On February 9, 2012, Citi announced an adjustment to its fourth quarter and full year 2011 financial results to reflect an additional $209 million of after-tax ($275 million pre-tax) charges to increase its litigation reserves related to the announced agreement in principle with the United States and with the Attorneys General for 49 states and the District of Columbia to settle a number of related investigations into residential loan servicing and origination practices, as well as the resolution of related mortgage litigation. These charges are not reflected in the investor presentation dated January 24, 2012. For additional information, see Citi's 2011 Annual Report on Form 10-K, filed with the U.S. Securities and Exchange Commission on February 24, 2012.

Citi Fourth Quarter 2011 Fixed Income Investor Review

TRANSCRIPT

January 24, 2012

Host
Ilene Fiszel Bieler, Head of Fixed Income Investor Relations

Speakers
John Gerspach, Citi Chief Financial Officer
Eric Aboaf, Citi Treasurer

PRESENTATION

OPERATOR: Hello and welcome to Citi's Fixed Income Investor Review with Chief Financial Officer, John Gerspach, and Treasurer, Eric Aboaf. Today's call will be hosted by Ilene Fiszel Bieler, Head of Fixed Income Investor Relations. We ask that you please hold all questions until the completion of the formal remarks, at which time you will be given instructions for the question-and-answer session. Also, as a reminder, this conference is being recorded today. If you have any objections please disconnect at this time. Ms. Fiszel Bieler, you may begin.

ILENE FISZEL BIELER: Thank you, operator. Good morning and thank you all for joining us. On our call today, our CFO, John Gerspach, will speak first. Then, Eric Aboaf, our Treasurer, will take you through the Fixed Income investor presentation, which is available for download on our website, www.citigroup.com. Afterwards, we will be happy to take questions.

Before we get started, I would like to remind you that today's presentation may contain forward-looking statements, which are based on management's current expectations and are subject to uncertainty and changes in circumstances. Actual results and capital and other financial condition may differ materially from these statements due to a variety of factors, including the precautionary statements referenced in our discussion today and those included in our SEC filings, including without limitation the Risk Factors section of our 2010 Form 10-K. With that said, let me turn it over to John.

JOHN GERSPACH: Thank you, Ilene, and good morning, everyone. We're very pleased to be hosting our Fixed Income Investor review this quarter. Today, we're going to update you on our continued execution and progress in several areas, including our liquidity and balance sheet management. Eric Aboaf, our Treasurer, is going to take you through some specifics on our credit and balance sheet progress, our liquidity profile, and our capital position, as well as review our recent issuance activity and current funding plans for the coming year. Many of you may have joined us for last Tuesday's earnings call, and there are some key points from that call that I would like to reemphasize to start us off here on slide 1.

The fourth quarter was dominated by the macro environment, and our earnings clearly suffered as a result. Market activity was down significantly and our clients reduced their risk. Any of our businesses geared to the capital markets, such as sales and trading, securities and fund services, and GTS -- and even investment sales in Consumer Banking -- were impacted. Investor activity was particularly weak in December, as reflected in the volumes we experienced. However, our consumer and non-markets-related businesses continued to perform well as we executed our strategy. Throughout Citicorp, we grew our loans by 14% from 2010, including a 24% increase in our corporate loans; and GTS continued to show positive momentum with full-year revenue up 5% from 2010. Excluding the impact of foreign exchange, revenue from International Consumer Banking grew by 6% year-over-year as we opened 3 million new accounts, while increasing average loans and deposits by $15 billion and $9 billion, respectively.

On February 9, 2012, Citi announced an adjustment to its fourth quarter and full year 2011 financial results to reflect an additional $209 million of after-tax ($275 million pre-tax) charges to increase its litigation reserves related to the announced agreement in principle with the United States and with the Attorneys General for 49 states and the District of Columbia to settle a number of related investigations into residential loan servicing and origination practices, as well as the resolution of related mortgage litigation. These charges are not reflected in the investor presentation dated January 24, 2012. For additional information, see Citi's 2011 Annual Report on Form 10-K, filed with the U.S. Securities and Exchange Commission on February 24, 2012.

During the quarter, we achieved positive operating leverage in Latin America, and again in Asia. In the U.S., consumer accounts, deposits, loans, and revenue each grew from the previous quarter. We continued to make progress in winding down Citi Holdings and we reduced Citi Holdings' assets by $90 billion during the year. And, after considering the impact of the transfer of Retail Partner Cards into Citicorp, which will be effective this quarter, Holdings comprised only 12% of Citigroup's balance sheet. In 2011, our expenses were impacted by several factors. Full year expenses of $50.7 billion were up nearly 7% from 2010. Most significantly, a weakened dollar and the resulting impact of FX translation, added $800 million to our expense base, while legal and related expenses were $1.3 billion higher than in 2010. Excluding these and other episodic items, our core operating expenses rose by 2.1%. Now, this includes $3.9 billion in incremental investments, $1.9 billion of which were funded through our ongoing expense reduction initiatives. The $3.9 billion in investments included approximately $1 billion to meet regulatory requirements.

We also upgraded talent in both our institutional and consumer businesses. Other investments, from modernizing our branches to increasing marketing, were necessary to attract and serve our clients better.

A few years ago, the company substantially reduced its spending on consumer marketing, and in 2011, we increased that spending to competitive levels. These are longer-cycle investments, but they are starting to pay off, through increases in our new account acquisitions in the U.S. and the attainment of positive operating leverage in key consumer emerging markets. That being said, we believe these increases in expense levels are behind us. We have a robust reengineering program, and our goal is to self-fund new investments going forward. As a result of this and other actions, as we stated last week, we currently expect to reduce our expenses by $2.5 billion to $3 billion in 2012. That's compared to the reported full-year 2011 level, and of course, excluding changes in foreign exchange or unanticipated legal costs, or significant one-timers.

We also continue to right-size our businesses for the opportunities that we see, particularly in Securities & Banking. So we're prepared whether the current environment proves to be a result of cyclical or secular trends. And let me make a few additional comments about Securities & Banking. As our results in 2011 demonstrated, the operating environment for the markets business has been difficult, with a series of macro headwinds pressuring revenues for Citi and the industry. As you know, we dramatically slashed our Securities & Banking business in late 2008, and into 2009, in response to the crises. Once we stabilized Citi and began to turn our attention back to growth, we identified businesses in Securities & Banking that we believed were strategically important to our long-term success, but where we lacked scale relative to the opportunity. So in 2010, we started investing in those businesses. While our investments in Securities & Banking were more substantial in 2010, they continued into 2011.

As I noted in last week's earnings call, of the approximately $3.9 billion we invested in Citi in 2011, a little less than $1 billion was in Securities & Banking. Now, to put this all into some historic perspective, despite more than two years of investment into Securities & Banking, we still had an expense base in 2011 that is 7% below our 2008 level. Nonetheless, while we believe investing in Securities & Banking has been the right strategic decision, and we have invested in a prudent manner, the results in equities and Banking to date have been disappointing to us.

We've added a couple of slides in the appendix of today's deck that should give you some details on our Holdings and our Securities & Banking expenses in 2011. What the S&B slide shows you, is that $1.1 billion of expense reductions from reengineering saves and lower costs, primarily in the form of lower incentive compensation by more than $800 million, were significantly offset by approximately $800 million of incremental investment in 2011. Clearly, our investment spending left us with less expense flexibility in

On February 9, 2012, Citi announced an adjustment to its fourth quarter and full year 2011 financial results to reflect an additional $209 million of after-tax ($275 million pre-tax) charges to increase its litigation reserves related to the announced agreement in principle with the United States and with the Attorneys General for 49 states and the District of Columbia to settle a number of related investigations into residential loan servicing and origination practices, as well as the resolution of related mortgage litigation. These charges are not reflected in the investor presentation dated January 24, 2012. For additional information, see Citi's 2011 Annual Report on Form 10-K, filed with the U.S. Securities and Exchange Commission on February 24, 2012.

2011, particularly as markets began to weaken in the second half of the year. But let me be clear --our 2011 revenues in certain businesses in Securities & Banking were disappointing and unacceptable.

While much of the current difficulties reflect market conditions, we equally have some management and execution challenges. While we are strategically committed to Securities & Banking, we are not oblivious to the fact that our cost structure cannot be justified by our current revenues. We must either drive revenue growth and operating leverage, or we will have to restructure, cut capacity, and cut expenses. And while this is not a decision that we will make in haste, it is also not a decision that we will delay in the name of long-term strategy. We will continue our focus on reengineering and cost cutting, and currently expect approximately $600 million of reengineering saves in 2012 in Securities & Banking. We also have much more compensation flexibility in 2012, as we will not be investing as we did in 2011. But if we do not see meaningful revenue recovery over the course of 2012, we will further restructure Securities & Banking.

Now, with all that said, turning to slide 2, I'd like to highlight some of our key earnings results from the fourth quarter. Citigroup reported fourth quarter net income of $1.2 billion, or $0.38 per diluted share. Revenues of $17.2 billion were down 7% versus the prior year on a reported basis, as growth in International Consumer Banking and Transaction Services was more than offset by lower revenues in Citi Holdings, Securities & Banking, and North America Consumer Banking.

Expenses of $12.9 billion were up 4% year-over-year. Nearly two-thirds of the increase was attributable to the combination of higher legal and related costs, as well as severance, partially offset by a positive impact from foreign exchange translation. Excluding these items, expenses were up 1.5% over last year, principally due to higher investment spending, partially offset by productivity savings and other expense reductions. Cost of credit continued to improve year-over-year, down 41% to $2.9 billion. Year-over-year, Citigroup end of period loans were flat on a reported basis, and up 1% excluding the impact of foreign exchange, as continued loan growth in Citicorp outpaced the wind-down of Citi Holdings.

And now, let me turn it over to Eric.

ERIC ABOAF: Thanks, John. This quarter was influenced by a difficult macroeconomic environment, and in light of that, we have been quite cautious. Europe continues to be a concern. Growth around the world is uncertain, and home prices in the U.S. still hold back a domestic economic recovery. With this, we have reined in our balance sheet accordingly. We are positioned for continued uncertainty, and/or a possible stabilization, depending on how events turn out.

As such, both our capital and liquidity are robust no matter which measure you use, and as we have said previously, we continue to expect to begin returning capital to shareholders in 2012. We continue to make progress in reducing the non-core balance sheet, which provides us with ample capital and liquidity, to strategically deploy in our Citicorp businesses. You can see that our lending growth is up 14% year-over-year in Citicorp.

We are seeing continued improvement in credit trends, with net credit losses in the fourth quarter down 40% from a year ago; and non-accrual assets down 44% year-over-year. We are well reserved, with loan loss reserves of $30 billion, or 4.7% of loans. With this strong balance sheet, we have the resources and the capabilities to grow, as we help our global clientele navigate the current environment. I'll start by taking you through our credit trends, which show continued improvement for the tenth consecutive quarter.

On February 9, 2012, Citi announced an adjustment to its fourth quarter and full year 2011 financial results to reflect an additional $209 million of after-tax ($275 million pre-tax) charges to increase its litigation reserves related to the announced agreement in principle with the United States and with the Attorneys General for 49 states and the District of Columbia to settle a number of related investigations into residential loan servicing and origination practices, as well as the resolution of related mortgage litigation. These charges are not reflected in the investor presentation dated January 24, 2012. For additional information, see Citi's 2011 Annual Report on Form 10-K, filed with the U.S. Securities and Exchange Commission on February 24, 2012.

Slide 4 shows total Citigroup net credit losses and loan loss reserves. NCLs continue to improve in the fourth quarter, down 9% sequentially to $4.1 billion; and the net LLR release was $1.5 billion, up slightly from the third quarter.

Let me describe our credit trends in two broad buckets – corporate and consumer. The first major area is corporate credit, which you see at the top right. Corporate credit was a benefit of $158 million in the fourth quarter, compared to a cost of $86 million last quarter on lower net credit losses, and a higher reserve release. We saw general stability in our corporate credit portfolio. At the bottom right of the page, you can see the second major area, consumer credit. Consumer NCLs declined 7% sequentially to $4 billion, and we released $1.2 billion in net loan loss reserves. Total non-accrual loans represented 1.7% of total loans at year-end, down from nearly 3% at the end of 2010. And along the bottom of those slides, you can see that we ended the quarter with $30 billion of total loan loss reserves, or 4.7% of loans.

On slide 5, we have an overview of credit trends in our North American Cards and Mortgage portfolios. The top half of the slide shows our North American Cards portfolios. Credit trends for both Citi-Branded Cards and Retail Partner Cards continued to improve. In both Citi-branded and Retail Partner Cards, NCLs continued to improve in the fourth quarter on a dollar and a rate basis. In Retail Partner Cards, while there was a modest increase in 90-day delinquencies on a dollar basis, the rate remained stable.

Given investor interest in mortgages in general, I wanted to spend a moment reviewing our North American consumer mortgage portfolio, notwithstanding that our portfolio is significantly smaller than that of our other large U.S. Banks. To be clear, as we did last quarter, we are including Citicorp and Citi Holdings consumer mortgage portfolios together in this presentation. For the combined portfolio, NCLs continue to improve in both residential first mortgages and in home equity in the fourth quarter.

As we discussed last quarter, overall, delinquency trends are beginning to show the impact of re-defaults of previously modified mortgages; while at the same time, the pace of asset sales and modifications has slowed as we have a smaller pool of eligible delinquent loans to sell or modify. As a result of these converging trends, we saw an increase in 90-day delinquencies in the first mortgage portfolio within Citi Holdings. Early day delinquencies in this portfolio, however, improved quarter-over-quarter. Importantly, re-default rates for HAMP and other modifications, continue to track favorably versus expectations through the fourth quarter. Expectations for re-default and resulting net credit losses are already factored into our net loan loss reserve balance. In addition to the North American credit summary you see here, there is a separate page on International Consumer credit trends in the Appendix. They continue to be stable to improving.

Please turn to slide 6. Now that I've covered our improving credit trends, let me describe how we are managing the balance sheet for the current environment, and investing to grow the Citicorp lending and deposit-taking businesses, in particular. On the left, you see Citicorp and Corp/Other, which is up 3% year-over-year, as we continue to reinvest in the franchise. Here, you can see how we have deployed our balance sheet to support our customers over the past year in Citicorp.

For example, net loans, which is our largest asset category, are up approximately $64 billion, or 16% year-over-year; and approximately $23 billion quarter-over-quarter, as we continue to lend to both consumer and corporate clients. Whereas, our trading assets were down $22 billion year-over-year, and $27 billion quarter-over-quarter, in response to the current environment which I will explain in more detail in a moment. On the right, you see Citi Holdings assets, which are down 25% year-over-year. Our Citicorp / Citi Holdings strategy continues to provide us the flexibility to redeploy capital and take advantage of growth opportunities, particularly in our lending businesses, even while we size our market-making balance sheet to the current economic environment.

On February 9, 2012, Citi announced an adjustment to its fourth quarter and full year 2011 financial results to reflect an additional $209 million of after-tax ($275 million pre-tax) charges to increase its litigation reserves related to the announced agreement in principle with the United States and with the Attorneys General for 49 states and the District of Columbia to settle a number of related investigations into residential loan servicing and origination practices, as well as the resolution of related mortgage litigation. These charges are not reflected in the investor presentation dated January 24, 2012. For additional information, see Citi's 2011 Annual Report on Form 10-K, filed with the U.S. Securities and Exchange Commission on February 24, 2012.

Turning to slide 7, given our healthier balance sheet, we have been deploying capital in our Citicorp lending businesses, as I just mentioned. So let me describe what we are seeing in loan volumes. In Citicorp, loans grew to $465 billion, up 14% year-over-year, including 7% growth in consumer and a 24% growth in corporate loans. This quarter's results represented the sixth consecutive quarter of Citicorp loan growth.

In our International businesses, lending increased 37% in Global Transaction Services from the prior year, driven by trade finance lending in Asia, Latin America, and Europe. And we saw a 20% growth in our Securities & Banking corporate loan book, with the increased borrowing coming across all client segments and geographies. International Consumer Banking loan volumes increased 8% year-over-year overall, led by Asia and Latin America. These trends reflect the economic growth in these regions, as well as the result of our investment spending, which are driving new volume in both cards and retail loans.

North America consumer loan volumes were up modestly at 6%, driven by Retail Banking loans as the cards market continues to adapt to the Card Act and other regulatory changes. Overall, we have reached an inflection point, which is evident when you adjust for currency swings, which you can see along the bottom of the page. On a constant dollar basis, total Citigroup loans grew year-over-year, as Citicorp loan growth now outpaced the reduction of loans in Citi Holdings. This provides a powerful engine of year-on-year growth in net interest income and accrual earnings.

Turning to slide 8, I want to take a moment to discuss some key indicators of customer activity around the world. In addition to loan volumes, we are also seeing results from our investments in Citicorp across major business drivers, including cards purchase sales and higher retail deposits. And in particular, Citicorp continues to benefit from a strong emerging markets franchise. On the right hand side of the page, looking at Asia and Latin America, for example, we are seeing momentum from past investments. Both regions are demonstrating consistent strength with continued loan growth in all businesses, as well as cards purchase sales, which increased 7% and 21%, respectively. This strength in customer activity has helped us achieve positive operating leverage in Regional Consumer Banking in both Asia and Latin America this quarter.

We are also seeing healthy deposit growth in all regions as we continue to see flight-to-quality customer behavior in the current environment, which I will discuss further in a moment. As you have heard us say before, our investments skew towards those businesses that we think give us a good rate of return and good top line growth, and as a result we are on track to deliver on those investments.

Turning to slide 9, this page shows how we continue to improve the quality of our deposit base. You can see on the chart that we are actively changing the composition of our deposits. Time deposits, where rates are fixed for the term of the deposit and which have thinner margins, are becoming a smaller proportion of our base, whereas operating accounts are becoming a larger proportion of our deposits. These checking and savings accounts for individuals, and cash management accounts for corporations, are providing wider margins and have exhibited stickier behavior.

Year-over-year, our deposit mix has shifted positively. Operating accounts now represent 75% of our overall Citicorp deposit base, whereas last year they represented approximately 7%, and two years ago they were at 63%. As I have said before, deposits are one of our lowest-cost sources of funds. And you can see that while deposits have grown, the overall cost of funds on deposits is down year-over-year, and significantly lower from prior periods. This reflects both the low rate environment, and our ability to lower price points, which widens our margins given the abundant customer liquidity, while still remaining

On February 9, 2012, Citi announced an adjustment to its fourth quarter and full year 2011 financial results to reflect an additional $209 million of after-tax ($275 million pre-tax) charges to increase its litigation reserves related to the announced agreement in principle with the United States and with the Attorneys General for 49 states and the District of Columbia to settle a number of related investigations into residential loan servicing and origination practices, as well as the resolution of related mortgage litigation. These charges are not reflected in the investor presentation dated January 24, 2012. For additional information, see Citi's 2011 Annual Report on Form 10-K, filed with the U.S. Securities and Exchange Commission on February 24, 2012.

competitive and attracting deposits. When interest rates increase, however, we would expect to see some pressure on rates.

This quarter, in keeping with our client-focused model, we saw operating deposit growth across almost all our deposit-taking businesses, including Retail and Private Bank and Global Transaction Services. In particular, we saw upticks in Europe and North America as we were the beneficiary of the flight-to-quality.

On slide 10, I want to show you how some of the drivers we just reviewed are contributing to our Net Interest Margin. This quarter, we saw net NIM increase, which was primarily the result of the year-end reduction of low-yielding trading assets. About 5 basis points of the 7 basis point increase was driven by the fact that we took down our trading assets, which won't necessarily repeat itself. More broadly, the NIM trend is the result of the changing mix of our balance sheet. As you saw earlier, loans on a constant currency basis grew slightly year-over-year, and have started to become a larger portion of our balance sheet, as you can see on the bottom of the page. This positive growth in loan NIM, however, is offset as higher-yielding loans and Citi Holdings are running off, and are replaced by Citicorp loans.

On the liability side, we have been focused on reducing our borrowing costs. In the Bank, we have been substituting maturing long-term debt, which is a more expensive source of funding, with deposits, our lower cost source of funds. This has had a positive impact on NIM. Looking forward, absent any other significant changes, our NIM is going to continue to reflect the pressure of a low interest rate environment, and subsequent changes in our portfolio. As such, we expect that with modest growth in our trading assets, we'll probably be back to a NIM ratio closer to 2.85% next quarter, give or take a few basis points, and roughly stabilize thereafter.

On slide 11, let me summarize our Citicorp balance sheet on a business basis, as opposed to the GAAP line item basis we showed you earlier on slide 6. You can see on the right side of the page that our overall assets were down $41 billion quarter-on-quarter, as we reined in our global markets activities, while continuing to grow the lending and deposit-taking business balance sheets we just described in the last few pages. In fact, you can see here that our assets were up in our Regional Consumer Banking business, Transaction Services business, as well as in our corporate lending book of our Securities & Banking business, all in the blue portions of the bars on the page.

In contrast to the growth in the lending businesses, our market-making balance sheet was down, as the economic uncertainty that began in the third quarter continued through fourth quarter. Customers reduced leverage during the quarter and thus our matched book lending was down. Rates trading in G10 saw a slowdown, particularly in Europe, where we pared our risk-taking. Credit trading and securitized markets were two areas where we extended less balance sheet as we saw lighter flows and less market liquidity. In fact, our average VaR was down quarter-over-quarter, and perhaps more importantly, stress tests on our markets portfolio showed lower risk in our various trading books in the second half of this year, compared to the levels that would have existed at the end of the second quarter. In summary, our lending and deposit-taking businesses are a nice stable complement to our markets business.

Moving to slide 12, having discussed how we have moderated our risk-taking activity over the course of the second half of 2011, we wanted to update you on our exposures to the GIIPS countries. At the end of the fourth quarter, Citi's gross funded credit exposure to GIIPS was $20.2 billion, and our combined gross funded credit exposure to France and Belgium was $13.2 billion. Netted against our gross funded credit exposure, we have margin posted under legally enforceable margin agreements, collateral pledged under Bankruptcy remote structures, and purchased credit protection from financial institutions that are predominantly outside of these seven countries. These amounts total $13.8 billion for GIIPS, and $11.5 billion for France and Belgium.

On February 9, 2012, Citi announced an adjustment to its fourth quarter and full year 2011 financial results to reflect an additional $209 million of after-tax ($275 million pre-tax) charges to increase its litigation reserves related to the announced agreement in principle with the United States and with the Attorneys General for 49 states and the District of Columbia to settle a number of related investigations into residential loan servicing and origination practices, as well as the resolution of related mortgage litigation. These charges are not reflected in the investor presentation dated January 24, 2012. For additional information, see Citi's 2011 Annual Report on Form 10-K, filed with the U.S. Securities and Exchange Commission on February 24, 2012.

Net of margin, collateral, and purchased credit protection, our net current funded exposure to GIIPS at the end of the fourth quarter was $7.8 billion, and our net funded exposure to France and Belgium was $2.4 billion. You can see that the majority of our exposure in these countries is to corporates, not to the sovereign itself; and we continue to carefully manage these exposures while serving our important clients in these countries. Very importantly, since the end of the second quarter, we decreased our net current funded GIIPS credit exposure significantly, down 45% from $11.9 billion to $6.5 billion.

Turning to slide 13, looking at Citi Holdings, let me further describe our progress in reducing the amount of our higher-risk assets in general. Holdings total assets have declined by more than 67% from their peak in 2008 to $269 billion, and now stand at 14% of our balance sheet. Furthermore, once the transfer of $45 billion of Retail Partner Cards into Citicorp is complete in the first quarter, Holdings will be even less.

The sequential $20 billion reduction of Holdings assets occurred across many portfolios and businesses, and was comprised of nearly $12 billion of asset sales and business dispositions, approximately $7 billion of net run-off and pay-downs, and nearly $2 billion of net cost of credit and net asset marks. This slide shows you the key businesses within Citi Holdings where those reductions occurred. Importantly, the two largest components of Citi Holdings, the Special Asset Pool and Local Consumer Lending, are down 49% and 20%, respectively, from the fourth quarter of 2010. And as I have said before, our Local Consumer Lending U.S. mortgage business is a fraction of the size of that of large U.S. peers. Clearly, we are continuing to make significant progress executing in our Citi Holdings asset reduction strategy, although as we have stated, we believe the pace of the reductions will continue to moderate.

Now, on to slide 14. Having discussed credit and balance sheet trends, let's review Citi's liquidity and funding strategy, which has been a cornerstone of strength. Our current strategy is designed to provide ample, high-quality liquidity to make sure that we are well-positioned to grow our core businesses and navigate various market conditions. In both the Bank and Non-Bank, we carry a healthy liquidity buffer, which is generally held in cash and highly liquid securities such as Treasuries and Agencies and other G7 instruments. We execute on this funding strategy in both our Bank and Non-Bank businesses, by accessing a spectrum of funding sources. In our Bank businesses, our funding is primarily in the form of stable global diversified deposits, as I discussed earlier. In our Non-Bank businesses, we used a modest amount of short-term funding, such as repo, to finance liquid assets. We then use a range of long-term debt instruments to cover our broader business needs.

On slide 15, you can see the size of our liquidity buffer, which is defined as cash and highly liquid securities. It stood at approximately $311 billion at the end of the fourth quarter. This quarter, our high level of Bank liquidity is up modestly as deposits have increased. At the same time, our Non-Bank liquidity to support our broker-dealer remains relatively flat. We continue to believe that this range is proportionately calibrated to the size of our balance sheet and current market conditions. In addition to these high levels of liquidity, let me remind you of the fungibility of our liquidity at Citi. In general, Citigroup can freely fund legal entities in our Bank vehicles. In addition, under Section 23A of the Federal Reserve Act, our Bank can fund our Non-Bank entities with as much as $20 billion, as long as it is collateralized appropriately.

In addition, as of the fourth quarter, we currently estimate that other entities and subsidiaries held approximately $103 billion of cash and unencumbered liquid securities, which is not shown in the chart on the page. When you include this additional liquidity, our total liquidity buffer is approximately $414 billion. And finally, it is also worth mentioning that we only include our on-balance sheet liquidity buffer here. As such, we don't include borrowing capacity at the Fed discount window, or with the FHLBs, as part of our aggregate liquidity resources. That capacity is over and above what you see on this page, and what I just described.

Moving on to slide 16. Let me take a moment to talk to you about our cash and Available-for-Sale securities portfolio, and how we are thinking about this portfolio in the context of the current upcoming regulatory changes, as well as investment opportunities. First, I want to point out that the liquid assets on this page tied directly to our GAAP financial line on our disclosed balance sheet; and you can also find the decomposition in our regulatory filings. These amounts are similar to those I just described in the preceding page, but they include some encumbered resources, while also excluding some liquid trading assets.

Second, you can see our historically conservative investment posture in the mix of assets. We hold a high percentage of our liquidity pool in cash, totaling 41%. We have significant holdings of U.S. Treasuries and U.S. Agency debentures, and the rest is well diversified. Third, while we are still awaiting final guidance on Basel III Liquidity Coverage Ratio, as I have said before, we believe that we are already comfortably in compliance given the rules as we understand them; meaning that we are running an LCR ratio comfortably above 100%.

Finally, our strong liquidity position and historic conservativism presents us with an earnings opportunity as we enhance the yield on the portfolio. As you can see on the bar chart, we have begun to reallocate parts of our AFS portfolio from government, and government-backed securities, into high quality spread products with better yields, such as agency MBS. We have the capacity to reallocate as market opportunities arise.

On slide 17, let me turn to the long-term funding and our liability management initiatives. The top half of the page shows our long-term debt outstanding by category over time, including senior debt, TLGP, and credit card securitizations. The bottom half of the page segments the amount of long-term debt in the Bank and Non-Bank entities; so the bottom is just another cut of the top to provide you with some further texture. As you can see here, our long-term debt outstanding has decreased year-over-year in most long-term debt categories, as we have deleveraged the balance sheet, especially in the Bank. In the Bank, we have consciously reduced debt funding as we have grown our deposit base. We also let an additional $10 billion of TLGP run-off in the Bank in 2011.

Looking at the Non-Bank, at the bottom half of the page, long-term debt has decreased as we have let TLGP roll-off, while keeping a healthy amount of funding for our broker-dealer. In the Non-Bank, approximately $11 billion of TLGP debt matured in 2011. As you have heard me say before, we have not, and will not, replace this debt. As you can see here with our current estimate for the fourth quarter of 2012, we believe that this trend will continue and expect continued declines in the amount of long-term debt that we have outstanding, particularly in the Bank.

On slide 18, you can see our debt maturities for 2011, and expected maturities of long-term debt over the next two years. This chart clearly shows that maturities peak in 2012, and come down in 2013. As we see in light blue atop the first two columns, TLGP debt represented a significant amount of maturities in 2011, and is the bulk of our maturities in 2012. Many industry observers have noted that this wave of maturities is an industry-wide situation, which came about as many Banks issued TLGP and other government-guaranteed debt in 2008 and 2009. As I've said before, for us at Citi, we do not expect to replace TLGP maturities. As we have demonstrated and reviewed in the prior slides, the reason is clear: as we continue to reduce and de-risk our Citi Holdings balance sheet in both our Bank and Non-Bank entities, our need for long-term debt is coming down.

On February 9, 2012, Citi announced an adjustment to its fourth quarter and full year 2011 financial results to reflect an additional $209 million of after-tax ($275 million pre-tax) charges to increase its litigation reserves related to the announced agreement in principle with the United States and with the Attorneys General for 49 states and the District of Columbia to settle a number of related investigations into residential loan servicing and origination practices, as well as the resolution of related mortgage litigation. These charges are not reflected in the investor presentation dated January 24, 2012. For additional information, see Citi's 2011 Annual Report on Form 10-K, filed with the U.S. Securities and Exchange Commission on February 24, 2012.

During 2011, we issued approximately $15 billion of long-term structural debt. We currently expect to issue approximately $15 to $20 billion of long-term debt during 2012, although this number may change based on market conditions or other factors.

On slide 19, we wanted to review our issuance trends over the past two years and share some of our thinking regarding issuance in the current environment. The broad-based issuance franchises that we have built over time provide access to reliable and diversified funding sources. These include issuing in multiple currencies and tenors, and responding to demand across a broad spectrum of investor segments, even in choppier markets. Looking at the top half of the page, you can see that in 2010 and 2011, while benchmark issuance comprised a preponderance of our long-term debt, we saw sizeable demand for our structured long-term notes. The ability to customize issuances to investor preferences at favorable funding levels has increased the attractiveness of structured notes for us over the past year. These notes are typically linked to currencies, equities, and commodities.

Moving to the bottom of the page, issuance over the last two years has been predominantly dollar-denominated and well-diversified across tenors. Prior to the crisis, 40% to 50% of our annual borrowings were in non-dollar currencies. However, due to the adverse cross-currency base of swap and conversion, non-dollar issuance has been more expensive than direct dollar funding. Nevertheless, we continue to monitor non-dollar markets for economically attractive funding opportunities versus U.S. dollar direct. We expect to continue to deliver a mix of funding across tenors and currencies, and expect benchmark debt to continue as an important funding source.

On slide 20, let me describe for you the current status of our ratings, a topic we have discussed quite a bit over the last year. On the top half of the chart, you see our senior debt and commercial paper ratings for Citigroup, and on the bottom half are the long-term and short-term ratings for Citibank. As you are aware, the rating agencies resolve their industry-wide reviews regarding their assumptions of government support in the late part of 2011. As a result of these methodology changes, all three of the major rating agencies announced rating changes for the industry, over the last two quarters. These rating changes had no material impact on our funding profile.

So, turning to slide 21 let me summarize capital, which continues to be an area of significant strength for us, and supports the lending growth that I described. Our Tier 1 Common capital stands at $115 billion and our Total capital is $166 billion. At the end of the fourth quarter, our Tier 1 Common ratio was 11.8%, up from a year ago, and up from the third quarter. Our GAAP assets decreased 2% year-over-year. Our risk-weighted assets stood at $974 billion and Citi Holdings risk-weighted assets now represent approximately 25% of the total. As you can see, our capital base is one of the strongest in the industry, both as compared to U.S. and International banking peers.

On our last slide, let me summarize four major points. First, our capital base continues to be one of the strongest in the industry, and this is reflected across every one of our significant capital ratios. As we have stated, we continue to expect to begin returning capital to shareholders in 2012.

Second, we have significantly improved our structural liquidity by increasing our capital base and deposits, and reducing Citi Holdings assets. We believe we have ample liquidity, and as you saw, our lending activities to clients continues to increase.

Third, we will have a significantly lower proportion of wholesale funding going forward. We currently have modest long-term debt reissuance plans over the year. We will not be replacing maturing TLGP debt. Thus, we expect that our long-term debt outstanding will continue to decline.

On February 9, 2012, Citi announced an adjustment to its fourth quarter and full year 2011 financial results to reflect an additional $209 million of after-tax ($275 million pre-tax) charges to increase its litigation reserves related to the announced agreement in principle with the United States and with the Attorneys General for 49 states and the District of Columbia to settle a number of related investigations into residential loan servicing and origination practices, as well as the resolution of related mortgage litigation. These charges are not reflected in the investor presentation dated January 24, 2012. For additional information, see Citi's 2011 Annual Report on Form 10-K, filed with the U.S. Securities and Exchange Commission on February 24, 2012.

And fourth, while the market environment may be challenging, we see continued strengthen our core lending and deposit-taking businesses. And as I stated earlier, we achieved positive operating leverage for both our Asia and Latin America Regional Consumer Banking businesses this quarter.

That concludes our fixed income review. John and I would be happy to take your questions.

OPERATOR: Your first question comes from the line of Michael Rogers of Conning Asset Management.

MICHAEL ROGERS: Yes, good morning. This is a question for John. John, I wanted to just ask a bigger picture question with respect to what you think your chief worry might be as you look out over 2012. It appears as if we've received a little bit of a relative calm here after the ECBs significant LTRO operations and do you think they've bought us enough time here, or bought the European nations enough time to put their houses in order? And secondly, do you have any better or any additional guidance, on when you expect the Fed to give you a clearer signal as to where you'll need to be for capital, coming up here?

JOHN GERSPACH: Hi, Michael. Thanks for the questions. Let me answer them in reverse order. Like all other institutions, we've submitted our capital plans to the Fed around January 5. We expect to hear back from the Fed, I believe the date they've targeted is March 15, so that's the date that all the significant financial institutions will hear back from the Fed as far as capital planning for 2012. As far as the first question, which went from what do I worry about, then what do I think about Europe, I would say that as I mentioned both in media calls and in the investor call last week, Europe continues to remain an overhang on the market. You're quite right. I think that some of the ECB operations that they've put into place provided a window of calm, but it still is very much up to Europe to figure out whether or not they can come up with an achievable restructuring that will settle things down on a more permanent basis. And I think that's yet to be seen.

We've said for the last year or so, that Europe clearly has the ability to solve its own problems but right now, it's as much a matter of political will and determination, as it is anything else. And we'll just have to see how that plays out. But until there is some sort of an agreement that everyone can look at and agree that it really is achievable and sustainable, I think we're going to continue to have these periods of relative calm, and then followed by a period of uncertainty. And so, we'll just have to see. And the second worry that I continue to have of course is the housing market here in the U.S.; I think those are two book-end worries for almost anyone at this point in time.

MICHAEL ROGERS: John, it appears that we've been hearing a little bit more of a drum beat about a potential settlement from the Attorney General and the Banks. Can you comment any further on that?
JOHN GERSPACH: No. I really can't. The drums have been beating for over a year now and so we continue to get a rhythm. We'll have to see.

MICHAEL ROGERS: The SIFI buffer, that was partly what I was getting at with respect to the Fed. Do you expect anything soon on what the buffer might be, and the implementation of that over a period of time?

JOHN GERSPACH: We're still waiting to get the NPR released on Basel III. What we've heard from the Fed is that the NPR was going to be out early in the third quarter of last year. Then it was going to be in the fourth quarter of last year. Now, to use your other statement, we're hearing the drums beating that perhaps we could get an NPR out in March, and it's hopeful that with that NPR, we might get a little bit more guidance then, on everything from SIFI buffers to actual timing. So we're still waiting for the NPR.

On February 9, 2012, Citi announced an adjustment to its fourth quarter and full year 2011 financial results to reflect an additional $209 million of after-tax ($275 million pre-tax) charges to increase its litigation reserves related to the announced agreement in principle with the United States and with the Attorneys General for 49 states and the District of Columbia to settle a number of related investigations into residential loan servicing and origination practices, as well as the resolution of related mortgage litigation. These charges are not reflected in the investor presentation dated January 24, 2012. For additional information, see Citi's 2011 Annual Report on Form 10-K, filed with the U.S. Securities and Exchange Commission on February 24, 2012.

MICHAEL ROGERS: Thanks very much.

JOHN GERSPACH: Okay, Michael.

OPERATOR: Your next question comes from the line of Ryan O' Connell of Morgan Stanley.

RYAN O'CONNELL: Hello. Thanks very much. Good morning. As always, appreciate the call. Two questions, if I could. The first is on S&B, and first of all I appreciate the candor. Secondly, recognize the frustrating conditions on a tough quarter. But when I look at the equity trading revenues, which were down about 70% year-over-year, that to me looks like a bigger delta than for some of your peers. So I wonder if we could talk a little bit more there. Is it prop trading going away or is it loss of market share? Appreciate any insights there -- that's the first question.

JOHN GERSPACH: Okay, Ryan. This is John. I think when you take a look at equities, what I'd tend to do is I look at our equities revenue on a full year basis and you pull out the CVA. And our equities year-over-year had a revenue drop of about 35% which is about $1.3 billion, or $1.4 billion. Now when you delve into what drove that revenue decline year-over-year, about 50% of that revenue decline is the result of losses that we took in the prop trading business that we have now wound down. So 50% of the performance year-over-year, 50% of the revenue loss year-over-year is directly related to losses in the prop trading business.

And then the other half is really centered in the equity derivatives business; and equity derivatives would be one of those businesses that I'd be referring to in my opening commentary where it certainly has something to do with the markets, but there's also a certain amount of under-performance on our part in that business. So with regards to equities in 2012, we certainly, now that we've wound down the prop trading business, we won't have that to deal with any longer, and we would certainly be looking for improved performance coming out of our equity derivatives area.

RYAN O'CONNELL: Okay, thanks, that's very helpful. And then, I just wanted to circle back. The comments on mortgages are very helpful, but just wanted to drill down a little bit more on that. Is it all a reflection of unemployment, or are you seeing different patterns in various regions? Or do you think maybe we just hit the cyclical lows in terms of the delinquencies and that's it? I'm sorry -- the first mortgages, sorry.

JOHN GERSPACH: Yes, mortgage is a highly complex area. And you're right -- you need to take a look at delinquencies both on an MSA basis as well as individual products. It's also very difficult to actually determine what drives behavior. You've referenced unemployment. That clearly has something but it's not the sole driver either. Other people try to point towards properties that are under water, yet we have first mortgages with the properties that are under water, and both a first and a second are current. So there's no “this is it”, where you can look at one particular driver and say, “aha, this is what is driving that performance”. It's really a combination of all of those factors.
Having said that, obviously we've been pretty active in managing down our mortgage risk over the last year and a half. When you take a look at that Holdings book, it was down something like 16% this year, year-over-year. I believe that the Holdings mortgages were down 18% or 20% the year before that. So we've had two solid years of driving down the exposure. That's both due to pay-offs as well as sales that we've been doing. So we continue to think that this is an area where you need to actively manage the risk but it's hard to point to any one particular factor that's going to drive either delinquencies, or drive NCLs. The one thing I will say is that until the foreclosure pipeline is addressed, and everybody can just deal with the foreclosed properties, that is going to remain as an overhang on the housing market certainly in the U.S.

On February 9, 2012, Citi announced an adjustment to its fourth quarter and full year 2011 financial results to reflect an additional $209 million of after-tax ($275 million pre-tax) charges to increase its litigation reserves related to the announced agreement in principle with the United States and with the Attorneys General for 49 states and the District of Columbia to settle a number of related investigations into residential loan servicing and origination practices, as well as the resolution of related mortgage litigation. These charges are not reflected in the investor presentation dated January 24, 2012. For additional information, see Citi's 2011 Annual Report on Form 10-K, filed with the U.S. Securities and Exchange Commission on February 24, 2012.

RYAN O'CONNELL: Very fair point. Okay, thanks so much, John.

OPERATOR: Your next question comes from the line of Mark Kehoe of Goldman Sachs.

MARK KEHOE: Hi, good morning. Just wondering whether you can comment on why S& P believes you will not be able to retire your TruPS in 2012 as per the recent Q4 Earnings Release. Is that a view you agree with?

ERIC ABOAF: Mark, it's Eric Aboaf. I don't really know what particular statement you're referring to and so, the way you frame it, I'm not sure why they would have a particularly strong view that we could or could not retire any TruPS. I think as you know, there's a series of TruPS out there that have call provisions, where we have the right to call by virtue of the debenture and the terms. There are also some with regulatory call provisions, which may be callable depending on the terms of the NPR and further rulemaking by the U.S. regulators, so I think that would summarize our current view.

MARK KEHOE: So, effectively you're waiting the results of the Fed's stress test before you do anything, and you may have included within the Fed stress test proposal calling some of these TruPS?

JOHN GERSPACH: Yes, this is John. Look, I think as Eric pointed out -- and all you have to do is take a look at our TruPS structure to have a pretty clear view of what's going on. Our most expensive TruPS, the 8.5% and the 8.3% are callable with a regulatory event. We don't have a regulatory event at this point in time, and so you compound that with the submissions of the CCAR, and we will wait to see what the Fed says as far as our capital submission, and we're also quite interested in taking a look at what the timing of the NPR might be on Basel III. And those are two primary factors that would then guide our actions as far as timing of calls of various TruPS structures.

MARK KEHOE: Great, thank you. And the last question I had was, can you break out the risk-weighted assets behind Citi Holdings? Because I'd like to see where there are any heavy risk-weighted asset components to the overall asset mix.

JOHN GERSPACH: Well, what we've said is that Holdings now represents 25% of the risk-weighted assets of Citi. We've never broken down our risk-weighted assets in detail by individual businesses, although we have told you that at the conclusion, once we've transferred Retail Partner Cards, Holdings would represent about 21% of the risk-weighted assets of Citi.

MARK KEHOE: Okay, thank you.

JOHN GERSPACH: Okay.

OPERATOR: Your next question comes from the line of David Knutson of Legal and General.

DAVID KNUTSON: Hi, good morning. A quick question on general asset quality. There's been I think about seven quarters of improvements in charge-offs, and I'm sensing a more normal return to asset quality with a slight increase or lower reserve release, and the slight increase in asset quality problems and reduction reserve release. Is that consistent, particularly given it looks like the Citi Holdings will be -- once you move the Cards out of there -- it sounds like at least from the call earlier that that entity will probably be not quite as good about releasing reserves.

On February 9, 2012, Citi announced an adjustment to its fourth quarter and full year 2011 financial results to reflect an additional $209 million of after-tax ($275 million pre-tax) charges to increase its litigation reserves related to the announced agreement in principle with the United States and with the Attorneys General for 49 states and the District of Columbia to settle a number of related investigations into residential loan servicing and origination practices, as well as the resolution of related mortgage litigation. These charges are not reflected in the investor presentation dated January 24, 2012. For additional information, see Citi's 2011 Annual Report on Form 10-K, filed with the U.S. Securities and Exchange Commission on February 24, 2012.

JOHN GERSPACH: It's John again. It's an open ended question, but let me start with our response and see if you want to do a follow-up. In general, I think we've cited and you've noted, improving asset trends, quality of assets, in virtually all of our businesses, and with the underwriting standards that we have employed we continue to think that the asset quality will either stabilize or continue to improve. We've given no further guidance as far as future reserve releases. You can certainly take a look; reach your own conclusions on that.

When we take a look at Citi Holdings going forward, the largest asset class in Citi Holdings, especially once we've moved out Retail Partner Cards, will be the U.S. residential mortgages and that's the largest single asset class. It's also one that we've told everyone that we've got about $10 billion of loan loss reserves allocated to, and that gives us 31 months or so of concurrent NCL coverage on that asset class.

So, that's the summary of where we are with that.

DAVID KNUTSON: Maybe a similar question from a different perspective. It looked like LATAM did well whereas some other EM markets were not as good. In total, is EM experiencing more of a typical cycle in terms of asset growth and asset quality, and have we played out a lot of the growth opportunities in EM, or what's the view on that?

JOHN GERSPACH: No, I'd say certainly from an asset quality point of view, our asset quality continues to improve in both regions, and I think you see that both in delinquencies as well as net credit losses. From an absolute growth perspective, there was a certain slowdown in Asia this quarter. When you look at our Asia results, a couple of things that you need to remember are that we did have a write-down of a deferred tax asset in Japan this quarter. That was about $300 million and roughly $125 million of that, ended up in Citicorp Asia. So that certainly impacted the results. And also we mentioned slowdowns in the capital markets. That also impacts Asia. Both our Securities & Banking business in Asia obviously is impacted by capital markets, but also both our Private Bank as well as our Consumer business in Asia, also have impacts from net capital markets slowdown as far as consumers purchasing, and customers buying, investment products. So it was a slow quarter in Asia but it isn't one that we see necessarily indicating that we're at some sort of inflection point, especially when you consider the impact of that DTA write-down on the results.

DAVID KNUTSON: One last question. This is in regards to CCAR. It looks like the Fed will disclose the results, just maybe its how it's going to come out. Do you expect the regulators to provide the results to you and other firms, and then each issuer or each entity will disclose to the public? Or are your expectations for the Fed to publish it independent of the Banks that underwent the CCAR process?

JOHN GERSPACH: I would think that what the Fed will do is very similar to what they did with the 2009 stress tests where the Fed will actually disclose in a standard format, their results for each institution, because it is their stress test.

DAVID KNUTSON: Okay, thanks very much.

JOHN GERSPACH: Not a problem.

OPERATOR: Your next question comes from the line of David Jiang of Prudential.

DAVID JIANG: Hi, thanks for the call. I had a question about the S&B lending hedges. I just want to make sure, is that the first time you've broken that out in the earnings call? And I was wondering if you can go back and back-fill some of the quarters that we don't have that data. I know it's more of a

On February 9, 2012, Citi announced an adjustment to its fourth quarter and full year 2011 financial results to reflect an additional $209 million of after-tax ($275 million pre-tax) charges to increase its litigation reserves related to the announced agreement in principle with the United States and with the Attorneys General for 49 states and the District of Columbia to settle a number of related investigations into residential loan servicing and origination practices, as well as the resolution of related mortgage litigation. These charges are not reflected in the investor presentation dated January 24, 2012. For additional information, see Citi's 2011 Annual Report on Form 10-K, filed with the U.S. Securities and Exchange Commission on February 24, 2012.

reporting question because I know you break out the CVA/DVA pretty consistently for all of Citigroup, but the hedges don't seem to be consistent.

JOHN GERSPACH: You know, it's an item that we have referenced on earnings calls in the past, most notably as variance explanation or as a driver behind the changes in our lending revenues for each of the periods but clearly when you got into the third quarter and fourth quarter, that became a much larger item and therefore we did break it out separately. I don't have the individual quarters going back, but we'll get that published and if you want to do a follow-up call to Ilene, she can help you with that, all right?

DAVID JIANG: Great, that's very helpful. And in terms of the litigation expense this past quarter, was that still mostly for mortgage related litigation? I know you mentioned interchange was part of it. Is it still mostly mortgage related?

JOHN GERSPACH: You know, we didn't really talk too much about what was the single driving factor in the quarter behind the litigation. We did mention obviously the interchange, as you note, but I don't want to put a, “it was mostly this or less that” on it. And perhaps we'll have more disclosure in the 10-K.

DAVID JIANG: Okay, great. And then can you update us on the latest guidance on where Basel III capital levels will be in terms of either the actual ratio or the risk-weighted component?

JOHN GERSPACH: Yes, what we've said and as we've been saying is that our expectation is that we will end 2012 with the Basel III Tier 1 Common ratio in excess of 8%, and that would be after a return of capital to our shareholders. But we haven't given any statement as to exactly where we are just now, and I think we'll have probably more to say on Basel III as we get further into the year.

DAVID JIANG: Thank you.

JOHN GERSPACH: Okay.

OPERATOR: Your next question comes from the line of Robert Smalley of UBS.

ROBERT SMALLEY: Hi, thanks for taking my question and thanks for having this call. A couple of quick questions. First, you've given a lot of detail on maturity and issuance of long-term debt. So far this year, you accessed the market with $2.5 billion of a 5-year and $1 billion of a 30-year. Could you talk to us about how you look at this debt issuance and some of the metrics you use? Are you looking at weighted average maturity? How do you look at that versus the interest rate background, versus the need to match liabilities with assets?

ERIC ABOAF: Hi, Robert, it's Eric. Let me give you a little bit of background and if there are more specifics, feel free to follow-up. If you think about our overall issuing needs for long-term debt, they're primarily geared towards our market making broker-dealer business; and so what we tried to do is really think about a maturity profile that gives us a good deal of reliability, given the ebbs and flows of issuing opportunities.

And what that means, is that we want a nice weighted average maturity. I think over the years we've had in the range of five years, six years, seven years -- in that range. And we obviously don't want to come down too short, because at one extreme, if you have one year debt it's going to roll off in one year, and you've got a big plug of re-financings that you need to do.

On the other hand, we want to balance the pricing opportunities as you mentioned. Sometimes there are pricing opportunities, sometimes opportunities embedded in the curve, in particular tenor points; sometimes there are opportunities at different currencies. And we'll take advantage of those, but those are really the two, I think, primary features which is a nice weighted average maturity, including making sure that we don't have lumpy maturities coming through in out-years and out-quarters; and then on the other hand, doing that in a way that optimizes the economics and keeps our cost of funds as low as possible.

ROBERT SMALLEY: So are you at about five years now and you would look to move it to seven years, given the overall level of interest rates?

ERIC ABOAF: No, I don't think the maturity isn't really going to change based on the interest rate environment. The maturities really right now are a choice of staying within that five, six, seven year range, so I think right now we're pretty much in the middle of that range. And the choice now is what are the credit spreads on the opportunities that we have relative to the absolute level of interest rates, right? I have to balance both of those to really optimize economics for the firm on a multi-year basis.

ROBERT SMALLEY: Okay, so you're really looking at points on your own credit curve, and flatness or steepness of that curve?

ERIC ABOAF: Yes, exactly. Points on the credit curve -- flatness and steepness -- as well as our view as to what that credit curve will look like, right? The forward credit curve, in fact, in the coming years so that we balance how much of those credit spreads we want to lock in, versus either seeing some benefits in the coming years or if markets become more uncertain that could widen, and we might want to lock some of that in right now.

ROBERT SMALLEY: Okay, great. A couple of other quick questions. In terms of LTRO, is that something that you participated in and can you participate in, either you or any of the European subsidiaries?

ERIC ABOAF: On LTRO, I think we and other Banks don't disclose that particular borrowing, either in the European system or in the U.S. system and I think there's quite a bit of rules around that.

As you know, we are flush with liquidity. We have ample liquidity across our Bank, our Non-Bank, and across our jurisdictions and geographies. So there's no particular reason why we would be borrowing. That said, I think you raise a very important question which is, can we? And the answer is absolutely. We have contingency funding plans in place in the U.S., in Europe, under all of the jurisdictions actually that we operate in, so that we have the maximum flexibility. What we will do in every one of those jurisdictions, is make sure that every dollar of our eligible assets that are pledgeable, or that we can borrow against, are signed up appropriately under the local rules, including the local ECB facilities.

ROBERT SMALLEY: Thanks. Last question. I, like many others, read Vikram's editorial about indexing or calibrating the way that Banks look at risk-weighted assets and charges for risk-weighting. Can we expect to see that type of disclosure from you guys, and before you say that you'd want to be a group of Banks to do it, if it's a good idea and I think it is and it's your idea, why not be the first to do it?

JOHN GERSPACH: That's a very, very interesting question. I think that we first would have to agree on a basket of securities, or a basket of assets, that would be of relevance to everyone. And at least for right now, we're continuing to engage in a discussion as far as getting more people to move towards that type

On February 9, 2012, Citi announced an adjustment to its fourth quarter and full year 2011 financial results to reflect an additional $209 million of after-tax ($275 million pre-tax) charges to increase its litigation reserves related to the announced agreement in principle with the United States and with the Attorneys General for 49 states and the District of Columbia to settle a number of related investigations into residential loan servicing and origination practices, as well as the resolution of related mortgage litigation. These charges are not reflected in the investor presentation dated January 24, 2012. For additional information, see Citi's 2011 Annual Report on Form 10-K, filed with the U.S. Securities and Exchange Commission on February 24, 2012.

of model, but I don't envision us being the pioneer in that, at least in the upcoming 10-K. But not to say it isn't something we would consider in the future.

ROBERT SMALLEY: Okay, thank you.

OPERATOR: Your next question comes from the line of Tom Chistolini of Fidelity.

TOM CHISTOLINI: Hi. On the Fed's enhanced prudential standard that came out the end of December, it seemed like the surprise there was the 10% counterparty limit that you and essentially the “Big Six” U.S. Banks have to have for each other. I guess my question is, is that something, that 10% limit, are you already there, or is that something that's going to require considerable efforts to get to that limit?

ERIC ABOAF: Tom, it's Eric. That was an interesting part of the materials that came out, and if you think about it, it's really classic banking, right? Not having large single name or single counterparty concentrations, and you could imagine we actually run our business that way. That's the way to run it from a credit standpoint, a counterparty standpoint, a trading standpoint, and so we have a long history of being quite careful in that regard.

To the extent that you asked a very concrete question -- is it binding? At this point, we've reviewed it and we don't see any particular dramatic impacts on our businesses, or our activities, and obviously if there were to be any we would clearly signal that in some of our 10K and 10-Q type disclosures, but no particular impact at this point that is significant to mention.

TOM CHISTOLINI: And then on the 25% counterparty limit, that seems to apply to the U.S. government too, right? Is that something that could be a binding issue with all the various touch points you would have there? It seems like it's sovereign, too, that 25% would apply to any sovereign exposures?

ERIC ABOAF: Yes, Tom, it's Eric. I think it did cover sovereigns, and so then you have to do the same calculation that you're doing across the sovereign holdings we have around the world. I do think there was an exemption for the U.S. sovereign by virtue of coming from the U.S. regulators, but maybe we can both check and follow-up on that point.

TOM CHISTOLINI: Oh, okay, thank you.

OPERATOR: Your next question comes from the line of John Carolan of Hartford Investments.

JOHN CAROLAN: Hi. I wanted to talk a little bit about Europe. You folks continue to be cautious in your commentaries around it and I guess my first question is, when you look at your exposure that you provide to us in the slide deck, are you regularly comparing the degree of exposure in your disclosure that you are providing relative to your peer group? Because there are some others who are providing some more detail.

JOHN GERSPACH: Yes, and I think its been quite public that the SEC has actually advised all of the institutions as to at least provided additional guidelines as to what they think would be the more appropriate disclosure, at least that they would like to see. And so you can assume that we will be modifying our disclosure in the 10-K, in accordance with the guidelines recently published by the SEC.

JOHN CAROLAN: Okay, that was part of it. And then the second piece of it is, when you actually think about your potential risk of loss in various European scenarios, are you really using this number where we see a net current funded exposure of $7.8 billion less some collateral, as well as some unfunded

On February 9, 2012, Citi announced an adjustment to its fourth quarter and full year 2011 financial results to reflect an additional $209 million of after-tax ($275 million pre-tax) charges to increase its litigation reserves related to the announced agreement in principle with the United States and with the Attorneys General for 49 states and the District of Columbia to settle a number of related investigations into residential loan servicing and origination practices, as well as the resolution of related mortgage litigation. These charges are not reflected in the investor presentation dated January 24, 2012. For additional information, see Citi's 2011 Annual Report on Form 10-K, filed with the U.S. Securities and Exchange Commission on February 24, 2012.

exposure, and that's your base case? And then maybe you're just simply look at the credit protection and say well maybe it's worthwhile, maybe it's not and you can just add it back and those are the parameters that you think about as your worst loss case? Or is your analysis completely outside the scope of these numbers? I'm trying to get at how useful these numbers really are for the investment community to understand the direct and indirect exposures.

JOHN GERSPACH: As we have indicated, maybe not on this slide, but in the 10-Qs that we've published, these are the numbers from our risk systems. These very much are the numbers that we manage by. Now, we will come up with different stress scenarios on these numbers as I assume you would, but these are the numbers by which we gauge our risk and we manage our risk profile.

JOHN CAROLAN: Okay, thank you.

OPERATOR: Your next question comes from the line of Peter Ganucheau of Carlson Capital.
PETER GANUCHEAU: Hi, guys.

JOHN GERSPACH: Hi, Peter.

PETER GANUCHEAU: I wanted to focus on revenue picture. I appreciate the dissection of the weakness in equities year-over-year, about 50% of it prop wind-down and about 50% of it derivatives. Now, first of all my understanding is that in your comments is the prop wind-down is done and we won't have a drag from that anymore, is that correct?

JOHN GERSPACH: That is correct. We are done with the wind-down.

PETER GANUCHEAU: And then you said the equity derivatives would be better. So I need help with the qualitative "better" because is there a hangover trade that winding down that's going to hit us, and continue to hurt a little bit in the first half? Or should we expect more near-term improvement on a sequential basis and equity derivatives?

JOHN GERSPACH: Peter, I don't think I said I was telling you it was going to be better. I believe I said that that is an area where we would expect improved performance, but that certainly is our expectation but I did not categorically state that it would be better; but, let's just hope that it is. I don't believe that there's any big overhang, dragging trade that's going to continue to drag us down, but nor would I say that therefore, there's this light switch that's suddenly going to come on that says, now that we've stopped doing that beginning January 1, everything is better. Markets have an impact on those results, as well as our performance in running that business. And we can certainly improve our performance during the first and the second and the third and fourth quarters, but depending on what happens with the markets, that could continue to be an impact on the revenue performance there.

PETER GANUCHEAU: As far as steps to improve, I'm assuming that's people, that's talent?

JOHN GERSPACH: That's the whole package, absolutely.

PETER GANUCHEAU: Okay, thanks.

OPERATOR: Your final question comes from the line of Chris Kawasaki of Blackrock.

CHRIS KAWASAKI: Hi guys, thanks for taking my questions. I had a quick question. On your earnings call you said you de-risked your Securities & Banking business in December. Could you walk me through the rationale for the de-risking more fully? Was there something specific to Europe that you saw?

ERIC ABOAF: It's Eric. I think from my commentary on page 11 might be good to refer to there. I think broadly we have been de-risking our exposure to Europe, and in particular, I quoted some of the reductions in our net funded credit exposure from the second quarter through to the end of the past year, been down 45%. And you can expect that that would have happened over the course of several months, and during both quarters. So, I think that would be the principle, very European-specific de-risking.

I think beyond that what we saw is, lighter flows and lighter interest from our investor clients to actually trade, and so there was a lot of folks just sitting on the sidelines, a lot of folks not taking particularly strong views on rates. And I think I did mention that in our G10 rates trading, our developmental market rates trading, Europe was one of those areas where we saw folks sit on the sidelines, and then I think we talked a little bit about some of the other debt. So it was really beyond Europe and specific de-risking that I talked about. Our activity was really a reflection of the investor interest, and thus a more muted risk posture, and as a result and also more muted set of volumes that came through.

JOHN GERSPACH: Just to follow on what Eric said when we made the commentary as far as the de-risking, it was more directed towards the second half of the year and the fourth quarter rather than just a December event in particular. And in addition to the areas that Eric mentioned, it was certainly partially Europe, but also just then the impact that Europe was having on the overall market particularly in credit products and securitized products. And so, just the one thing we did not want to do was try to compensate for weakness in the markets with additional risk-taking. We were very careful not to try to chase our tail in something like that. So just as our customers did, we took some risk off the table in the second half of the year, and in Eric's commentary he mentioned where you will see some of those impacts, both on the balance sheet and the VaR calculation. But something that you won't see is in our internal stress tests, where those stress tests came down dramatically from where they would have been at the end of June.

CHRIS KAWASAKI: Got it, that's very helpful. I n terms of thinking about the forward opportunity set within Europe, specifically some peers have been a little bit more favorable, how are you thinking about right-sizing the balance sheet, your funding needs, capital, and costs to potentially take advantage of these opportunities, specifically in the trading businesses?

ERIC ABOAF: The way I'd frame that is we've got the funding capacity and capital capacity to trade actively and to support our clients out in the markets. And as we've seen a bit more customer activity in the opening couple weeks of January, we've been there with our clients and we've been there, desk by desk, taking advantage of opportunities. And as a way to see that in our materials, on the page where we actually showed the liquidity pool that we run with, we ran with a very consistent liquidity pool over the last couple quarters; and we ran with those both in smoother and more favorable markets in the first half of the year, as well as in the choppier markets that we saw in 3Q and 4Q. And a good way to think about that is that that pool of liquidity and funding that has provided, that has created that liquidity, is there every day for us to use in our markets business.

And the real question is do the opportunities present themselves? If they do, we've got the funding and if the opportunities don't, as John said, we'd rather sit back and watch for a little while until things come back.

CHRIS KAWASAKI: Great, thank you very much.

On February 9, 2012, Citi announced an adjustment to its fourth quarter and full year 2011 financial results to reflect an additional $209 million of after-tax ($275 million pre-tax) charges to increase its litigation reserves related to the announced agreement in principle with the United States and with the Attorneys General for 49 states and the District of Columbia to settle a number of related investigations into residential loan servicing and origination practices, as well as the resolution of related mortgage litigation. These charges are not reflected in the investor presentation dated January 24, 2012. For additional information, see Citi's 2011 Annual Report on Form 10-K, filed with the U.S. Securities and Exchange Commission on February 24, 2012.

OPERATOR: That concludes the question-and-answer session. Ms. Fiszel Bieler, do you have any closing remarks?

ILENE FISZEL BIELER: Thank you, everyone, for joining our call today. If you have follow-up questions please don't hesitate to reach out to us in Fixed Income Investor Relations. We'll talk to you again soon.

Certain statements in this document are "forward-looking statements" within the meaning of the rules and regulations of the U.S. Securities and Exchange Commission. These statements are based on management's current expectations and are subject to uncertainty and changes in circumstances. Actual results and capital and other financial condition may differ materially from those included in these statements due to a variety of factors, including the precautionary statements included in this document and those contained in Citigroup's filings with the U.S. Securities and Exchange Commission, including without limitation the "Risk Factors" section of Citigroup's 2010 Annual Report on Form 10-K.