

# Letter to Shareholders

## Dear Fellow Shareholders,

2012 was a momentous year for our company – our 200th, a milestone few institutions ever reach. We celebrated on every continent and in virtually every country, highlighted by our Global Community Day on June 16, the anniversary of our founding. On that day 200 years later, more than 110,000 of our people, in 93 countries, celebrated our anniversary by giving back to the communities we serve.

I've been with Citi or its predecessors my entire career – nearly 30 years – and I was especially proud to be a part of our rich legacy on that day. It was a stirring reminder of the talent and character of our dedicated people, whom I am proud to lead.

I welcome the chance to put 2012 into perspective and, more important, to outline my agenda for 2013 and beyond.

Our anniversary was a terrific celebration – but last year also provided its share of disappointments. We had some significant charges throughout the year that hurt our bottom line. Some we took in order to continue putting legacy issues behind us. And we believe that the repositioning actions announced in December will help us in the long run as we increase the focus and efficiency of our operations. Our core operating performance continues to improve, but it's clear – especially from our fourth quarter results – that we still have work to do.

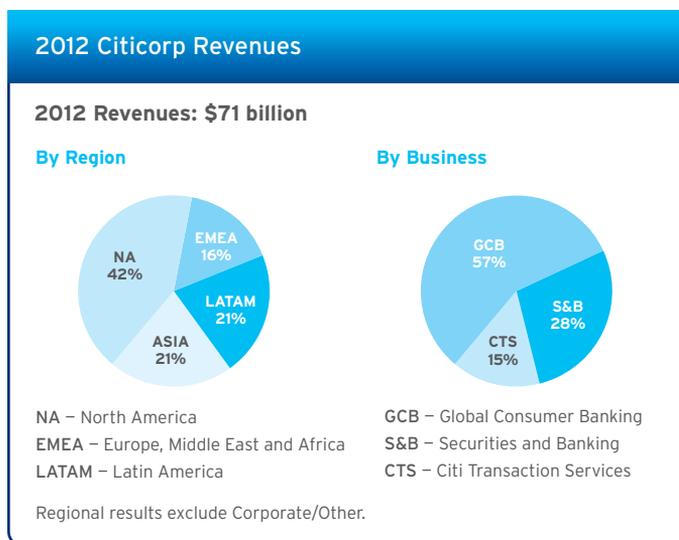
When I became CEO in October, I set myself three main objectives to accomplish by the beginning of the year: conduct business reviews and prepare the 2013 budget; select my management team; and finalize and submit our capital plan to our regulators. Throughout those months, I also spent a good amount of time meeting with our stakeholders: clients, investors, regulators and, of course, our people. The conversations were almost universally encouraging about our franchise and about the direction of this historic firm.

These important tasks now complete, we look ahead to building on Citi's great heritage. Let me, then, describe to you where I think we are today, lay out where we want to go and explain my plan for how we'll get there.

The state of our firm is in many ways very strong. Our strategy is well-aligned with three dominant, long-term secular trends: globalization, urbanization and digitization.

Growth has shifted from being largely a phenomenon in the developed world to being increasingly concentrated in the emerging markets. In fact, between 2008 and 2012, 45% of the world's growth occurred in just one country: China. We're ahead of our peers in shifting toward these fast-growing markets because no other bank can match our presence and

experience. And we're in a position to seize key opportunities as our competitors pull back. Not only do we have the most extensive global network of any bank, we also bring to the table decades of experience in some of the world's key markets.



More and more people are moving into cities, and every year the share of GDP produced in urban centers grows. Today, fully 80% of the world's GDP is generated in urban centers. And cities are not reflected just in our name – they're in our blood. We've identified over 150 cities – which together produce 32% of global GDP – that fit our business model and represent where we think many of the coming opportunities will emerge. We already have a presence in more than 80% of them, with plans for the rest. As a company, we've often spoken of our presence in more than 100 countries – which is vital to our success – but in the future, you'll hear us talking more about the cities.

Finally, digitization is not just about websites and apps and other customer-facing elements – though these are very important. Digitization will continue to revolutionize our entire industry, front office to back, and transform the way clients – from individuals to big institutions – interact with us and utilize our offerings. We've done a great deal around Smart Banking on the consumer side – and are recognized as industry leaders – while also building better platforms for our institutional clients. There's much more to do, but we feel good about where we are today.

In addition to our network, we offer world-class products and services and employ top talent. We've restructured most of our company. In a sector that continues to deleverage, we began that process more than four years ago and are ahead of many of our peers.

Yet our company – and our industry – still face significant economic, political and regulatory headwinds. Growth likely will be uneven. There is reason for optimism that the U.S. recovery will pick up steam and that the emerging markets will regain some of their strong, pre-crisis momentum. But prospects for Europe remain mixed.

Politically, we've just lived through a year of elections and transitions around the globe. Public pressures – intense during the crisis – remain, showing that as an industry we still have a long way to go toward regaining public trust.

The regulatory challenges alone are enormous. Our bank is well-capitalized, even under the stricter Basel III criteria. But beyond capitalization, the sheer scope of regulation we now face is vast. One thing is certain: there's no appetite among regulators for us – or any large bank – to grow inorganically. That dynamic, however, can work to our advantage. We need to be less concerned by mergers and acquisitions among our peers trying to replicate our footprint – but we must be especially focused on getting the best out of the mix of businesses that we have.

These and other changes are redefining every relationship this company has: with our clients and customers, with our regulators, with our employees and with the communities we serve – and above all with you, our investors.

In addition, two legacy issues are not yet behind our company and will take us time to resolve.

Citi Holdings creates a disproportionate drag on net income and ties up a significant amount of capital. We've made good progress here. In 2012, we reduced the size of Holdings by a further 31%; at the end of the fourth quarter, it made up only 8% of our balance sheet, down from a peak of about 40%. Yet it still represents a disproportionate 23% of our risk-weighted assets under Basel III. A quick, economically viable resolution of the remaining portfolio does not exist. I have considered and understand the issue in detail – it does not make sense to destroy capital simply for the sake of speed. We will continue to manage these assets and our associated expenses in an economically rational way while taking advantage of all reasonable opportunities to reduce them more expeditiously.

Our deferred tax assets (DTA) also tie up a significant amount of book capital that doesn't earn any returns – indeed, moving this off our books requires that we generate earnings, specifically in the U.S. In 2012, our DTA went in the wrong direction and rose by nearly \$4 billion. One of my top areas of focus will be to begin to turn that trend around, but utilizing a substantial portion of our DTA will likely take longer than resolving Holdings.

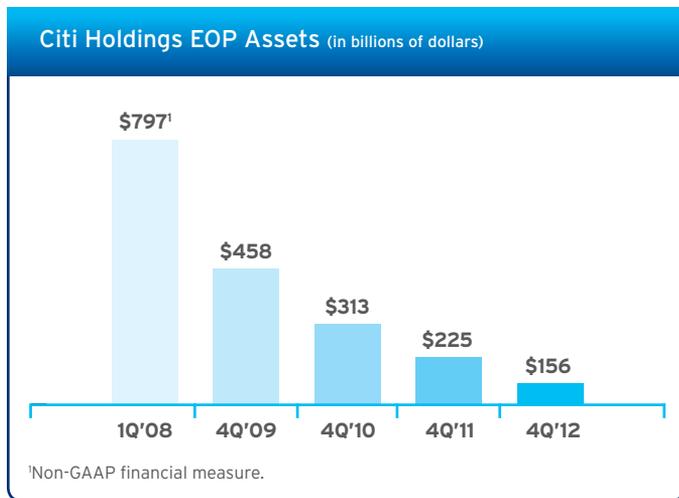


**Michael L. Corbat**  
Chief Executive Officer

What this means for us in practice is that about one-third of our capital is not available to us to generate the returns you expect and deserve. Thus, with the remainder, we have to be better than good and better even than our peers. There is no margin for error. My management team understands what's at stake.

I'm often asked how I would judge my tenure as CEO a success – what do I want the company to look like down the road?

First, I want Citi to generate consistent, quality earnings. We'll accomplish this by driving client relationships and building revenues organically in our core businesses. The future of our franchise depends on consistently generating quality earnings from our core business activities. Specifically, I want to see us generate risk-adjusted returns above our cost of capital.



Second, I want Citi to be known for making smart decisions in every aspect of our work. It is imperative that Citi be a firm with the right focus on efficiencies and is smart about risk – both in terms of dollars and reputation – as well as investment performance and growth. And we'll build a culture of accountability and judge our people on the decisions they make and the results they deliver – or fail to deliver.

Third, I won't be satisfied until Citi has completely rebuilt our credibility with all our stakeholders. Ultimately, our results will speak for us. My goal is for Citi to be seen around the world, and by all our stakeholders, as an indisputably strong and stable institution.



**Team Citi, from left, back row: Dominique Dawes, Gwen Jorgensen, Cullen Jones, Sanya Richards-Ross, Christie Rampone, Bob Bryan, Meb Keflezighi, Mike Bryan, Danell Leyva, Kari Miller and Rowdy Gaines; front row: Carlos Leon and Amanda McGrory.**

How do we get there? One word: execution.

As I said when I stepped into the role, while our core strategy is not changing, the intensity with which we focus on execution and on operational efficiency will increase. We've refined our management structure in ways that delegate authority to the appropriate levels.

Throughout my career, I have always believed that "you are what you measure." I've set clear goals around clear metrics – return on assets, return on tangible common equity and operating efficiency – and will hold my management team accountable for them. And I've made those targets public so you can monitor our progress and hold us – and me – accountable as well.

My team and I will continue to seek ways to refine and optimize the execution of our strategy and improve operating efficiency. As a company, we need to show expense discipline and be what I like to call "maniacal allocators of our resources." Success depends on investing our resources in the right places, in the right businesses, at the right time. We can't be everything to everyone. Our business model is simple and straightforward: to provide the best core banking products and services to people and institutions through leveraging our global footprint, which includes the world's fastest-growing markets and cities.

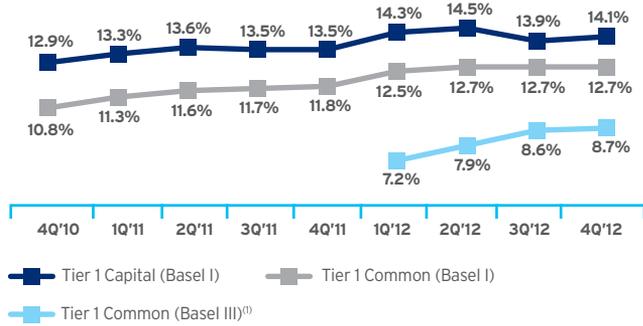
We have a unique ability to both lead and follow our clients. For us, the future is all about seeing where our customers and clients are going to go and making sure we're invested so when they get there or when they need us, we're ready.

## From Ambition to Achievement: Citi Sponsors 2012 U.S. Olympic and Paralympic Teams

Last summer, at the London 2012 Olympic and Paralympic Games, athletes from around the world captured our hearts by demonstrating what could be achieved when you reach for your dream. But no athlete stands alone on the podium – behind each is a network of supporters. In commemoration of Citi's 200th anniversary, we are proud to have been the official bank sponsor of the U.S. Olympic Committee (USOC) and the 2012 U.S. Olympic and Paralympic Teams.

For our first-ever Team USA sponsorship, Citi announced a \$500,000 donation to the USOC to launch the Every Step of the Way<sup>SM</sup> program. Through activity on Facebook and Twitter, fans and Citi customers helped allocate the donation,

## Citigroup Key Capital Metrics



<sup>1</sup> Citigroup's estimated Basel III Tier 1 Common ratio is a non-GAAP financial measure.

For additional information on Citi's estimated Basel III Tier 1 Common Capital and Tier 1 Common ratio, including the calculation of these measures, see the "Capital Resources and Liquidity-Capital Resources" section of Citi's 2012 Annual Report on Form 10-K.

I know that great things lie ahead for Citi. I'm proud to lead the company where I've learned so much and built my career. Assuming this role is the honor – and the responsibility – of a lifetime. I will do my utmost to live up to the trust you have placed in me.

Sincerely,

**Michael L. Corbat**  
Chief Executive Officer, Citigroup Inc.

To build today what we already have would be, quite probably, impossible. In many ways, our business model becomes rarer every day. The rich legacy left to us by our predecessors presents us with a tremendous opportunity – one that I intend to make the most of.

I appreciate the support and guidance of our board during my transition to this new role. And I'm grateful for the continued confidence of everyone who owns a share in our company. I view my job as CEO as being your advocate and the defender of your interests. I will always aspire to do what's right for our company and for you.

represented by 50 million ThankYou® Points, to the U.S. Olympic and Paralympic sports programs that inspired the 13 U.S. Olympic and Paralympic qualifiers, hopefuls and alumni that made up Team Citi. From saving lives through swimming lessons to providing equipment for tomorrow's Paralympians, the Every Step of the Way<sup>SM</sup> program will have a lasting impact on future Olympic hopefuls in communities across the country.

The campaign featured broadcast, print and digital advertising, events, promotions and retail activation. A variety of ads, all featuring our Team Citi athletes, encouraged viewers to join the Every Step of the Way<sup>SM</sup> program at [citi.com/everystep](http://citi.com/everystep) and highlighted some of Citi's most competitive and innovative banking products, including Mobile Check Deposit, Citibank® Popmoney® and the ThankYou® Points sharing app.

Leading up to the London 2012 Olympic and Paralympic Games, Citi brought the Olympic and Paralympic spirit to locations across the country through the Citi Team USA Flag-Raising Tour. Citi customers, colleagues, local students and community partners had the opportunity to meet U.S. Olympic and Paralympic athletes, hear the inspirational stories and show support for Team USA.

Congratulations go to Team USA and Team Citi, whose members won a total of six gold, three silver and two bronze medals at the London 2012 Olympic and Paralympic Games.

