sufficient expertise and ability to manage the risks presented by the current economic environment and maintain capacity on its balance sheet sufficient to continue prudent lending to meet the credit needs of the economy. This review must be completed by June 8, 2009.

LOSS-SHARING AGREEMENT

On January 16, 2009, Citigroup issued preferred shares to the U.S. Treasury (UST) and the FDIC, and a warrant to the UST, in exchange for $301 billion of loss protection on a specified pool of Citigroup assets. Under the agreement, the Company will absorb the first $39.5 billion of losses plus 10% of the remaining losses incurred.

The fair value of the preferred shares of $3.529 billion was recorded as *Preferred stock*; the fair value of the warrant of $88 million was recorded as a credit to *Additional paid-in capital* at the time of issuance; and an asset related to the loss-sharing agreement of $3.617 billion was recorded in *Other assets*. See "TARP and Other Regulatory Programs U.S. Government Loss-Sharing Agreement." The loss-sharing agreement is accounted for as an indemnification agreement and amortized on a straight line basis over five years for non-residential assets and 10 years for residential assets. Amortization expense of $171 million was recorded in the first quarter of 2009.

The USG has a 120-day confirmation period to finalize the composition of the asset pool from the date that Citi submitted its revised asset pool. The revised asset pool was submitted by Citigroup on April 15, 2009 and, therefore, is expected to be finalized by the USG by August 13, 2009. The advisor to the USG has commenced its review of the assets. In addition, as a result of receipt of principal repayments and charge-offs, the total asset pool has declined by approximately $17 billion from the original $301 billion. Approximately $2.0 billion of losses on the asset pool were recorded in the first quarter of 2009, bringing the agreement-to-date losses to approximately $2.9 billion. See "TARP and Other Regulatory Programs U.S. Government Loss-Sharing Agreement."

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ITEMS IMPACTING THE SECURITIES AND BANKING BUSINESS

Securities and Banking Significant Revenue Items and Risk Exposure

	Pretax Revenue Marks (in millions) First Quarter 2009	Risk Exposure (in billions) Mar. 31, 2009	Dec. 31, 2008	% Change
Sub-prime related direct exposures	$ (2,296)	$ 10.2	$ 14.1	(28)%
Private Equity and equity investments	(1,240)	8.5	11.3	(25)
CVA related to exposure to monoline insurers	(1,090)	N/A	N/A	
Alt-A Mortgages(1)	(490)	12.5	12.6	(1)
Highly leveraged loans and financing commitments(2)	(247)	9.5	10.0	(5)
Commercial Real Estate (CRE) positions(2)(3)	(186)	36.1	37.5	(4)
Structured Investment Vehicles' (SIVs) Assets	(47)	16.2	16.6	(2)
Auction Rate Securities (ARS) proprietary positions	(23)	8.5	8.8	(3)
CVA on Citi debt liabilities under fair value option	180	N/A	N/A	
CVA on derivatives positions, excluding monoline insurers	2,738	N/A	N/A	
Subtotal	$ (2,701)			
Non-credit accretion on reclassified assets	541			
Total significant revenue items	$ (2,160)			

(1) Net of hedges.

(2) Net of underwriting fees.

(3) Excludes CRE positions that were included in the SIV portfolio.

Subprime-Related Direct Exposures

During the first quarter of 2009, S&B recorded write-downs of $2.296 billion pretax, net of hedges, on its subprime-related direct exposures. The Company's remaining $10.2 billion in U.S. subprime net direct exposure in S&B at March 31, 2009 consisted of (i) approximately $8.5 billion of net exposures to the super senior tranches of CDOs, which are collateralized by asset-backed securities, derivatives on asset-backed securities or both, and (ii) approximately $1.7 billion of subprime-related exposures in its lending and structuring business. See "Exposure to U.S. Residential Real Estate in Securities and Banking" for a further discussion of such exposures and the associated losses recorded.

Private Equity and Equity Investments

In the first quarter of 2009, Citi recognized pretax losses of $1.240 billion on private equity and equity investments, reflecting weakness in the developed global equities markets during the first quarter of 2009. The Company had $8.5 billion in private equity and equity investments securities at March 31, 2009, which decreased $2.8 billion from December 31, 2008.

Monoline Insurers Credit Valuation Adjustment (CVA)

During the first quarter of 2009, Citigroup recorded a pretax loss on CVA of $1.090 billion on its exposure to monoline insurers. CVA is calculated by applying forward default probabilities, which are derived using the counterparty's current credit spread, to the expected exposure profile. The majority of the exposure relates to hedges on super senior subprime exposures that were executed with various monoline insurance companies. See "Direct Exposure to Monolines" for a further discussion.

Alt-A Mortgage Securities

In the first quarter of 2009, Citigroup recorded pretax losses of approximately $490 million, net of hedges, on Alt-A mortgage securities held in S&B. For these purposes, Alt-A mortgage securities are non-agency residential mortgage-backed securities (RMBS) where (i) the underlying collateral has weighted average FICO scores between 680 and 720 or (ii) for instances where FICO scores are greater than 720, RMBS have 30% or less of the underlying collateral composed of full documentation loans.

The Company had $12.5 billion in Alt-A mortgage securities at March 31, 2009, which decreased $136 million from December 31, 2008. Of the $12.5 billion, $1.5 billion was classified as *Trading account assets*, on which $79 million of fair value losses, net of hedging, was recorded in earnings, $0.4 billion was classified as available-for-sale (AFS) investments, and $10.6 billion was classified as held-to-maturity (HTM) investments, on which $411 million of losses was recorded in earnings due to credit impairments.

Highly Leveraged Loans and Financing Commitments

The Company recorded pretax losses of $247 million on funded and unfunded highly leveraged finance exposures in the first quarter of 2009. Citigroup's exposure to highly leveraged financings totaled $9.5 billion at March 31, 2009 ($9.0 billion in funded and $0.5 billion in unfunded commitments), reflecting a decrease of $0.5 billion from December 31, 2008. See "Highly Leveraged Financing Transactions" for a further discussion.

Commercial Real Estate (CRE)

S&B's commercial real estate exposure is split into three categories: assets held at fair value; held to maturity/held for investment; and equity. During the first quarter of 2009, pretax losses of $186 million, net of hedges, were booked on exposures recorded at fair value. S&B had $36.1 billion in CRE positions at March 31, 2009, which decreased $1.4 billion from December 31, 2008. See "Exposure to Commercial Real Estate" for a further discussion.

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

Under SFAS 157, the Company is required to use its own-credit spreads in determining the current value for its derivative liabilities and all other liabilities for which it has elected the fair value option. When Citi's credit spreads widen (deteriorate), Citi recognizes a gain on these liabilities because the value of the liabilities has decreased. When Citi's credit spreads narrow (improve), Citi recognizes a loss on these liabilities because the value of the liabilities has increased.

During the first quarter of 2009, the Company recorded a gain of approximately $180 million on its fair value option liabilities (excluding derivative liabilities) due to the widening of the Company's credit spreads.

Credit Valuation Adjustment on Derivative Positions, excluding Monoline insurers

During the first quarter of 2009, Citigroup recorded a net gain of approximately $2.7 billion on its derivative positions primarily due to the widening of the Company's credit default swap spread. See "Citigroup Derivatives" for a further discussion.

Non-Credit Accretion on Reclassified Assets

In the fourth quarter of 2008, the Company reclassified $33.3 billion of debt securities from trading securities to HTM investments, $4.7 billion of debt securities from trading securities to AFS, and $15.7 billion of loans from held-for-sale to held-for-investment. All assets were reclassified with an amortized cost equal to the fair value on the date of reclassification. The difference between the amortized cost basis and the expected principal cash flows is treated as a purchase discount and accreted into income over the remaining life of the security or loan. In the first quarter of 2009, the Company recognized approximately $541 million of interest revenue based on this accretion.

DIVESTITURES

Joint Venture with Morgan Stanley

On January 13, 2009, Citi and Morgan Stanley (MS) announced a joint venture (JV) that will combine the *Global Wealth Management* platform of MS with the Smith Barney, Quilter and Australia private client networks. Citi will sell 100% of these businesses to Morgan Stanley in exchange for a 49% stake in the JV and an estimated $2.7 billion of cash at closing. At the time of the announcement, the estimated pretax gain was $9.5 billion ($5.8 billion after-tax), based on valuations performed at that time. Since the actual gain that will be recorded is dependent upon the value of the JV on the date the transaction closes, it may differ from the estimated amount. The transaction is anticipated to close no later than third quarter of 2009. It is anticipated that Citi will continue to support the clearing and settling of the JV activities for a period of between two to three years.

Sale of Citigroup Technology Services Ltd.

On December 23, 2008, Citigroup announced an agreement with Wipro Limited to sell all of Citigroup's interest in Citi Technology Services Ltd., Citigroup's India-based captive provider of technology infrastructure support and application development, for all cash consideration of approximately $127 million. The transaction closed on January 20, 2009 and resulted in an after-tax loss of $6 million after reflecting an allocation of a portion of the proceeds to the Master Services Agreement.

Sale of Citi's Nikko Citi Trust and Banking Corporation

On December 16, 2008, Citigroup executed a definitive agreement to sell all of the shares of Nikko Citi Trust and Banking Corporation to Mitsubishi UFJ Trust and Banking Corporation (MUTB). At the closing, MUTB is to pay all cash consideration of ¥25 billion, subject to certain purchase price adjustments. The closing is subject to regulatory approvals and other closing conditions. Citi's announcement on May 1, 2009 of the Nikko Cordial Securities transaction (as described under "Subsequent Event" below) and certain other developments affect the rights of the parties under the agreement with MUTB. As was announced on March 26, 2009, the parties have agreed to extend the closing of the transaction and a new closing date will be announced when determined.

OTHER ITEMS

Income Taxes

The Company's effective tax rate was 32.8% in the first quarter of 2009, versus 42.9% in the prior-year period, which includes a tax benefit of $110 million relating to the conclusion of the audit of certain issues in the Company's 2003-2005 U.S. federal tax audit.

The Company expects to conclude the audit of its U.S. federal consolidated income tax returns for the years 2003-2005 within the next 12 months. The gross uncertain tax position at March 31, 2009 for the items expected to be resolved is approximately $245 million plus gross interest of about $50 million. The potential net tax benefit to continuing operations could be approximately $225 million. This is in addition to the $110 million benefit booked in the first quarter of 2009 for issues already concluded, discussed above.

The Company's net deferred tax asset of $44.5 billion at December 31, 2008 decreased by approximately $1 billion at March 31, 2009, principally due to $1 billion in compensation deductions under SFAS 123(R) which reduced additional paid-in capital in the first quarter of 2009. Although realization is not assured, the Company believes that the realization of the recognized net deferred tax asset at March 31, 2009 is more likely than not based upon expectations as to future taxable income in the jurisdictions in which it operates and available tax planning strategies.

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Sale of Redecard Shares

In the first quarter of 2009, Citigroup sold its entire 17% equity interest in Redecard through a private and public offering. The sale resulted in an after-tax gain of $704 million ($1.116 billion pretax) and was recorded in the *Global Cards* business in *Latin America*.

SUBSEQUENT EVENT

Sale of Nikko Cordial

On May 1, 2009, Citigroup reached a definitive agreement to sell its Japanese domestic securities business, conducted principally through Nikko Cordial Securities Inc., to Sumitomo Mitsui Banking Corporation in a transaction with a total cash value to Citi of approximately $7.9 billion (¥774.5 billion). Citi's ownership interests in Nikko Citigroup Limited, Nikko Asset Management Co., Ltd., and Nikko Principal Investments Japan Ltd. are not included in the transaction. The transaction is expected to generate approximately $2.5 billion of tangible common equity (TCE) for Citi at closing, with Citi expected to recognize an after-tax loss of approximately $0.2 billion. On a pro forma basis, Citi's March 31, 2009 Tier 1 Capital Ratio would have increased by approximately 27 basis points. The transaction is expected to close by the end of the fourth quarter of 2009, subject to regulatory approvals and customary closing conditions.

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SEGMENT AND REGIONAL NET INCOME (LOSS) AND REVENUES

The following tables show the net income (loss) and revenues for Citigroup's businesses on a segment and product view as well as a regional view:

Citigroup Net Income (Loss) Segment View

In millions of dollars	First Quarter 2009	First Quarter 2008	% Change
Global Cards			
North America	**$ (209)**	$ 537	NM
EMEA	**(65)**	42	NM
Latin America	**669**	516	30%
Asia	**22**	131	(83)
Total Global Cards	**$ 417**	$ 1,226	(66)%
Consumer Banking			
North America	**$ (1,245)**	$ (333)	NM
EMEA	**(178)**	(85)	NM
Latin America	**81**	271	(70)%
Asia	**116**	199	(42)
Total Consumer Banking	**$ (1,226)**	$ 52	NM
Institutional Clients Group (ICG)			
North America	**$ (135)**	$ (5,955)	98%
EMEA	**2,019**	(1,142)	NM
Latin America	**442**	382	16
Asia	**507**	358	42
Total ICG	**$ 2,833**	$ (6,357)	NM
Global Wealth Management (GWM)			
North America	**$ 244**	$ 165	48%
EMEA	**26**	26	
Latin America	**(9)**	26	NM
Asia		77	(100)
Total GWM	**$ 261**	$ 294	(11)%
Corporate/Other	**$ (675)**	$ (462)	(46)%
Income (Loss) from Continuing Operations	**$ 1,610**	$ (5,247)	NM
Income (Loss) from Discontinued Operations	**$ (33)**	$ 115	NM
Net Income (Loss) attributable to Noncontrolling Interests	**$ (16)**	$ (21)	
Citigroup's Net Income (Loss)	**$ 1,593**	$ (5,111)	NM

NM Not meaningful

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Citigroup Net Income (Loss) Regional View

In millions of dollars	First Quarter 2009	First Quarter 2008	% Change
North America			
Global Cards	**$ (209)**	$ 537	NM
Consumer Banking	**(1,245)**	(333)	NM
ICG	**(135)**	(5,955)	98%
Securities & Banking	**(269)**	(6,034)	96
Transaction Services	**134**	79	70
GWM	**244**	165	48
Total *North America*	**$ (1,345)**	$ (5,586)	76%
EMEA			
Global Cards	**$ (65)**	$ 42	NM
Consumer Banking	**(178)**	(85)	NM
ICG	**2,019**	(1,142)	NM
Securities & Banking	**1,728**	(1,364)	NM
Transaction Services	**291**	222	31%
GWM	**26**	26	
Total *EMEA*	**$ 1,802**	$ (1,159)	NM
Latin America			
Global Cards	**$ 669**	$ 516	30%
Consumer Banking	**81**	271	(70)
ICG	**442**	382	16
Securities & Banking	**294**	250	18
Transaction Services	**148**	132	12
GWM	**(9)**	26	NM
Total *Latin America*	**$ 1,183**	$ 1,195	(1)%
Asia			
Global Cards	**$ 22**	$ 131	(83)%
Consumer Banking	**116**	199	(42)
ICG	**507**	358	42
Securities & Banking	**237**	59	NM
Transaction Services	**270**	299	(10)
GWM		77	(100)
Total *Asia*	**$ 645**	$ 765	(16)%
Corporate/Other	**$ (675)**	$ (462)	(46)%
Income (Loss) from Continuing Operations	**$ 1,610**	$ (5,247)	NM
Income (Loss) from Discontinued Operations	**$ (33)**	$ 115	NM
Net Income (Loss) attributable to Noncontrolling Interests	**$ (16)**	$ (21)	
Citigroup's Net Income (Loss)	**$ 1,593**	$ (5,111)	NM

NM Not meaningful

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Citigroup Revenues Segment View

In millions of dollars	First Quarter 2009	First Quarter 2008	% Change
Global Cards			
North America	**$ 2,775**	$ 3,343	(17)%
EMEA	**492**	585	(16)
Latin America	**1,950**	1,776	10
Asia	**548**	675	(19)
Total Global Cards	**$ 5,765**	$ 6,379	(10)%
Consumer Banking			
North America	**$ 3,955**	$ 4,485	(12)%
EMEA	**506**	700	(28)
Latin America	**818**	1,048	(22)
Asia	**1,123**	1,558	(28)
Total Consumer Banking	**$ 6,402**	$ 7,791	(18)%
Institutional Clients Group (ICG)			
North America	**$ 2,095**	$ (7,824)	NM
EMEA	**4,597**	133	NM
Latin America	**1,129**	1,012	12%
Asia	**1,686**	1,721	(2)
Total ICG	**$ 9,507**	$ (4,958)	NM
Global Wealth Management (GWM)			
North America	**$ 1,981**	$ 2,376	(17)%
EMEA	**126**	170	(26)
Latin America	**60**	100	(40)
Asia	**452**	633	(29)
Total GWM	**$ 2,619**	$ 3,279	(20)%
Corporate/Other	**$ 496**	$ (50)	NM
Total Net Revenues	**$ 24,789**	$ 12,441	99%

NM Not meaningful

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Citigroup Revenues Regional View

In millions of dollars	First Quarter 2009	First Quarter 2008	% Change
North America			
Global Cards	**$ 2,775**	$ 3,343	(17)%
Consumer Banking	**3,955**	4,485	(12)
ICG	**2,095**	(7,824)	NM
Securities & Banking	**1,512**	(8,317)	NM
Transaction Services	**583**	493	18
GWM	**1,981**	2,376	(17)
Total *North America*	**$ 10,806**	$ 2,380	NM
EMEA			
Global Cards	**$ 492**	$ 585	(16)%
Consumer Banking	**506**	700	(28)
ICG	**4,597**	133	NM
Securities & Banking	**3,810**	(680)	NM
Transaction Services	**787**	813	(3)
GWM	**126**	170	(26)
Total *EMEA*	**$ 5,721**	$ 1,588	NM
Latin America			
Global Cards	**$ 1,950**	$ 1,776	10%
Consumer Banking	**818**	1,048	(22)
ICG	**1,129**	1,012	12
Securities & Banking	**794**	680	17
Transaction Services	**335**	332	1
GWM	**60**	100	(40)
Total *Latin America*	**$ 3,957**	$ 3,936	1%
Asia			
Global Cards	**$ 548**	$ 675	(19)%
Consumer Banking	**1,123**	1,558	(28)
ICG	**1,686**	1,721	(2)
Securities & Banking	**1,069**	1,012	6
Transaction Services	**617**	709	(13)
GWM	**452**	633	(29)
Total *Asia*	**$ 3,809**	$ 4,587	(17)%
Corporate/Other	**$ 496**	$ (50)	NM
Total Net Revenue	**$ 24,789**	$ 12,441	99%

NM Not meaningful

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GLOBAL CARDS

In millions of dollars	First Quarter 2009	First Quarter 2008	% Change
Net interest revenue	**$ 2,672**	$ 2,706	(1)%
Non-interest revenue	**3,093**	3,673	(16)
Revenues, net of interest expense	**$ 5,765**	$ 6,379	(10)%
Operating expenses	**2,196**	2,595	(15)
Provision for credit losses and for benefits and claims	**3,093**	1,891	64
Income before taxes and noncontrolling interests	**$ 476**	$ 1,893	(75)%
Income taxes	**58**	664	(91)
Net income (loss) attributable to noncontrolling interests	**1**	3	(67)
Net income	**$ 417**	$ 1,226	(66)%
Average assets *(in billions of dollars)*	**$ 107**	$ 123	(13)%
Return on assets	**1.58%**	4.01%	
Revenues, net of interest expense, by region:			
North America	**$ 2,775**	$ 3,343	(17)%
EMEA	**492**	585	(16)
Latin America	**1,950**	1,776	10
Asia	**548**	675	(19)
Total revenues	**$ 5,765**	$ 6,379	(10)%
Net income (loss) by region:			
North America	**$ (209)**	$ 537	NM
EMEA	**(65)**	42	NM
Latin America	**669**	516	30%
Asia	**22**	131	(83)
Total net income (loss)	**$ 417**	$ 1,226	(66)%
Key Drivers *(in billions of dollar, except accounts)*			
Average loans	**$ 83.0**	$ 92.8	(11)%
Purchase sales	**86.2**	106.8	(19)
Open accounts *(in millions)*	**170.5**	186.0	(8)

NM Not meaningful

1Q09 vs. 1Q08

Global Cards revenue decreased 10% primarily due to higher credit losses flowing through the securitization trusts in *North America*. *Net Interest Revenue* was 1% lower than the prior year driven by lower average loans of 11%. The decline in average loans was primarily due to a 19% decline in purchase sales. *Non-Interest Revenue* decreased 16% primarily due to lower securitization results in *North America*, reflecting higher credit costs flowing through the securitization trusts. A $1.1 billion pretax gain on the sale of the Company's remaining stake in Redecard was partially offset by a prior-year pretax gain on sale of Redecard of $663 million and a pretax gain on sale of Visa shares of $439 million.

In *North America*, a 17% revenue decline was mainly driven by lower securitization revenues, which reflected the impact of higher credit losses in the securitization trusts and the absence of a $349 million pretax gain on the sale of Visa shares. Purchase sales were 18% lower than the prior year reflecting a continued decline in discretionary and non-discretionary consumer spending.

Outside of *North America*, revenues decreased by 16% and 19% in *EMEA* and *Asia*, respectively, and increased by 10% in *Latin America*. The decreases in *EMEA* and *Asia* were driven by changes in foreign currency translation (generally referred to throughout this report as "FX translation") related to strengthening of the U.S. dollar, and declines in purchase sales in *EMEA* and *Latin America*. While *Latin America* purchase sales also declined, the pretax gain on sale of Redecard affected *Latin America* in the current period by $1.1 billion, and by $663 million in the prior-year period. The prior-year period also included pretax gains related to Visa shares of $10 million in *Latin America* and $81 million in *Asia*.

Operating expenses decreased 15% primarily due to lower marketing costs, lower business volumes, restructuring efforts and prior-year repositioning charges, which were partially offset by higher credit management costs, the absence of a prior-year pretax Visa-related litigation reserve release of $159 million and a legal vehicle restructuring. Expenses decreased by 11% in *North America*, 27% in *EMEA*, 18% in *Latin America*, and 21% in *Asia*. Outside of *North America*, FX translation also contributed to the decrease in expenses.

Provisions for credit losses and for benefits and claims increased $1.202 billion, reflecting increases of $695 million in net credit losses and $485 million in higher loan loss reserve builds. In *North America,* credit costs increased $840 million, driven by higher net credit losses, up $498 million or

81%, and a higher loan loss reserve build, up $342 million. Higher credit costs reflected a weakening of leading credit indicators, trends in the macro-economic environment, including the housing market downturn, rising unemployment trends and higher bankruptcy filings, and the continued acceleration in the rate at which delinquent customers advanced to write-off. The net credit loss ratio increased by 503 basis points to 10.42%.

Outside of *North America*, credit costs increased by $261 million and $110 million in *EMEA* and *Asia*, respectively, and decreased by $31 million in *Latin America*. Net credit losses were up $94 million, $61 million and $42 million in *EMEA*, *Latin America* and *Asia*, respectively. Also contributing to the increase were higher loan loss reserve builds, which were up $143 million.

On December 18, 2008, the federal banking regulators adopted final rules under the Federal Truth-in-Lending Act and the Federal Trade Commission Act which represent a substantial overhaul of credit card disclosure rules and lender practices. These rules take effect July 1, 2010 and could have an adverse impact on the *Global Cards* business. Subsequent to March 31, 2009, the U.S. House of Representatives and the Senate have proposed additional legislation regarding credit card disclosures and practices. These bills, if passed, may further impact the U.S. credit card business.

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CONSUMER BANKING

In millions of dollars	First Quarter 2009	2008	% Change
Net interest revenue	**$ 4,845**	$ 5,651	(14)%
Non-interest revenue	**1,557**	2,140	(27)
Revenues, net of interest expense	**$ 6,402**	$ 7,791	(18)%
Operating expenses	**3,536**	4,309	(18)
Provision for credit losses and for benefits and claims	**5,213**	3,643	43
Income (loss) before taxes and noncontrolling interests	**$ (2,347)**	$ (161)	NM
Income taxes benefits	**(1,126)**	(215)	NM
Net income attributable to noncontrolling interests	**5**	2	NM
Net income (loss)	**$ (1,226)**	$ 52	NM
Average assets *(in billions of dollars)*	**$ 477**	$ 568	(16)%
Return on assets	**(1.04)%**	0.04%	
Revenues, net of interest expense, by region:			
North America	**$ 3,955**	$ 4,485	(12)%
EMEA	**506**	700	(28)
Latin America	**818**	1,048	(22)
Asia	**1,123**	1,558	(28)
Total revenues	**$ 6,402**	$ 7,791	(18)%
Net income (loss) by region:			
North America	**$ (1,245)**	$ (333)	NM
EMEA	**(178)**	(85)	NM
Latin America	**81**	271	(70)%
Asia	**116**	199	(42)
Total net income (loss)	**$ (1,226)**	$ 52	NM
Consumer Finance Japan (CFJ) NIR	**$ 162**	$ 264	(39)%
Consumer Banking, excluding CFJ NIR	**$ 4,683**	$ 5,387	(13)%
CFJ Operating expenses	**$ 59**	$ 95	(38)%
Consumer Banking, excluding CFJ-operating expenses	**$ 3,477**	$ 4,214	(17)%
CFJ Net loss	**$ (36)**	$ (86)	58%
Consumer Banking, excluding CFJ Net income (loss)	**$ (1,190)**	$ 138	NM
Key Indicators			
Average loans *(in billions of dollars)*	**$ 366.2**	$ 407.7	(10)%
Average deposits *(in billions of dollars)*	**$ 267.7**	$ 297.8	(10)
Accounts *(in millions)*	**77.0**	80.1	(4)
Branches	**7,310**	8,160	(10)

NM Not meaningful

1Q09 vs. 1Q08

Consumer Banking revenue declined 18% driven by a 42% decline in investment sales, lower volumes and spread compression. A general slowdown in the global capital markets drove the decline in investment sales. *Net interest revenue* was 14% lower than the prior year with average loans and deposits both down 10%, and net interest margin decreasing as well. *Non-interest revenue* declined 27%, primarily due to the decline in investment sales. The impact of FX translation also contributed to the overall decline in revenue.

In *North America*, revenues declined 12% primarily due to lower volumes and spread compression. *Net Interest Revenue* was 7% lower than the prior-year period, primarily driven by lower loan volumes and spread compression due largely to higher non-accrual loans and lower interest rates on loan modifications. Average loans were down 8% while deposits increased by 4% compared with the prior-year period. The decrease in loan volume was mainly due to a reduction in residential real estate loans. *Non-Interest Revenue* declined 24%, mainly driven by higher run-off of the servicing portfolio due to mortgage refinancing, a 47% decline in investment sales, and the absence of gains on the sale of assets in the prior-year period. Revenues in *EMEA* declined 28% as investment sales and assets under management declined 64% and 49%, respectively, mainly due to adverse market conditions. Average loans were down 21% due to tighter underwriting criteria, the exiting from certain markets, and the impact of FX translation. Average deposits were down 35%, reflecting a decline in balances in the UK as customers aligned deposits with government insurance programs and the impact of FX translation. Revenue in *Latin America* declined 22% and average loans and deposits were down 7% and 19%, respectively, due to the impact of FX translation. In *Asia*, revenues declined 28% driven by a significant decline in investment revenues, reflecting a continued decline in equity markets across the region. Average loans and deposits declined 19% and 15%, respectively, mainly due to the impact of FX translation.

Operating expenses declined 18%, reflecting the benefits from re-engineering efforts and the impact of FX translation. The prior-year period also included a $221 million expense benefit related to a legal vehicle restructuring in Mexico.

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In North America, Expenses were 14% lower than the prior-year period, with benefits from re-engineering efforts and the absence of a $126 million repositioning charge in the prior-year period being partially offset by higher collection and credit-related expenses. In *EMEA*, expenses were 40% lower than the prior-year period due to benefits of re-engineering efforts, the impact of FX translation and the absence of a $71 million repositioning charge in the prior-year period. In *Latin America*, expenses were 5% higher due to the absence of a $221 million expense benefit related to a legal vehicle restructuring, partially offset by the benefits of reengineering efforts and the impact of FX translation. In *Asia*, expenses were 26% lower than the prior-year period due to the benefits of re-engineering efforts including Consumer Finance Japan (CFJ).

Provisions for credit losses and for benefits and claims increased $1.6 billion or 43% mainly due to higher net credit losses in *North America* residential real estate. The $1.2 billion net loan loss reserve build in the first quarter reflected the continued weakening of leading credit indicators, including a continued rise in delinquencies.

Credit costs in *North America* increased 51%, due to higher net credit losses, up 88% or $1.4 billion, and a $989 million net loan loss reserve build, driven primarily by residential real estate. The loan loss reserve build was $44 million lower than the prior-year period. Credit costs reflected a continued weakening of leading credit indicators, including a continued rise in delinquencies in first and second mortgages, personal, and commercial loans. Credit costs also reflected trends in the macro-economic environment, including the housing market downturn. The net credit loss ratio increased 213 basis points to 4.15%.

In *EMEA*, credit costs nearly doubled as a result of higher net credit losses and an incremental net loan loss reserve build of $100 million. Higher credit costs reflected continued credit deterioration, particularly in Spain, Greece and the UK. The net credit loss ratio increased 256 basis points to 5.11%. In *Latin America*, credit costs increased 15% due to a $20 million incremental net loan loss reserve build. The net credit loss ratio increased 32 basis points to 4.10%. In *Asia*, credit costs were down slightly as higher net credit losses, mainly in India, were offset by a net loan loss reserve release in CFJ.

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INSTITUTIONAL CLIENTS GROUP (ICG)

In millions of dollars	First Quarter 2009	First Quarter 2008	% Change
Net interest revenue	**$ 5,348**	$ 4,303	24%
Non-interest revenue	**4,159**	(9,261)	NM
Revenues, net of interest expense	**$ 9,507**	$ (4,958)	NM
Operating expenses	**3,965**	5,970	(34)%
Provision for credit losses and for benefits and claims	**1,889**	297	NM
Income (loss) before taxes and noncontrolling interests	**$ 3,653**	$ (11,225)	NM
Income taxes (benefits)	**841**	(4,832)	NM
Net loss attributable to noncontrolling interests	**(21)**	(36)	42%
Net income (loss)	**$ 2,833**	$ (6,357)	NM
Average assets *(in billions of dollars)*	**$ 1,062**	$ 1,440	(26)%
Revenues, net of interest expense, by region:			
North America	**$ 2,095**	$ (7,824)	NM
EMEA	**4,597**	133	NM
Latin America	**1,129**	1,012	12%
Asia	**1,686**	1,721	(2)
Total revenues	**$ 9,507**	$ (4,958)	NM
Net income (loss) by region:			
North America	**$ (135)**	$ (5,955)	98%
EMEA	**2,019**	(1,142)	NM
Latin America	**442**	382	16
Asia	**507**	358	42
Total net income (loss)	**$ 2,833**	$ (6,357)	NM
Total net income (loss) by product:			
Securities and Banking	**$ 1,990**	$ (7,089)	NM
Transaction Services	**843**	732	15%
Total net income (loss)	**$ 2,833**	$ (6,357)	NM
Securities and Banking			
Revenue details			
Net Investment Banking	**$ 1,219**	$ (1,667)	NM
Lending	**(364)**	584	NM
Equity markets	**1,903**	979	94%
Fixed income markets	**4,688**	(7,023)	NM
Other Securities and Banking	**(261)**	(178)	(47)
Total Securities and Banking Revenues	**$ 7,185**	$ (7,305)	NM
Transaction Services	**2,322**	2,347	(1)%
Total revenues	**$ 9,507**	$ (4,958)	NM

NM Not meaningful

1Q09 vs. 1Q08

Revenues, net of interest expense, were $7.2 billion in S&B mainly due to $4.7 billion of fixed income markets revenues reflecting strong trading results. Included in fixed income markets revenues is a $2.5 billion positive credit value adjustment (CVA) on derivative positions, excluding monolines and Citi debt liabilities, offset partially by $2.3 billion of net write-downs on subprime-related direct exposures, $1.2 billion in private equity and equity investment losses and $1.1 billion downward CVA related to exposure to monoline insurers and other revenue write-downs and losses detailed under "Items Impacting the Securities and Banking Business." Also included in S&B is $1.9 billion in equity markets revenues, primarily driven by derivatives, convertibles and equity trading, and $1.2 billion of net investment banking revenues mainly from debt underwriting. Revenue growth was offset partially by lending revenues of negative $364 million driven by losses on credit default swap hedges and $247 million of net write-downs and impairments on highly leveraged finance commitments. Transaction Services revenues declined 1% to $2.3 billion and average deposits and other customer liability balances declined 2%. Growth in both revenues and deposits, driven by double-digit revenue growth in *North America* and strong growth in *EMEA*, was more than offset by the impact of FX translation. Assets under custody declined 20% largely due to declining equity markets.

Operating expenses decreased 39% in S&B and included a $250 million litigation reserve release. The prior-year period included a $202 million write-down of the Old Lane intangible asset and $305 million of repositioning charges. Excluding these items from both periods, expenses declined 25%, driven by lower compensation due to headcount reductions and benefits from re-engineering and expense management. Transaction Services expenses declined 15%, driven by headcount reductions and re-engineering benefits, as well as the impact of FX translation.

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The *provision for credit losses* in S&B increased significantly to $1.8 billion. Net credit losses were up $1.4 billion mainly due to the write-off of LyondellBasell. The $306 million net loan loss reserve build was driven by a $1.2 billion build for specific counterparties and a $506 million build to reflect a general weakening in the corporate credit environment, largely offset by a $1.4 billion release for specific counterparties, mainly LyondellBasell.

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GLOBAL WEALTH MANAGEMENT

In millions of dollars	First Quarter 2009	First Quarter 2008	% Change
Net interest revenue	**$ 698**	$ 570	22%
Non-interest revenue	**1,921**	2,709	(29)
Revenues, net of interest expense	**$ 2,619**	$ 3,279	(20)%
Operating expenses	**2,101**	2,796	(25)
Provision for credit losses and for benefits and claims	**112**	21	NM
Income before taxes and noncontrolling interest	**$ 406**	$ 462	(12)%
Income taxes	**145**	159	(9)
Net income attributable to noncontrolling interests		9	(100)
Net income	**$ 261**	$ 294	(11)%
Average assets *(in billions of dollars)*	**$ 93**	$ 107	(13)%
Return on assets	**1.30%**	2.00%	
Revenues, net of interest expense, by region:			
North America	**$ 1,981**	$ 2,376	(17)%
EMEA	**126**	170	(26)
Latin America	**60**	100	(40)
Asia	**452**	633	(29)
Total revenues	**$ 2,619**	$ 3,279	(20)%
Net income (loss) by region:			
North America	**$ 244**	$ 165	48%
EMEA	**26**	26	
Latin America	**(9)**	26	NM
Asia		77	(100)
Total net income	**$ 261**	$ 294	(11)%
Key Indicators *(in billions of dollars, except for offices)*			
Average loans	**$ 53**	$ 64	(17)%
Average deposits and other customer liability balances	**$ 117**	$ 132	(11)
Offices	**777**	859	(10)
Total client assets	**$ 1,196**	$ 1,707	(30)
Clients assets under fee-based management	**$ 293**	$ 481	(39)

NM Not meaningful

1Q09 vs. 1Q08

Revenues, net of interest expense, decreased 20% primarily due to lower investment management fees and the impact of lower client transactional activity, partially offset by higher banking revenues, driven by the bank deposit program and a higher net interest margin in *North America*. The impact of market conditions on capital markets revenue was the main driver of decreased revenues in *Asia*. Other drivers of the *International* revenue decline included lower management fees and lower banking revenue.

Total client assets, including assets under fee-based management, decreased $511 billion, or 30%, mainly reflecting the impact of market declines over the past year. Net outflows of $40 billion in the quarter resulted from financial advisor attrition and client diversification. *GWM* had 12,659 financial advisors/bankers as of March 31, 2009, compared with 15,241 as of March 31, 2008. The decline in advisors was weighted towards the lower end of the performance scale in *North America*, consistent with previously announced compensation plans, and also reflected the elimination of low performing bankers and advisors in *Asia*.

Operating expenses decreased 25% primarily due to lower compensation costs and continued expense management. Lower expenses also reflect the absence of a first quarter 2008 reserve of $250 million related to an offer to facilitate the liquidation of investments in a Citi-managed fund for its clients.

The *provision for credit losses* increased by $91 million, reflecting higher reserve builds of $83 million and increased net credit losses of $8 million. The reserve builds and net credit losses in the 2009 first quarter reflect the impact on clients of deteriorating financial and real estate markets. The reserve builds were mainly in *North America* for statistical builds (primarily related to residential real estate), SFAS 114 impaired loans and lending to address client liquidity needs related to auction rate securities holdings.

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CORPORATE/OTHER

In millions of dollars	First Quarter 2009	2008
Net interest revenue	**$ (665)**	$ (162)
Non-interest revenue	**1,161**	112
Revenues, net of interest expense	**$ 496**	$ (50)
Operating expense	**289**	105
(Loss) from continuing operations before taxes	**$ 207**	$ (155)
Noncontrolling interests intersegment elimination	**16**	21
Income taxes	**867**	286
Income (loss) from continuing operations	**$ (675)**	$ (462)
Income (loss) from discontinued operations, net of taxes	**(33)**	115
Net Income (loss) before attribution of noncontrolling interests	**$ (708)**	$ (347)
Net Income (loss) attributable to noncontrolling interests	**(16)**	(21)
Citigroup's Net income (loss)	**$ (692)**	$ (326)

1Q09 vs. 1Q08

Revenues, net of interest expense, increased primarily driven by hedging activities and the impact of changes in U.S. dollar rates.

Operating Expenses increased primarily due to the $171 million amortization of the cost of the loss-sharing agreement with the USG.

Income Tax reflects higher taxes held at Corporate.

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REGIONAL DISCUSSIONS

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

NORTH AMERICA

In millions of dollars	First Quarter 2009	First Quarter 2008	% Change
Net interest revenue	**$ 7,840**	$ 6,691	17%
Non-interest revenue	**2,966**	(4,311)	NM
Total Revenues, net of interest expense	**$ 10,806**	$ 2,380	NM
Total operating expenses	**6,343**	8,277	(23)%
Provisions for credit losses and for benefits and claims	**7,205**	3,889	85
Loss before taxes and noncontrolling interests	**$ (2,742)**	$ (9,786)	72%
Income benefits	**(1,382)**	(4,165)	67
Net loss attributable to noncontrolling interests	**(15)**	(35)	57
Net loss	**$ (1,345)**	$ (5,586)	76%
Average assets *(in billions of dollars)*	**$ 1,021**	$ 1,289	(21)%
Return on assets	**(0.53)%**	(1.74)%	
Key Drivers *(in billions of dollars, except branches)*			
Average Loans	**$ 422.5**	$ 442.3	(4)%
Average Consumer Banking Loans	**$ 283.3**	$ 307.2	(8)
Average deposits (and other consumer liability balances)	**$ 281.4**	$ 263.7	7
Branches/offices	**3,955**	4,251	(7)

NM Not meaningful

1Q09 vs. 1Q08

Revenues, net of interest expense, increased $8.4 billion driven by significant fixed income market revenues in *S&B*, which reflected strong trading results and lower net write-downs. Included in fixed income market revenues is a positive credit value adjustment (CVA) on derivative positions, excluding monolines and Citi liabilities, offset partially by net write-downs on subprime-related direct exposures, private equity and equity investment losses, and a downward CVA related to exposure to monoline insurers and other revenue write-downs and losses detailed under "Items Impacting the Securities and Banking Business."

In *Global Cards*, a 17% revenue decline was mainly driven by lower securitization revenues, which reflected the impact of higher credit losses in the securitization trusts and the absence of a $349 million pretax gain on the sale of Visa shares. Purchase sales were 18% lower than the prior year reflecting a confined decline in discretionary and non-discretionary consumer spending.

In *Consumer Banking*, revenues declined 12% primarily due to lower volumes and spread compression. *Net Interest Revenue* was 7% lower than the prior-year period, primarily driven by lower loan volumes and spread compression due largely to higher non-accrual loans and lower interest rates on loan modifications. Average loans were down 8% while deposits increased by 4% compared with the prior-year period. The decrease in loan volume was mainly due to a reduction in residential real estate loans. *Non-Interest Revenue* declined 24%, mainly driven by higher run-off of the servicing portfolio due to mortgage refinancing, a 47% decline in investment sales, and the absence of gains on the sale of assets in the prior-year period.

In *GWM*, revenues decreased 17% primarily due to lower investment management fees and the impact of lower client transactional activity, partially offset by higher banking revenues, driven by the bank deposit program and a higher net interest margin.

Operating expenses decreased 23%, primarily due to lower marketing costs, lower business volumes, restructuring efforts and prior-year repositioning charges, which were partially offset by higher credit management costs, the absence of a prior-year pretax Visa-related litigation reserve release and legal vehicle restructuring. Offsetting the decreases were higher collection and credit-related expenses.

Provisions for loan losses and for benefits and claims increased 85%. *Consumer Banking* credit costs increased 51% mainly due to a $1.4 billion increase in net credit losses. *Global Cards* credit costs increased 91%, due to an increase of $498 million in net credit losses and an increase in reserve builds of $342 million. *ICG* increased $1.0 billion, mainly due to $1.1 billion increase in net credit losses.

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EMEA

In millions of dollars	First Quarter 2009	First Quarter 2008	% Change
Net interest revenue	**$ 2,031**	$ 2,104	(3)%
Non-interest revenue	**3,690**	(516)	NM
Total Revenues, net of interest expense	**$ 5,721**	$ 1,588	NM
Total operating expenses	**1,936**	3,072	(37)%
Provisions for credit losses and for benefits and claims	**1,227**	456	NM
Income (loss) before taxes and noncontrolling interests	**$ 2,558**	$ (1,940)	NM
Income taxes (benefits)	**755**	(802)	NM
Net income attributable to noncontrolling interests	**1**	21	(95)%
Net income (loss)	**$ 1,802**	$ (1,159)	NM
Average assets *(in billions of dollars)*	**$ 286**	$ 432	(34)%
Return on assets	**2.56%**	(1.08)%	
Key Drivers *(in billions of dollars, except branches)*			
Average Loans	**$ 91.5**	$ 123.2	(26)%
Average Consumer Banking Loans	**$ 19.9**	$ 25.1	(21)
Average deposits (and other consumer liability balances)	**$ 135.4**	$ 163.0	(17)
Branches/offices	**730**	842	(13)

NM Not meaningful

1Q09 vs. 1Q08

Revenues increased to $5.7 billion largely driven by S&B. Revenues in *Global Cards* and *Consumer Banking* decreased by 16% and 28% respectively, driven by continued deterioration in the market environment and the negative impact of FX translation.

In *ICG*, S&B had record revenues, based on significant contributions across all products, and in particular Rates & Currencies which benefited from high volatility and wide-spreads. The first quarter of 2008 included write-downs in subprime-related losses of $1.4 billion and $0.6 billion in commercial real estate and highly leveraged finance commitments. The current quarter included $0.6 billion of CVA on derivatives, which is now reported within the region. Transaction Services revenues decreased 3% largely due to a decline in customer liability balances, down 8%, and headwinds from FX translation and interest rates.

Revenues in *GWM* declined by 26% due to lower capital markets and investment activity, FX translation impact and reduction in loan balances and customer deposits. Average loans declined 30% due to client pay-downs and active asset management, while client assets under fee-based management decreased 40% primarily due to lower market values and FX translation impact.

Operating Expenses were down 37% from the first quarter of 2008 driven by lower headcount and continued benefits from re-engineering efforts, the favorable impact of FX translation, lower incentive compensation and repositioning charges.

Provisions for credit losses and for benefits and claims increased by $771 million from the first quarter of 2008 due to ongoing deterioration in market conditions, predominantly in the UK, Spain and Greece, and losses associated with loan sales in *ICG*.

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LATIN AMERICA

In millions of dollars	First Quarter 2009	2008	% Change
Net interest revenue	**$ 1,597**	$ 2,015	(21)%
Non-interest revenue	**2,360**	1921	23
Total Revenues, net of interest expense	**$ 3,957**	$ 3,936	1%
Total operating expenses	**1,345**	1,487	(10)
Provisions for credit losses and for benefits and claims	**887**	781	14
Income before taxes and noncontrolling interests	**$ 1,725**	$ 1,668	3%
Income taxes	**541**	472	15
Net income attributable to noncontrolling interests	**1**	1	
Net income	**$ 1,183**	$ 1,195	(1)%
Average assets *(in billions of dollars)*	**$ 130**	$ 153	(15)%
Return on assets	**3.69%**	3.14%	
Key Drivers *(in billions of dollars, except branches)*			
Average Loans	**$ 49.9**	$ 60.3	(17)%
Average Consumer Banking Loans	**13.6**	14.6	(7)
Average deposits (and other consumer liability balances)	**$ 56.2**	$ 70.4	(20)
Branches/offices	**2,450**	2,645	(7)

1Q09 vs. 1Q08

Revenues increased 1% over the prior year, with strong trading results and one-time gains mostly offset by the impact of FX translation across the region and unfavorable market conditions during the quarter. *Global Cards* revenue grew 10%, driven by the $1.1 billion gain on the sale of Redecard shares in the first quarter of 2009, offset partially by the prior-year $663 million gain on sale of Redecard shares. *Consumer Banking* revenue decreased 22% driven by a 7% decline in average loans, a 19% decline in average deposits, and lower investment sales and assets under management. *ICG* revenue increased 12%, mostly due to S&B revenues being 17% higher, driven by stronger fixed income trading results, offset partially by declines in investment banking and lending. Transaction Services revenues were up 1% with stronger trade services performance due to higher spreads mostly offset by weakness in the securities and funds services business. *GWM* revenue fell 40% driven by decreases in the investments, capital markets, and banking businesses reflecting the impact of market conditions.

Operating expenses decreased 10% from the prior-year quarter mainly due to re-engineering efforts which resulted in significant savings in addition to the benefit from FX translation, partially offset by a $282 million benefit related to a legal vehicle restructuring in Mexico in the prior year.

Provisions for loan losses and for benefits and claims increased 14% mainly due to increases in *ICG* and *Consumer Banking*.

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ASIA

In millions of dollars	First Quarter 2009	2008	% Change
Net interest revenue (NIR)	**$ 2,095**	$ 2,419	(13)%
Non-interest revenue	**1,714**	2,168	(21)
Total Revenues, net of interest expense	**$ 3,809**	$ 4,587	(17)%
Total operating expenses	**2,174**	2,834	(23)
Provisions for credit losses and for benefits and claims	**989**	727	36%
Income before taxes and noncontrolling interests	**$ 646**	$ 1,026	(37)%
Income taxes	**4**	269	(99)
Net loss attributable to noncontrolling interests	**(3)**	(8)	63%
Net income	**$ 645**	$ 765	(16)%
Average assets *(in billions of dollars)*	**$ 301**	$ 364	(17)%
Return on assets	**0.87%**	0.85%	
Consumer Finance Japan (CFJ) NIR	**$ 162**	$ 264	(39)%
Asia excluding CFJ NIR	**$ 1,933**	$ 2,155	(10)
CFJ Operating Expenses	**$ 59**	$ 95	(38)%
Asia excluding CFJ Operating Expenses	**$ 2,115**	$ 2,739	(23)%
CFJ Provision for loan losses and for benefits and claims	**$ 264**	$ 317	(17)%
Asia excluding CFJ provision for loan losses and for benefits and claims	**$ 725**	$ 410	77
CFJ Net loss	**$ (36)**	$ (86)	58%
Asia excluding CFJ Net Income	**$ 681**	$ 851	(20)
Key Drivers *(in billions of dollars, except branches)*			
Average Loans	**$ 107.5**	$ 135.5	(21)%
Average Consumer Banking Loans	**$ 41.8**	$ 51.9	(19)
Average deposits (and other consumer liability balances)	**$ 189.7**	$ 215.7	(12)
Branches/offices	**952**	1,281	(26)%

1Q09 vs. 1Q08

Revenues, net of interest expense, decreased 17%. *Global Cards* revenue decreased 19% as continued growth in core revenue was more than offset by the impact of FX translation and the absence of an $81 million gain on Visa shares in the prior-year period. *Consumer Banking* revenues, excluding Consumer Finance Japan (CFJ), decreased by 25%, driven by the impact of FX translation, lower investment revenue due to market disruption, and lower deposit spreads as interest rates declined across the region. S&B revenues increased 6%, driven by strong results from rates and currencies trading which was partially offset by write-downs of $657 million on Private Equity and Equity Investments. Transaction Services revenue decreased 13%, mostly driven by reduced Securities Funds Services revenue, due to decline in global stock markets. GWM revenue declined by 29%, due to the global decline in stock markets, and de-leveraging by our customers.

Operating Expenses decreased 23% reflecting benefits of re-engineering efforts and the impact of FX translation, and the absence of repositioning charges in the prior-year period.

Provisions for credit losses and for benefits and claims increased 36% primarily driven by a $152 million incremental loan loss reserve build related to *Global Cards*, *Consumer Banking* and S&B, in addition to higher credit costs in India.

Asia Excluding CFJ

As disclosed in the table above, excluding CFJ, net interest revenue decreased 10%. Driven by a 19% decline in average loans and a 15% decline in deposits, which was mainly due to the impact of FX translation. *Operating expenses* excluding CFJ decreased 23% and net income excluding CFJ decreased 20%.

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TARP AND OTHER REGULATORY PROGRAMS

Issuance of $25 Billion of Perpetual Preferred Stock and a Warrant to Purchase Common Stock under TARP

On October 28, 2008, Citigroup raised $25 billion through the sale of non-voting perpetual, cumulative preferred stock and a warrant to purchase common stock to the U.S. Department of the Treasury (UST) as part of the UST's Troubled Asset Relief Program (TARP) Capital Purchase Program. All of the proceeds were treated as Tier 1 Capital for regulatory capital purposes.

The preferred stock has an aggregate liquidation preference of $25 billion and an annual dividend rate of 5% for the first five years and 9% thereafter. Dividends are cumulative and payable quarterly in cash. As previously disclosed, Citi will continue to pay full dividends on the preferred stock up to and including the closing of the public exchange offers, at which point the dividends will be suspended.

Of the $25 billion in cash proceeds, $23.7 billion was allocated to preferred stock and $1.3 billion to the warrant on a relative fair value basis. The discount on the preferred stock will be accreted and recognized as a preferred dividend (reduction of *Retained earnings*) over a period of five years. The warrant has a term of ten years, an exercise price of $17.85 per share and is exercisable for approximately 210.1 million shares of common stock, which would be reduced by one-half if Citigroup raises an additional $25 billion through the issuance of Tier 1-qualifying perpetual preferred or common stock by December 31, 2009. The value ascribed to the warrant was recorded in Citigroup's stockholders' equity and resulted in an increase in *Additional paid-in capital*.

Additional Issuance of $20 Billion of Perpetual Preferred Stock and a Warrant to Purchase Common Stock under TARP

On December 31, 2008, Citigroup raised an additional $20 billion through the sale of non-voting perpetual, cumulative preferred stock and a warrant to purchase common stock to the UST as part of TARP. All of the proceeds were treated as Tier 1 Capital for regulatory capital purposes.

The preferred stock has an aggregate liquidation preference of $20 billion and an annual dividend rate of 8%. Dividends are cumulative and payable quarterly in cash. Of the $20 billion in cash proceeds, $19.5 billion was allocated to preferred stock and $0.5 billion to the warrant on a relative fair value basis. The discount on the preferred stock will not be accreted and will only be recognized as a preferred dividend (reduction of *Retained earnings*) at the time of redemption. The warrant has a term of 10 years, an exercise price of $10.61 per share and is exercisable for approximately 188.5 million common shares. The value ascribed to the warrant was recorded in Citigroup's stockholders' equity and resulted in an increase in *Additional paid-in capital*.

The issuance of the warrants in October and December 2008, as well as other common stock issuances, resulted in a conversion price reset of the $12.5 billion of 7% convertible preferred stock sold in a private offering in January 2008. See "Events in 2009," "Capital Resources" and Note 13 for a further discussion. As previously disclosed, Citi will continue to pay full dividends on the preferred stock up to and including the closing of the public exchange offers, at which point the dividends will be suspended.

For both the October 2008 and December 2008 issuances under TARP, the proceeds were allocated between the preferred stock and warrants on a relative fair value basis. The fair value for the preferred stock was calculated using a discounted cash flow approach. The cash flows were based on the stated dividend rate on the preferred stock. The discount rate was selected from the range of observable yield to maturities based on the secondary trading prices for similar instruments issued by Citigroup. The fair value for the warrants was calculated using the Black-Scholes option pricing model. The valuation was based on the Citigroup stock price, stock volatility, dividend yield, and the risk free rate on the measurement date for both the issuances.

FDIC's Temporary Liquidity Guarantee Program

Under the terms of the FDIC's Temporary Liquidity Guarantee Program (TLGP), the FDIC will guarantee, until the earlier of either its maturity or June 30, 2012 (for qualifying debt issued before April 1, 2009) or December 31, 2012 (for qualifying debt issued on or after April 1, 2009 through October 31, 2009), certain qualifying senior unsecured debt issued by certain Citigroup entities between October 31, 2008 and October 31, 2009 in amounts up to 125% of the qualifying debt for each qualifying entity. The FDIC charges Citigroup a fee ranging from 50 to 150 basis points in accordance with a prescribed fee schedule for any qualifying debt issued with the FDIC guarantee.

As to any entity participating in the TLGP, the TLGP regulations grant discretion to the FDIC, after consultation with the participating entity's appropriate Federal banking agency, to determine that the entity will no longer be permitted to continue to participate in the TLGP. If the FDIC makes that determination, it will inform the entity that it will no longer be provided the protections of the TLGP. Such a determination will not affect the guarantee of prior debt issuances under the TLGP.

As of March 31, 2009, Citigroup and its affiliates had issued $27.6 billion of long-term debt that is covered under the FDIC guarantee ($5.75 billion of which was issued by Citigroup in December 2008), with $6.35 billion maturing in 2010, $6.25 billion maturing in 2011 and $15.0 billion maturing in 2012. During the second quarter of 2009, Citigroup affiliates have issued an additional $7.0 billion of long-term debt under this program.

In addition, Citigroup, through its subsidiaries, also had $29.9 billion in commercial paper and interbank deposits backed by the FDIC outstanding as of March 31, 2009. The FDIC also charges a fee ranging from 50 to 150 basis points in connection with the issuance of those instruments.

FDIC Increased Deposit Insurance

On October 4, 2008, as a part of TARP, the FDIC increased the insurance it provides on U.S. deposits in most banks and savings associations located in the United States, including Citibank, N.A., from $100,000 to $250,000 per depositor, per insured bank.

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U.S. Government Loss-Sharing Agreement

Background

On January 15, 2009, Citigroup entered into a definitive agreement with the UST, the FDIC and the Federal Reserve Bank of New York (collectively, the USG) on losses arising on a $301 billion portfolio of Citigroup assets (valued as of November 21, 2008, other than with respect to approximately $99 billion in "replacement" assets which are valued as of January 15, 2009). As consideration for the loss-sharing agreement, Citigroup issued non-voting perpetual, cumulative preferred stock to the UST and the FDIC, as well as a warrant to the UST.

The preferred stock issued to the UST and the FDIC has an aggregate liquidation preference of $7.059 billion and an annual dividend rate of 8%. As previously disclosed, Citi will continue to pay full dividends on the preferred stock up to and including the closing of the public exchange offers, at which point the dividends will be suspended.

The warrant has a term of 10 years, an exercise price of $10.61 per share and is exercisable for approximately 66.5 million common shares. Citigroup received no additional cash proceeds for their issuance. Of the issuance, $3.617 billion, representing the total fair value of the issued shares and warrant, is treated as Tier 1 Capital.

The loss-sharing program extends for 10 years for residential assets and five years for non-residential assets. Under the agreement, a "loss" on a portfolio asset is defined to include a charge-off or a realized loss upon collection, through a permitted disposition or exchange, or upon a foreclosure or short-sale loss, but not merely through a change in Citigroup's fair value accounting for the asset or the creation or increase of a related loss reserve. Once a loss is recognized under the agreement, the aggregate amount of qualifying losses across the portfolio in a particular period is netted against the aggregate recoveries and gains across the portfolio, all on a pretax basis. The resulting net loss amount on the portfolio is the basis of the loss-sharing agreement between Citigroup and the USG. Citigroup will bear the first $39.5 billion of such net losses, which amount was determined using (i) an agreed-upon $29 billion of first losses, (ii) Citigroup's then-existing reserve with respect to the portfolio of approximately $9.5 billion, and (iii) an additional $1.0 billion as an agreed-upon amount in exchange for excluding the effects of certain hedge positions from the portfolio. Net losses, if any, on the portfolio after Citigroup's losses exceed the $39.5 billion first-loss amount will be borne 90% by the USG and 10% by Citigroup in the following manner:

first, until the UST has paid $5 billion in aggregate, 90% by the UST and 10% by Citigroup;

second, until the FDIC has paid $10 billion in aggregate, 90% by the FDIC and 10% by Citigroup; and

third, 90% by the Federal Reserve Bank of New York and 10% by Citigroup.

As discussed below, the Company recognized approximately $2.9 billion of qualifying losses related to the portfolio (excluding the replacement assets) from November 21, 2008 through March 31, 2009. These losses count towards Citigroup's $39.5 billion first-loss position.

The Federal Reserve Bank of New York will implement its loss-sharing obligations under the agreement by making a loan, after Citigroup's first-loss position and the obligations of the UST and FDIC have been exhausted, in an amount equal to the then aggregate value of the remaining covered asset pool (after reductions for charge-offs, pay-downs and realized losses) as determined in accordance with the agreement. Following the loan, as losses are incurred on the remaining covered asset pool, Citigroup will be required to immediately repay 10% of such losses to the Federal Reserve Bank of New York. The loan is non-recourse to Citigroup, other than with respect to the repayment obligation in the preceding sentence and interest on the loan. The loan is recourse only to the remaining covered asset pool, which is the sole collateral to secure the loan. The loan will bear interest at the overnight index swap rate plus 300 basis points.

The covered asset pool includes U.S.-based exposures and transactions that were originated prior to March 14, 2008. Pursuant to the terms of the agreement, the composition of the covered asset pool, the amount of Citigroup's first-loss position and the premium paid for loss coverage are subject to final confirmation by the USG of, among other things, the qualification of assets under the asset eligibility criteria, expected losses and reserves. See "Events in 2009 Loss-Sharing Agreement."

The USG has a 120-day confirmation period to finalize the composition of the asset pool from the date that Citi submitted its revised asset pool. The revised asset pool was submitted by Citigroup on April 15, 2009 and, therefore, is expected to be finalized by the USG by August 13, 2009. The advisor to the USG has commenced its review of the assets. In addition, as a result of receipt of principal repayments and charge-offs, the total asset pool has declined by approximately $17 billion from the original $301 billion. Approximately $2.0 billion of losses on the asset pool were recorded in the first quarter of 2009, bringing the agreement-to-date losses to approximately $2.9 billion.

The agreement includes guidelines for governance and asset management with respect to the covered asset pool, including reporting requirements and notice and approval rights of the USG at certain thresholds. If covered losses exceed $27 billion, the USG has the right to change the asset manager for the covered asset pool.

Accounting and Regulatory Capital Treatment

Citigroup accounts for the USG loss-sharing agreement as an indemnification agreement pursuant to the guidance in FASB Statement No. 141 (revised 2007), *Business Combinations*. Citigroup recorded an asset of $3.617 billion (equal to the fair value of the consideration issued to the USG) in Other assets on the Consolidated Balance Sheet. The asset will be amortized as an Other operating expense in the Consolidated Statement of Income on a straight-line basis over the coverage periods of 10 years for residential assets and five years for non-residential assets, based on the relative initial principal amounts of each group. During the quarter ended March 31, 2009, Citigroup recorded $171 million as an Other operating expense.

Under indemnification accounting, recoveries (gains), if any, will be recognized in the Consolidated Statement of Income in the same future periods that cumulative losses recorded under U.S. Generally Accepted Accounting Principles (GAAP) on the covered assets exceed our $39.5 billion first-loss amount. The Company will recognize and

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measure an indemnification asset on the same basis that it recognizes losses on the covered assets in the Consolidated Statement of Income. For example, for a covered loan classified as held-for-investment and reported in the balance sheet at amortized cost, the Company would recognize and measure an indemnification asset due from the USG at the same time related loan loss reserves are recorded for that loan equal to 90% of the amount of the loan loss reserve, subject to the first-loss limitation. Under indemnification accounting, recoveries (gains) may be recorded at times when such amounts are not contractually receivable from the USG based on the definition of covered losses in the loss-sharing program; such amounts may or may not thereafter become contractually receivable, depending upon whether or not they become covered "losses" (see above for definition of covered "loss"). Indemnification accounting matches the amount and timing of the recording of recoveries with the amount and timing of the recognition of losses based on the U.S. GAAP accounting for the covered assets, as opposed to the amount and timing of recognition as defined in the loss-sharing agreement. The indemnification asset amount recorded will be adjusted, as appropriate, to take into consideration additional revenue and expense amounts related to the covered assets specifically defined as recoverable or non-recoverable in the loss sharing program. As of March 31, 2009, the Company has recognized cumulative U.S. GAAP losses on the covered assets that are substantially below our first-loss amount and, therefore, no additional indemnification asset has been recognized at this time.

The covered assets are risk-weighted at 20% for purposes of calculating the Tier 1 Capital ratio at March 31, 2009.

The following table summarizes the assets that were part of the covered asset pool agreed to between Citigroup and the USG as of January 16, 2009, with their values as of November 21, 2008 (except as set forth in the note to the table below and as described above), and the balances as of March 31, 2009, reflecting changes in the balances of assets that remained qualified, plus approximately $10 billion of new replacement assets that Citi substituted for non-qualifying assets. The asset pool, as revised, remains subject to the USG's final confirmation process, anticipated to occur by August 13, 2009. See "Events in 2009 Loss-Sharing Agreement":

Assets

In billions of dollars	March 31, 2009	November 21, 2008(1)(2)
Loans:		
First mortgages	$ 91.6	$ 98.0
Second mortgages	54.5	55.4
Retail auto loans	14.2	16.2
Other consumer loans	19.2	19.7
Total consumer loans	$ 179.5	$ 189.3
CRE loans	$ 12.0	$ 12.0
Highly leveraged finance loans	1.9	2.0
Other corporate loans	14.0	14.0
Total corporate loans	$ 27.9	$ 28.0
Securities:		
Alt-A	$ 10.9	$ 11.4
SIVs	6.1	6.1
CRE	1.4	1.4
Other	10.0	11.2
Total securities	$ 28.4	$ 30.1
Unfunded Lending Commitments (ULC)		
Second mortgages	$ 20.7	$ 22.4
Other consumer loans	2.9	3.6
Highly leveraged finance	0.1	0.1
CRE	4.5	5.5
Other commitments	20.2	22.0
Total ULC	$ 48.4	$ 53.6
Total covered assets	$ 284.2	$ 301.0

(1) As a result of the initial confirmation process (conducted between November 21, 2008 and January 15, 2009), the covered asset pool includes approximately $99 billion of assets considered "replacement" assets (assets that were added to the pool to replace assets that were in the pool as of November 21, 2008 but were later determined not to qualify). Loss-sharing on qualifying losses incurred on these replacement assets was effective beginning January 15, 2009, instead of November 21, 2008.

(2) Reclassified to conform to the current period's presentation.

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Exchange Offer

On February 27, 2009, the Company announced an exchange offer of its common stock for up to $27.5 billion of its existing preferred securities and trust preferred securities at a conversion price of $3.25 per share. On May 7, 2009, as a result of the USG's Supervisory Capital Assessment Program (SCAP), the Company announced that it will expand the Exchange Offer by increasing the maximum amount of preferred securities and trust preferred securities that it will accept in the Exchange Offer by $5.5 billion to a total of $33 billion. The USG will match the exchange up to a maximum of $25 billion of its preferred stock at the same conversion price. See "Events in 2009 Exchange Offer and Conversions" and " The Supervisory Capital Assessment Program (SCAP)."

Implementation and Management of TARP Programs

After Citigroup received the TARP capital, it established a Special TARP Committee composed of senior executives to approve, monitor and track how the funds are utilized. The TARP securities purchase agreements stipulate that Citi will adhere to the following objectives as a condition of the UST's capital investment:

- Expand the flow of credit to U.S. consumers and businesses on competitive terms to promote the sustained growth and vitality of the U.S. economy.

- Work diligently, under existing programs, to modify the terms of residential mortgages as appropriate to strengthen the health of the U.S. housing market.

The Committee has established specific guidelines, which are consistent with the objectives and spirit of the program. Pursuant to these guidelines, Citi will use TARP capital only for those purposes expressly approved by the Committee. TARP capital will not be used for compensation and bonuses, dividend payments, lobbying or government relations activities, or any activities related to marketing, advertising and corporate sponsorship. TARP capital will be used exclusively to support assets and not for expenses.

Committee approval is the final stage in a four-step review process to evaluate proposals from Citi businesses for the use of TARP capital, considering the risk, the potential financial impact and returns.

On February 3, 2009, Citi published a report summarizing its TARP spending initiatives for the 2008 fourth quarter and made this report available at www.citigroup.com. The report indicated that the Committee had authorized $36.5 billion in initiatives backed by TARP capital. Subsequently, an additional $8.25 billion of spending initiatives has been approved, bringing the total approved spending to $44.8 billion. As of March 31, 2009, the Company has deployed approximately $8.2 billion of funds under the approved initiatives.

Separately from the Company's initiatives under TARP, the report also describes Citigroup's other efforts to help U.S. homeowners remain in their homes, assist distressed borrowers and support U.S consumers and businesses.

Citi will update this TARP report each quarter following its quarterly earnings announcement and will make the report publicly available. In addition, Citi is committed to meeting all reporting requirements associated with TARP.

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MANAGING GLOBAL RISK

Citigroup's risk management framework balances strong corporate oversight with well-defined independent risk management functions for each business and region, as well as cross-business product expertise. The Citigroup risk management framework is described in Citigroup's 2008 Annual Report on Form 10-K.

DETAILS OF CREDIT LOSS EXPERIENCE

In millions of dollars	1st Qtr. 2009	4th Qtr 2008	3rd Qtr. 2008	2nd Qtr. 2008	1st Qtr. 2008
Allowance for loan losses at beginning of period	**$ 29,616**	$ 24,005	$ 20,777	$ 18,257	$ 16,117
Provision for loan losses					
Consumer(1)	**$ 8,127**	$ 8,836	$ 7,855	$ 6,259	$ 5,332
Corporate	**1,788**	3,335	1,088	724	245
	$ 9,915	$ 12,171	$ 8,943	$ 6,983	$ 5,577
Gross credit losses					
Consumer(1)					
In U.S. offices	**$ 4,159**	$ 3,687	$ 3,069	$ 2,599	$ 2,325
In offices outside the U.S.	**1,936**	1,818	1,914	1,798	1,637
Corporate					
In U.S. offices	**1,140**	287	160	185	40
In offices outside the U.S.	**424**	756	200	197	97
	$ 7,659	$ 6,548	$ 5,343	$ 4,779	$ 4,099
Credit recoveries					
Consumer					
In U.S. offices	**$ 135**	$ 132	$ 137	$ 148	$ 172
In offices outside the U.S.	**213**	219	252	286	253
Corporate					
In U.S. offices	**1**	2	3	2	3
In offices outside the U.S.	**28**	52	31	23	33
	$ 377	$ 405	$ 423	$ 459	$ 461
Net credit losses					
In U.S. offices	**$ 5,163**	$ 3,840	$ 3,089	$ 2,634	$ 2,190
In offices outside the U.S.	**$ 2,119**	$ 2,303	1,831	1,686	1,448
Total	**7,282**	6,143	$ 4,920	$ 4,320	$ 3,638
Other net(2)(3)(4)(5)(6)	**$ (546)**	$ (417)	$ (795)	$ (143)	$ 201
Allowance for loan losses at end of period	**31,703**	29,616	$ 24,005	$ 20,777	$ 18,257
Allowance for loan losses as a % of total loans	**4.82%**	4.27%	3.35%	2.78%	2.31%
Allowance for unfunded lending commitments(7)	**$ 947**	$ 887	$ 957	$ 1,107	$ 1,250
Total allowance for loan losses and unfunded lending commitments	**$ 32,650**	$ 30,503	$ 24,962	$ 21,884	$ 19,507
Allowance for loan losses as % of loans					

Net consumer credit losses	**$ 5,747**	$ 5,154	$ 4,594	$ 3,963	$ 3,537
As a percentage of average consumer loans	**4.64%**	3.93%	3.35%	2.83%	2.52%
Net corporate credit losses/(recoveries)	**$ 1,535**	$ 989	$ 326	$ 357	$ 101
As a percentage of average corporate loans	**0.92%**	0.56%	0.19%	0.19%	0.05%

(1) Included in the allowance for loan losses are reserves for Troubled Debt Restructurings (TDRs) of $2,760 million, $2,180 million, $1,443 million, $882 million and $443 million as March 31, 2009, December 31, 2008, September 30, 2008, June 30, 2008, and March 31, 2008, respectively.

(2) The first quarter of 2009 primarily includes reductions to the credit loss reserves of $213 million related to securitizations and reductions of approximately $320 million primarily related to FX translation.

(3) The fourth quarter of 2008 primarily includes reductions to the credit loss reserves of approximately $400 million primarily related to FX translation.

(4) The third quarter of 2008 primarily includes reductions to the credit loss reserves of $23 million related to securitizations, reductions of $244 million related to the pending sale of Citigroup's German Retail Banking Operation and reductions of approximately $500 million related to FX translation.

(5) The second quarter of 2008 primarily includes reductions to the credit loss reserves of $21 million related to securitizations, reductions of $156 million related to the sale of CitiCapital and additions of $56 million related to purchase price adjustments for the Grupo Cuscatlan acquisition.

(6) The first quarter of 2008 primarily includes reductions to the credit loss reserves of $58 million related to securitizations, additions of $50 million related to the BOOC acquisition and additions of $217 million related to FX translation.

(7) Represents additional credit loss reserves for unfunded corporate lending commitments and letters of credit recorded within *Other Liabilities* on the Consolidated Balance Sheet.

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NON-PERFORMING ASSETS (NON-ACCRUAL LOANS, OTHER REAL ESTATE OWNED AND OTHER REPOSSESSED ASSETS)

The table below summarizes the Company's non-accrual loans. These are loans in which the borrower has fallen behind in interest payments, or for corporate loans where the Company has determined that the payment of interest or principal is doubtful, and are now considered impaired. In situations where the Company reasonably expects that only a portion of the principal and interest owed will ultimately be collected, all payments received are reflected as a reduction of principal and not as interest income.

In millions of dollars	1st Qtr. 2009	4th Qtr 2008	3rd Qtr. 2008	2nd Qtr. 2008	1st Qtr. 2008
Corporate non-accrual loans(1)					
North America	**$ 3,305**	$ 2,415	$ 715	$ 469	$ 443
EMEA	**6,503**	6,375	1,433	1,602	1,276
Latin America	**322**	238	133	81	74
Asia	**679**	541	385	124	241
	$ 10,809	$ 9,569	$ 2,666	$ 2,276	$ 2,034
Consumer non-accrual loans(1)(2)					
North America	**$12,185**	$ 9,876	$ 8,149	$ 6,471	$ 5,724
EMEA	**1,085**	886	801	815	663
Latin America	**1,321**	1,284	1,339	1,436	1,291
Asia	**711**	682	588	628	623
	$15,302	$ 12,728	$ 10,877	$ 9,350	$ 8,301

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

	1st Qtr. 2009	4th Qtr 2008	3rd Qtr. 2008	2nd Qtr. 2008	1st Qtr. 2008
Corporate OREO					
North America	**$ 180**	$ 246	$ 371	$ 453	$ 484
EMEA	**15**	23	15	17	13
Latin America	**10**	14	16	19	48
Asia	**69**	53			
	$ 274	$ 336	$ 402	$ 489	$ 545
Consumer OREO					
North America	**$ 846**	$ 1,013	$ 1,112	$ 1,028	$ 856
EMEA	**65**	67	68	70	71
Latin America	**15**	15	19	20	77
Asia	**2**	2	1	3	4
	$ 928	$ 1,097	$ 1,200	$ 1,121	$ 1,008
Other repossessed assets(3)	**$ 78**	$ 78	$ 81	$ 94	$ 107

(1) Excludes purchased distressed loans as they are accreting interest in accordance with Statement of Position 03-3, "Accounting for Certain Loans on Debt Securities Acquired in a Transfer" (SOP 03-3). The carrying value of these loans was $1.328 billion at March 31, 2009, $1.510 billion at December 31, 2008, $1.550 billion at September 30, 2008, $1.891 billion at June 30, 2008, and $2.224 billion at March 31, 2008.

(2) Includes the impact of the deterioration in the U.S. consumer real estate market.

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

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There is no industry-wide definition of non-performing assets. As such, analysis against the industry is not always comparable. The table below represents the Company's view of non-performing assets. As a general rule, unsecured consumer loans are charged off at 120 days past due and credit card loans are charged off at 180 days contractually past due. Consumer loans secured with non-real-estate collateral are written down to the estimated value of the collateral, less costs to sell, at 120 days past due. Consumer real-estate secured loans are written down to the estimated value of the property, less costs to sell, when they are 180 days contractually past due. Impaired corporate loans and leases are written down to the extent that principal is judged to be uncollectible.

Non-performing assets	1st Qtr. 2009	4th Qtr 2008	3rd Qtr. 2008	2nd Qtr. 2008	1st Qtr. 2008
Corporate non-accrual loans	**$ 10,809**	$ 9,569	$ 2,666	$ 2,276	$ 2,034
Consumer non-accrual loans	**15,302**	12,728	10,877	9,350	8,301
Non-accrual loans (NAL)	**$ 26,111**	$ 22,297	$ 13,543	$ 11,626	$ 10,335
OREO	**$ 1,202**	$ 1,433	$ 1,602	$ 1,610	$ 1,553
Other repossessed assets	**78**	78	81	94	107
Non-performing assets (NPA)	**$ 27,391**	$ 23,808	$ 15,226	$ 13,330	$ 11,995
NAL as a % of total loans	**3.97%**	3.21%	1.89%	1.56%	1.31%
NPA as a % of total assets	**1.50%**	1.23%	0.74%	0.63%	0.55%
Allowance for loan losses as a % of NAL(1)	**121%**	133%	177%	179%	177%

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

Consumer Loan Balances, Net of Unearned Income

In billions of dollars	End of Period Mar. 31, 2009	Dec. 31,(1) 2008	Mar. 31,(1) 2008	Average 1st Qtr. 2009	4th Qtr.(1) 2008	1st Qtr.(1) 2008
On-balance sheet(2)	**$ 488.9**	$ 515.7	$ 561.6	**$ 502.2**	$ 521.0	$ 564.6
Securitized receivables (all in *U.S. Cards*)	**106.0**	105.9	109.5	**102.6**	105.6	105.8
Credit card receivables held-for-sale(3)			0.9			1.0
Total managed(4)	**$ 594.9**	$ 621.6	$ 672.0	**$ 604.8**	$ 626.6	$ 671.4

(1) Reclassified to conform to current period's presentation.

(2) Total loans and total average loans exclude certain interest and fees on credit cards of approximately $3 billion and $3 billion for the first quarter of 2009, approximately $3 billion and $3 billion for the fourth quarter of 2008 and approximately $2 billion and $2 billion for the first quarter of 2008, respectively, which are included in Consumer loans on the Consolidated Balance Sheet.

(3) Included in *Other assets* on the Consolidated Balance Sheet.

(4)

This table presents loan information on a held basis and shows the impact of securitizations to reconcile to a managed basis. Although a managed-basis presentation is not in conformity with GAAP, the Company believes managed credit statistics provide a representation of performance and key indicators of the credit card business that are consistent with the way management reviews operating performance and allocates resources. Held-basis reporting is the related GAAP measure.

Citigroup's total *Allowance for loans*, leases and unfunded lending commitments of $32.650 billion is available to absorb probable credit losses inherent in the entire portfolio. For analytical purposes only, the portion of Citigroup's allowance for loan losses attributed to the Consumer portfolio was $24.281 billion at March 31, 2009, $22.366 billion at December 31, 2008 and $14.368 billion at March 31, 2008. The increase in the *Allowance for loan losses* from March 31, 2008 of $9.913 billion included net builds of $11.619 billion.

The builds consisted of $11.287 billion in *Global Cards* and *Consumer Banking* ($8.514 billion in *North America* and $2.773 billion in regions outside *North America)* and $332 million in *Global Wealth Management*.

The build of $8.514 billion in *North America* primarily reflected an increase in the estimate of losses across all portfolios based on weakening leading credit indicators, including increased delinquencies on first and second mortgages, unsecured personal loans, credit cards and auto loans. The build also reflected trends in the U.S. macroeconomic environment, including the housing market downturn, rising unemployment and portfolio growth. The build of $2.773 billion in regions outside *North America* primarily reflected credit deterioration in Mexico, the U.K., Spain, Greece, and India.

On-balance-sheet consumer loans of $488.9 billion decreased $72.7 billion, or 13%, from March 31, 2008, primarily driven by a decrease in residential real estate lending in *Consumer Banking North America* as well as the impact of FX translation across *Global Cards, Consumer Banking* and *GWM.*

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SIGNIFICANT EXPOSURES IN SECURITIES AND BANKING

U.S. Subprime-Related Direct Exposure in Securities and Banking

The following table summarizes Citigroup's U.S. subprime-related direct exposures in Securities and Banking (S&B) at March 31, 2009 and December 31, 2008:

In billions of dollars	December 31, 2008 exposures	First Quarter 2009 write-downs(1)	First Quarter 2009 sales/transfers(2)	March 31, 2009 exposures
Direct ABS CDO super senior exposures:				
Gross ABS CDO super senior exposures (A)	$ 18.9			**$ 15.2**
Hedged exposures (B)	6.9			**6.6**
Net ABS CDO super senior exposures:				
ABCP/CDO(3)	9.9	**$ (2.0)**	**$ (0.4)**	**7.6**
High grade	0.8	**(0.1)**	**0.0**	**0.6**
Mezzanine	1.3	**(0.2)(4)**	**(0.8)**	**0.3**
Total net ABS CDO super senior exposures (A-B=C)	$ 12.0	**$ (2.3)**	**$ (1.2)(5)**	**$ 8.5**
Lending and structuring exposures:				
CDO warehousing/unsold tranches of ABS CDOs	$ 0.1	**$ 0.0**	**$ 0.0**	**$ 0.0**
Subprime loans purchased for sale or securitization	1.3	**(0.1)**	**(0.1)**	**1.1**
Financing transactions secured by subprime	0.7	**0.0(4)**	**(0.1)**	**0.5**
Total lending and structuring exposures (D)	$ 2.0	**$ (0.1)**	**$ (0.3)**	**$ 1.7**
Total net exposures C+D(6)	$ 14.1	**$ (2.4)**	**$ (1.4)**	**$ 10.2**
Credit adjustment on hedged counterparty exposures (E)(7)		**$ (1.1)**		
Total net write-downs (C+D+E)		**$ (3.5)**		

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

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

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

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

(4) Includes $147 million recorded in credit costs.

(5) A portion of the underlying securities was purchased in liquidations of CDOs and reported as *Trading account assets*. As of March 31, 2009, $175 million relating to deals liquidated was held in the trading books.

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

(7) SFAS 157 adjustment related to counterparty credit risk.

The Company had approximately $10.2 billion in net U.S. subprime-related direct exposures in its S&B business at March 31, 2009.

The exposure consisted of (a) approximately $8.5 billion of net exposures in the super senior tranches (i.e., the most senior tranches) of CDOs, which are collateralized by asset-backed securities, derivatives on asset-backed securities, or both (ABS CDOs), and (b) approximately $1.7 billion of exposures in its lending and structuring business.

Direct ABS CDO Super Senior Exposures

The net $8.5 billion in ABS CDO super senior exposures as of March 31, 2009 is collateralized primarily by subprime residential mortgage-backed securities (RMBS), derivatives on RMBS, or both. These exposures include $7.6 billion in the super senior tranches of ABS CDOs initially issued as commercial paper (ABCP) and approximately $900 million of other super senior tranches of ABS CDOs.

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

The valuation of the ABCP- and CDO-squared positions are subject to valuation based on significant unobservable inputs. Fair value of these exposures is based on estimates of future cash flows from the mortgage loans underlying the assets of the ABS CDOs. To determine the performance of the underlying mortgage loan portfolios, the Company estimates the prepayments, defaults and loss severities based on a number of macroeconomic factors, including housing price changes, unemployment rates, interest rates, and borrower and loan attributes, such as age, credit scores, documentation status, loan-to-value (LTV) ratios and debt-to-income (DTI) ratios. The model is calibrated using available mortgage loan information including historical loan performance. In addition, the methodology estimates the impact of geographic concentration of mortgages and the impact of reported fraud in the origination of subprime mortgages. An appropriate discount rate is then applied to the cash flows generated for each ABCP- and CDO-squared tranche, in order to estimate its fair value under current market conditions.

When necessary, the valuation methodology used by Citigroup is refined and the inputs used for purposes of estimation are modified, in part, to reflect ongoing market developments. More specifically, the inputs of home price appreciation (HPA) assumptions and delinquency data were updated along with discount rates that are based upon a weighted average combination of implied spreads from single-name ABS bond prices and ABX indices, as well as CLO spreads under current market conditions. The housing-price changes were estimated using a forward-looking projection, which incorporated the Loan Performance Index. In addition, the Company's mortgage default model also uses recent mortgage performance data, a period of sharp home price declines and high levels of mortgage foreclosures.

The valuation as of March 31, 2009, assumes a cumulative decline in U.S. housing prices from peak to trough of 33%. This rate assumes declines of 9.3% and 3.9% in 2009 and 2010, respectively, the remainder of the 33% decline having already occurred before the end of 2008.

In addition, the discount rates were based on a weighted average combination of the implied spreads from single-name ABS bond prices, ABX indices and CLO spreads, depending on vintage and asset types. To determine the discount margin, the Company applies the mortgage default model to the bonds underlying the ABX indices and other referenced cash bonds and solves for the discount margin that produces the current market prices of those instruments.

The primary drivers that currently impact the model valuations are the discount rates used to calculate the present value of projected cash flows and projected mortgage loan performance. In valuing its direct ABCP- and CDO-squared super senior exposures, the Company has made its best estimate of the key inputs that should be used in its valuation methodology. However, the size and nature of these positions as well as current market conditions are such that changes in inputs such as the discount rates used to calculate the present value of the cash flows can have a significant impact on the reported value of these exposures. For instance, each 10 basis point change in the discount rate used generally results in an approximate $25 million change in the fair value of the Company's direct ABCP- and CDO-squared super senior exposures as of March 31, 2009. This applies to both decreases in the discount rate (which would increase the value of these assets and decrease reported write-downs) and increases in the discount rate (which would decrease the value of these assets and increase reported write-downs).

Estimates of the fair value of the CDO super senior exposures depend on market conditions and are subject to further change over time. In addition, while Citigroup believes that the methodology used to value these exposures is reasonable, the methodology is subject to continuing refinement, including as a result of market developments. Further, any observable transactions in respect of some or all of these exposures could be employed in the fair valuation process in accordance with and in the manner called for by SFAS 157.

Lending and Structuring Exposures

The $1.7 billion of subprime-related exposures includes approximately $0.1 billion of CDO warehouse inventory and unsold tranches of ABS CDOs, approximately $1.1 billion of actively managed subprime loans purchased for resale or securitization at a discount to par during 2007 and approximately $0.5 billion of financing transactions with customers secured by subprime collateral. These amounts represent the fair value as determined using observable inputs and other market data. The majority of the change from the December 31, 2008 balances reflects sales, transfers and liquidations.

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

Exposure to Commercial Real Estate

The Company, through its business activities and as a capital markets participant, incurs exposures that are directly or indirectly tied to the global commercial real estate market. These exposures are represented primarily by the following three categories:

(1) *Assets held at fair value* include: $5.7 billion, of which approximately $5.1 billion are securities, loans and other items linked to commercial real estate that are carried at fair value as trading account assets, $0.1 billion of loans which are held-for-sale, and approximately $0.5 billion which are securities backed by commercial real estate carried at fair value as available-for-sale investments. Changes in fair value for these trading account assets are reported in current earnings, while changes in fair value for these available-for-sale investments are reported in OCI with other-than-temporary impairments reported in current earnings.

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

(2) *Assets held at amortized cost* include approximately $2.0 billion of securities classified as held-to-maturity and $23.8 billion of loans and commitments. The held-to-maturity securities were classified as such during the fourth quarter of 2008 and were previously classified as either trading or available for sale. They are accounted for at amortized cost, subject to other-than-temporary impairment. Loans and

commitments are recorded at amortized cost, less loan loss reserves. The impact from changes in credit is reflected in the calculation of the allowance for loan losses and in net credit losses.

(3) *Equity and other investments* include approximately $4.6 billion of equity and other investments such as limited partner fund investments which are accounted for under the equity method, which recognizes gains or losses based on the investor's share of the net income of the investee.

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Direct Exposure to Monolines

In its S&B business, the Company has exposure to various monoline bond insurers (Monolines), listed in the table below, from hedges on certain investments and from trading positions. The hedges are composed of credit default swaps and other hedge instruments. The Company recorded an additional $1.1 billion in downward CVA related to exposure to Monolines during the first quarter of 2009, bringing the total CVA balance to $5.4 billion.

The following table summarizes the market value of the Company's direct exposures to and the corresponding notional amounts of transactions with the various Monolines as well as the aggregate credit valuation adjustment associated with these exposures as of March 31, 2009 and December 31, 2008 in S&B:

	March 31, 2009		December 31, 2008	
In millions of dollars	**Fair-value exposure**	**Notional amount of transactions**	**Fair-value exposure**	**Notional amount of transactions**
Direct subprime ABS CDO super senior:				
Ambac	**$ 4,649**	**$ 5,352**	$ 4,461	$ 5,357
Subtotal direct subprime ABS CDO super senior	**$ 4,649**	**$ 5,352**	$ 4,461	$ 5,357
***Trading assets* non-subprime:**				
MBIA	**$ 2,209**	**$ 4,567**	$ 1,924	$ 4,040
FSA	**294**	**1,119**	204	1,126
Assured	**147**	**454**	141	465
Radian	**39**	**150**	58	150
Ambac	**19**	**821**	21	1,106
Subtotal trading assets non-subprime	**$ 2,708**	**$ 7,111**	$ 2,348	$ 6,887
Total gross fair-value direct exposure	**$ 7,357**		$ 6,809	
Credit valuation adjustment	**$ (5,370)**		$ (4,279)	
Total net fair-value direct exposure	**$ 1,987**		$ 2,530	

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

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

As of March 31, 2009 and December 31, 2008, the Company had $6.6 billion and $6.9 billion, respectively, in notional amount of hedges against its direct subprime ABS CDO super senior positions. Of those amounts, $5.4 billion and $5.4 billion, respectively, were purchased from Monolines and are included in the notional amount of transactions in the table above.

With respect to Citi's trading assets, there were $2.7 billion and $2.3 billion of fair-value exposure to Monolines as of March 31, 2009 and December 31, 2008, respectively. Trading assets include trading positions, both long and short in U.S. subprime RMBS and related products, including ABS CDOs.

The notional amount of transactions related to the remaining non-subprime trading assets as of March 31, 2009, was $7.1 billion. The $7.1 billion notional amount of transactions comprised $2.1 billion primarily in interest-rate swaps with a corresponding fair value exposure of $10 million. The remaining notional amount of $5.0 billion was in the form of credit default swaps and total return swaps with a fair value exposure of $2.7 billion.

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

The Company has purchased mortgage insurance from various monoline mortgage insurers on first mortgage loans. The notional amount of this insurance protection was approximately $300 million and $400 million as of March 31, 2009 and December 31, 2008, respectively, with nominal pending claims against this notional amount.

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

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Highly Leveraged Financing Transactions

Highly leveraged financing commitments are agreements that provide funding to a borrower with higher levels of debt (measured by the ratio of debt capital to equity capital of the borrower) than is generally the case for other companies. In recent years through mid-2008, highly leveraged financing had been commonly employed in corporate acquisitions, management buy-outs and similar transactions.

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

Prior to funding, highly leveraged financing commitments are assessed for impairment in accordance with SFAS 5, and losses are recorded when they are probable and reasonably estimable. For the portion of loan commitments that relates to loans that will be held for investment, loss estimates are made based on the borrower's ability to repay the facility according to its contractual terms. For the portion of loan commitments that relates to loans that will be held for sale, loss estimates are made in reference to current conditions in the resale market (both interest rate risk and credit risk are considered in the estimate). Loan origination, commitment, underwriting and other fees are netted against any recorded losses.

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

- the portion that Citigroup will seek to sell is recorded as a loan held-for-sale in *Other assets* on the Consolidated Balance Sheet, and measured at the lower of cost or market (LOCOM); and

- the portion that will be retained is recorded as a loan held-for-investment in *Loans* and measured at amortized cost less a reserve for loan losses.

Due to the dislocation of the credit markets and the reduced market interest in higher-risk/higher-yield instruments since the latter half of 2007, liquidity in the market for highly leveraged financings has been limited. This has resulted in the Company's recording pretax write-downs on funded and unfunded highly leveraged finance exposures of $247 million in the first quarter of 2009 and $4.9 billion in full year 2008.

Citigroup's exposures to highly leveraged financing commitments totaled $9.5 billion at March 31, 2009 ($9.0 billion funded and $0.5 billion in unfunded commitments), reflecting a decrease of $0.5 billion from December 31, 2008.

In 2008, the Company completed the transfer of approximately $12 billion of loans to third parties, of which $8.5 billion relates to highly leveraged loan commitments. In these transactions, the third parties purchased subordinate interests backed by the transferred loans. These subordinate interests absorb first loss on the transferred loans and provide the third parties with control of the loans. The Company retained senior debt securities backed by the transferred loans. These transactions were accounted for as sales of the transferred loans. The loans were removed from the balance sheet and the retained securities are classified as Available-for-sale securities on the Company's Consolidated Balance Sheet.

In addition, the Company purchased protection on the senior debt securities from the third-party subordinate interest holders via total return swaps (TRS). The counterparty credit risk in the TRS is protected through margin agreements that provide for both initial margin and additional margin at specified triggers. Due to the initial cash margin received, the existing margin requirements on the TRS, and the substantive subordinate investments made by third parties, the Company believes that the transactions largely mitigate the Company's risk related to the transferred loans. The Company's sole remaining exposure to the transferred loans are the senior debt securities, which have an amortized cost basis of $6.3 billion and fair value of $4.7 billion at March 31, 2009, and the receivables under the TRS, which have a fair value of $1.5 billion at March 31, 2009. The change in the value of the retained senior debt securities that are classified as Available-for-sale securities are recorded in AOCI as they are deemed temporary. The offsetting change in the total return swaps are recorded as cash flow hedges within AOCI. See Note 14 to the Consolidated Financial Statements for additional information.

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DERIVATIVES

Presented below are the notional and the mark-to-market receivables and payables for Citigroup's derivative exposures as of March 31, 2009 and December 31, 2008:

Notionals(1)

In millions of dollars	Trading derivatives(2) March 31, 2009	Trading derivatives(2) December 31, 2008	Non-trading Derivatives(3) March 31, 2009	Non-trading Derivatives(3) December 31, 2008
Interest rate contracts				
Swaps	**$ 13,903,004**	$ 15,096,293	**$ 274,692**	$ 306,501
Futures and forwards	**3,262,752**	2,619,952	**97,827**	118,440
Written options	**2,970,815**	2,963,280	**18,038**	20,255
Purchased options	**3,045,784**	3,067,443	**45,244**	38,344
Total interest rate contract notionals	**$ 23,182,355**	$ 23,746,968	**$ 435,801**	$ 483,540
Foreign exchange contracts				
Swaps	**$ 855,791**	$ 882,327	**$ 69,473**	$ 62,491
Futures and forwards	**1,853,854**	2,165,377	**34,561**	40,694
Written options	**435,205**	483,036	**9,258**	3,286
Purchased options	**480,574**	539,164	**292**	676
Total foreign exchange contract notionals	**$ 3,625,424**	$ 4,069,904	**$ 113,584**	$ 107,147
Equity contracts				
Swaps	**$ 73,126**	$ 98,315	**$**	$
Futures and forwards	**14,060**	17,390		
Written options	**470,176**	507,327		
Purchased options	**442,612**	471,532		
Total equity contract notionals	**$ 999,974**	$ 1,094,564	**$**	$
Commodity and other contracts				
Swaps	**$ 22,516**	$ 44,020	**$**	$
Futures and forwards	**72,103**	60,625		
Written options	**29,722**	31,395		
Purchased options	**33,303**	32,892		
Total commodity and other contract notionals	**$ 157,644**	$ 168,932	**$**	$
Credit derivatives(4)				
Citigroup as the Guarantor:				
Credit default swaps	**$ 1,404,588**	$ 1,441,117	**$**	$
Total return swaps	**1,203**	1,905		
Credit default options	**340**	258		
Citigroup as the Beneficiary:				
Credit default swaps	**1,514,613**	1,560,087		
Total return swaps	**22,347**	29,990	**6,321**	8,103
Credit default options	**216**	135		
Total credit derivatives	**$ 2,943,307**	$ 3,033,492	**$ 6,321**	$ 8,103
Total derivative notionals	**$ 30,908,704**	$ 32,113,860	**$ 555,706**	$ 598,790

See the following page for footnotes

[Table continues on the following page.]

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Mark-to-Market (MTM) Receivables/Payables

In millions of dollars	Derivatives receivables MTM March 31, 2009	Derivatives receivables MTM December 31, 2008	Derivatives payables MTM March 31, 2009	Derivatives payables MTM December 31, 2008
Trading derivatives(2)				
Interest rate contracts	**$ 615,052**	$ 667,597	**$ 595,184**	$ 654,178
Foreign exchange contracts	**106,245**	153,197	**114,285**	160,628
Equity contracts	**31,061**	35,717	**49,126**	57,292
Commodity and other contracts	**26,582**	23,924	**24,832**	22,473
Credit derivatives:(4)				
Citigroup as the Guarantor	**6,796**	5,890	**206,411**	198,233
Citigroup as the Beneficiary	**231,023**	222,461	**6,375**	5,476
Cash collateral paid/received	**65,165**	63,866	**61,740**	65,010
Total	**$ 1,081,924**	$ 1,172,652	**$ 1,057,953**	$ 1,163,290
Less: Netting agreements and market value adjustments	**(986,064)**	(1,057,363)	**(976,815)**	(1,046,505)
Net receivables/payables	**$ 95,860**	$ 115,289	**$ 81,138**	$ 116,785
Non-trading derivatives				
Interest rate contracts	**$ 10,078**	$ 14,755	**$ 5,070**	$ 7,742
Foreign exchange contracts	**4,853**	2,408	**3,609**	3,746
Credit Derivatives	**1,597**			
Total	**$ 16,528**	$ 17,163	**$ 8,679**	$ 11,488

(1) Includes the notional amounts for long and short derivative positions.

(2) Trading Derivatives include proprietary positions, as well as hedging derivatives instruments that do not qualify for hedge accounting in accordance with SFAS No. 133, *"Accounting for Derivative Instruments and Hedging Activities"* (SFAS 133).

(3) Reclassified to conform to the current period's presentation.

(4) Credit Derivatives are arrangements designed to allow one party (the "beneficiary") to transfer the credit risk of a "reference asset" to another party (the "guarantor"). These arrangements allow a guarantor to assume the credit risk associated with the reference assets without directly purchasing it. The Company has entered into credit derivatives positions for purposes such as risk management, yield enhancement, reduction of credit concentrations, and diversification of overall risk.

Fair Valuation Adjustments for Derivatives

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

Liquidity adjustments are applied to items in Level 2 or Level 3 of the fair-value hierarchy (see Note 17) to ensure that the fair value reflects the price at which the entire position could be liquidated. The liquidity reserve is based on the bid/offer spread for an instrument, adjusted to take into account the size of the position.

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

The Company's CVA methodology comprises two steps. First, the exposure profile for each counterparty is determined using the terms of all individual derivative positions and a Monte Carlo simulation or other quantitative analysis to generate a series of expected cash flows at future points in time. The calculation of this exposure profile considers the effect of credit risk mitigants, including pledged cash or other collateral and any legal right of offset that exists with a counterparty through arrangements such as netting agreements. Individual derivative contracts that are subject to an enforceable master netting agreement with a counterparty are aggregated for this purpose, since it is those aggregate net cash flows that are subject to nonperformance risk. This process identifies specific, point in time future cash flows that are subject to nonperformance risk, rather than using the current recognized net asset or liability as a basis to measure the CVA. Second, market-based views of default probabilities derived from observed credit spreads in the credit default swap market, are applied to the expected future cash flows determined in step one. Own-credit CVA is determined using Citi-specific CDS spreads for the relevant tenor. Generally, counterparty CVA is determined using CDS spread indices for each credit rating and tenor. For certain identified facilities where individual analysis is practicable (for example, exposures to monoline counterparties) counterparty-specific CDS spreads are used.

The CVA adjustment is designed to incorporate a market view of the credit risk inherent in the derivative portfolio as required by SFAS 157. However, most derivative instruments are negotiated bilateral contracts and are not commonly transferred to third parties. Derivative instruments are normally settled contractually, or if terminated early, are terminated at a value negotiated bilaterally between the counterparties. Therefore, the CVA (both counterparty and own-credit) may not be realized upon a settlement or termination in the normal course of business. In addition, all or a portion of the credit valuation adjustments may be reversed or otherwise adjusted in future periods in the event of changes in the credit risk of Citi or its counterparties, or changes in the credit mitigants (collateral and netting agreements) associated with the derivative instruments. Historically, Citigroup's credit spreads have moved in tandem with general counterparty credit spreads, thus providing offsetting CVAs affecting revenue. However, in the first quarter of 2009, Citigroup's credit spreads widened and

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counterparty credit spreads generally narrowed, each of which positively affected revenues.

The table below summarizes pretax gains (losses) related to changes in credit valuation adjustments on derivative instruments for the quarters ended March 31, 2009 and 2008:

	Credit valuation adjustment gain (loss)	
In millions of dollars	**2009**	**2008**
Non-monoline counterparties	**$ 166**	$ (1,790)
Citigroup (own)	**2,572**	1,513
Net non-monoline CVA	**$ 2,738**	$ (277)
Monoline counterparties	**(1,091)**	(1,491)
Total CVA derivative instruments	**$ 1,647**	$ (1,768)

The table below summarizes the CVA applied to the fair value of derivative instruments as of March 31, 2009 and December 31, 2008.

	Credit valuation adjustment Contra liability (contra asset)	
In millions of dollars	**March 31, 2009**	**December 31, 2008**
Non-monoline counterparties	**$ (8,100)**	$ (8,266)
Citigroup (own)	**6,183**	3,611
Net non-monoline CVA	**$ (1,917)**	$ (4,655)
Monoline counterparties(1)	**(5,370)**	(4,279)
Total CVA derivative instruments	**$ (7,287)**	$ (8,934)

(1) Certain derivatives with monoline counterparties were terminated during 2008.

The credit valuation adjustment amounts shown above relate solely to the derivative portfolio, and do not include:

- Own-credit adjustments for non-derivative liabilities measured at fair value under the fair-value option. See Note 17 for further information.

- The effect of counterparty credit risk embedded in non-derivative instruments. General spread widening has negatively affected the market value of a range of financial instruments. Losses on non-derivative instruments, such as bonds and loans, related to counterparty credit risk are not included in the table above.

Credit Derivatives

The Company makes markets in and trades a range of credit derivatives, both on behalf of clients as well as for its own account. Through these contracts the Company either purchases or writes protection on either a single-name or portfolio basis. The Company uses credit derivatives to help mitigate credit risk in its corporate loan portfolio and other cash positions, to take proprietary trading positions, and to facilitate client transactions.

Credit derivatives generally require that the seller of credit protection make payments to the buyer upon the occurrence of predefined events (settlement triggers). These settlement triggers are defined by the form of the derivative and the referenced credit and are generally limited to the market standard of failure to pay on indebtedness and bankruptcy of the reference credit and, in a more limited range of transactions, debt restructuring. Credit derivative transactions referring to emerging market reference credits will also typically include additional settlement triggers to cover the acceleration of indebtedness and the risk of repudiation or a payment moratorium. In certain transactions on a portfolio of referenced credits or asset-backed securities, the seller of protection may not be required to make payment until a specified amount of losses has occurred with respect to the portfolio and/or may only be required to pay for losses up to a specified amount.

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The following tables summarize the key characteristics of the Company's credit derivative portfolio by activity, counterparty and derivative form as of March 31, 2009 and December 31, 2008:

March 31, 2009:

	Fair values		Notionals	
In millions of dollars	**Receivable**	**Payable**	**Beneficiary**	**Guarantor**
By Activity:				
Credit portfolio	**$ 2,799**	**$ 28**	**$ 55,057**	**$**
Dealer/client	**236,617**	**212,758**	**1,488,440**	**1,406,131**
Total by Activity	**$ 239,416**	**$ 212,786**	**$ 1,543,497**	**$ 1,406,131**
By Industry/Counterparty:				
Bank	**$ 131,386**	**$ 127,684**	**$ 965,983**	**$ 919,354**
Broker-dealer	**60,990**	**57,443**	**380,412**	**345,582**
Monoline	**7,434**	**91**	**9,942**	**139**
Non-financial	**6,029**	**5,435**	**4,123**	**5,327**
Insurance and other financial institutions	**33,577**	**22,133**	**183,037**	**135,729**
Total by Industry/Counterparty	**$ 239,416**	**$ 212,786**	**$ 1,543,497**	**$ 1,406,131**
By Instrument:				
Credit default swaps and options	**$ 232,009**	**$ 212,166**	**$ 1,514,829**	**$ 1,404,928**
Total return swaps and other	**7,407**	**620**	**28,668**	**1,203**
Total by Instrument	**$ 239,416**	**$ 212,786**	**$ 1,543,497**	**$ 1,406,131**

December 31, 2008:

	Fair values		Notionals	
In millions of dollars	**Receivable**	**Payable**	**Beneficiary**	**Guarantor**
By Activity:				
Credit portfolio	$ 3,257	$ 15	$ 71,131	$
Dealer/client	225,094	203,694	1,527,184	1,443,280
Total by Activity	$228,351	$203,709	$1,598,315	$1,443,280
By Industry/Counterparty:				
Bank	$128,042	$121,811	$ 996,248	$ 943,949
Broker-dealer	59,321	56,858	403,501	365,664
Monoline	6,886	91	9,973	139
Non-financial	4,874	2,561	5,608	7,540
Insurance and other financial institutions	29,228	22,388	182,985	125,988
Total by Industry/Counterparty	$228,351	$203,709	$1,598,315	$1,443,280
By Instrument:				
Credit default swaps and options	$221,159	$203,220	$1,560,222	$1,441,375
Total return swaps and other	7,192	489	38,093	1,905
Total by Instrument	$228,351	$203,709	$1,598,315	$1,443,280

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

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

The Company actively monitors its counterparty credit risk in credit derivative contracts. Approximately 91% of the gross receivables as of March 31, 2009 are from counterparties with which the Company maintains collateral agreements. A majority of the Company's top 15 counterparties (by receivable balance owed to the Company) are banks, financial institutions or other dealers. Contracts with these counterparties do not include ratings-based termination events. However, counterparty rating downgrades may have an incremental effect by lowering the threshold at which the Company may call for additional collateral. A number of the remaining significant counterparties are monolines.

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MARKET RISK MANAGEMENT PROCESS

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

Interest Rate Exposure (IRE)

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

	March 31, 2009		**December 31, 2008**		**March 31, 2008**	
In millions of dollars	**Increase**	**Decrease**	**Increase**	**Decrease**	**Increase**	**Decrease**
U.S. dollar						
Instantaneous change	**$ (1,654)**	**$ 1,543**	$ (801)	$ 391	$ (1,423)	$ 1,162
Gradual change	**$ (888)**	**$ 660**	$ (456)	$ 81	$ (781)	$ 666