

**Citi First Quarter 2011 Fixed Income Investor Review***April 27, 2011***Host**

Ilene Fiszal 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 Fiszal 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. Fiszal Bieler, you may begin.

**ILENE FISZAL 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 investor presentation, which is available for download on our website, [www.citigroup.com](http://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 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 are very pleased to be hosting our Fixed Income Investor Review this quarter. Last quarter we discussed some of our key accomplishments, particularly our strong capital position, robust structural liquidity, and disciplined balance sheet management.

Today we are going to update you on our continued progress in those areas. Eric Aboaf, our Treasurer, is going to take you through some specifics on credit fundamentals, our capital position and liquidity profile, as well as review our recent issuance activity and current funding plans for the coming year.

Many of you may have joined us on our April 18<sup>th</sup> 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. Before I do, I just want to note that we took into consideration the views of many of you who expressed your preference to host our call this quarter once the domestic earnings season was largely over, and after the spring holidays. I understand that there are those who would prefer we sequenced things a little differently; and within reason, we will continue to do our best to accommodate both points of view.

Now, we continue to make progress in 2011. We earned \$3 billion in the first quarter, more than double what we earned in the fourth quarter of 2010. Revenues were up 7% and expenses were down 1% as compared to the fourth quarter of 2010.

Our core businesses performed well, with Citicorp earning \$4.1 billion for the quarter. Citicorp consumer and corporate loans grew on a combined basis by 10% year-over-year. Pretax earnings in Citicorp were almost evenly split between the emerging and developed markets, reflecting our presence in the 160 countries where we do business.

**Citi First Quarter 2011 Fixed Income Investor Review***April 27, 2011*

On the Institutional side, our client business in Securities and Banking was strong. Although down from 1 year ago, revenues in lending, equities, and fixed income rebounded strongly from the fourth quarter of 2010.

Client activity in our Global Transaction Services business was also strong. We had higher deposits and higher trade finance loans.

In both U.S. and International Consumer Banking, net income was up from the fourth quarter and the first quarter of 2010. Internationally, average deposits and loans increased 13% and 14%, respectively, from a year ago and credit trends continued to improve.

Throughout our franchise we are focused on adding high-performance assets, and we remain very selective about the assets we put on our books. We continued to divest non-core assets in Citi Holdings, with a \$22 billion decrease in the first quarter.

Total Citi Holdings assets stand at \$337 billion, down 33% from 1 year ago. As such, Citi Holdings assets are now about 17% of our total balance sheet. And losses in Citi Holdings in the first quarter were down 31% from the prior year. These results helped improve our financial strength. Our Tier 1 Common ratio increased to 11.3%.

We are also building for the future. We are making substantial investments in our businesses in Citicorp. In the first quarter, we made increased investments in technology, branches, marketing, and new corporate and investment banking hires. In addition, we are building our commercial banking business.

We will continue to execute our strategy with discipline, reducing assets in Holdings and investing in key markets in our core businesses. We have demonstrated that we are consistently profitable, and we are now focused on responsible growth.

Turning to slide 2, I would like to highlight some of our key earnings results from the first quarter. As I just mentioned, Citigroup reported first-quarter net income of \$3 billion or \$0.10 per diluted share versus \$0.15 in the first quarter of 2010.

This quarter's results included a \$709 million net pretax loss on the transfer of certain securities in the Special Asset Pool from held-to-maturity to trading assets. We also saw a negative CVA of \$256 million from Citi's spreads tightening, compared to a positive \$308 million last year.

Revenues of \$19.7 billion were down 22% versus the first quarter of 2010 due primarily to lower Securities and Banking revenues, declining assets in Citi Holdings, and the loss on the asset transfer. Expenses were up 7% year-over-year to \$12.3 billion driven by higher investment spending, volume-related costs, the impact of foreign exchange, and higher legal and related costs, all of which were partially offset by continued productivity savings and declining expenses in Citi Holdings.

Net credit losses declined for the seventh consecutive quarter to \$6.3 billion, 25% lower than the first quarter of 2010. We also released \$3.3 billion of net loan loss reserves compared to a \$53 million net release last year.

And now, let me turn it over to Eric and we will come back and answer questions at the end.

**ERIC ABOAF:** Thank you, John. As you know, last year was our first full year of profitability since the financial crisis, and we continue to make substantial progress in 2011. This progress gives us a strong foundation for sustainable growth.

Our results demonstrate this clearly, as you can see here on page 3. Both our capital and liquidity are robust no matter which measure you use.



We continue to make progress in de-risking the balance sheet through asset disposition which provides us with ample capital and liquidity to strategically invest in the future. Holdings assets have declined by more than half from their peak in 2008 to \$337 billion and now stand at 17% of our balance sheet.

We are seeing continued improvement in credit trends, with net credit losses in the first quarter down 25% from a year ago and non-accrual assets down 46% year-over-year.

We are well reserved, with loan loss reserves of approximately \$37 billion. With this strong balance sheet we are well positioned in the industry to capitalize on our strong presence in emerging markets and our global capabilities. As an example, for the third consecutive quarter we grew both consumer and corporate loans in Citicorp.

With this foundation we believe we can now deliver sustained growth in our three core businesses -- Securities and Banking, Global Transaction Services, and Regional Consumer Banking.

Let me start out by taking you through our credit trends, which showed continued improvement for the seventh consecutive quarter. Slide 4 shows total Citigroup net credit losses and loan loss reserves. NCLs continued to improve in the first quarter, down 9% sequentially to \$6.3 billion with an LLR release of \$3.3 billion.

Let me describe our credit trends in two broad buckets: corporate and consumer. The first major area -- corporate credit, which is at the top right -- had a benefit of \$520 million in the first quarter of 2011 compared to a benefit of \$256 million last quarter. Corporate net credit losses increased 28% sequentially to \$849 million, driven by charge offs for loans for which we previously established specific reserves which were then released during the quarter.

In total, we released \$1.4 billion of net corporate loan loss reserves in the first quarter, up from \$920 million in the fourth quarter. Corporate non-accrual loans of \$5.5 billion were down 36% versus the prior quarter, the majority of which was attributable to EMI.

At the bottom right of the page you can see the second major area, consumer credit. Consumer NCLs declined 12% sequentially to \$5.4 billion, and we released \$2 billion in net loan loss reserves. At the bottom of the slide you can see that we ended the quarter with approximately \$37 billion of total loan loss reserves, which is 5.8% of loans.

Turning to slide 5 and 6, you will see more detail on our improving consumer credit trends. On the top half of page 5, you see that NCLs continued to improve on both a dollar and a rate basis in the first quarter, while dollar delinquencies increased slightly in some markets as we continued to grow our international loans.

More specifically, in our International Regional Consumer Banking businesses in Citicorp, end of period loans were up 4% quarter-over-quarter, whereas delinquencies were up less than 2%.

International Local Consumer Lending delinquencies and NCLs continued to come down as we continued to reduce the balance sheet of Holdings.

The bottom half of slide 5 shows North American cards. Credit trends in both our Citi branded cards in Citicorp and Retail Partner Cards in Citi Holdings continue to improve.

In Citi-branded cards, NCLs declined for the fourth consecutive quarter. NCLs decreased by 19% sequentially to \$1.4 billion, and 90-plus delinquencies were down 10% to \$1.4 billion.

**Citi First Quarter 2011 Fixed Income Investor Review***April 27, 2011*

In Retail Partner Cards, NCLs were down for the seventh consecutive quarter. NCLs decreased by 18% sequentially to \$1.1 billion, and 90-plus delinquencies declined by 19% to \$1.3 billion.

For both portfolios, early-stage delinquencies also showed improvement on both a dollar and a rate basis.

On slide 6 we show the North American mortgage portfolio in Citi Holdings, split between residential first mortgages and home equity loans. 90-day delinquencies in both portfolios improved again this quarter.

In residential first mortgages, we ended the quarter with \$76 billion of loans, down 21% from a year ago. 90-plus delinquencies were down more than 50% from last year. Net losses increased slightly from the fourth quarter due to lower recoveries, but were down 26% versus a year ago.

The sequential decline in first mortgage delinquencies was mostly due to asset sales and trial mods converting to permanent modifications. We continue to believe that one of the best ways to manage the severity risk in this business is by selling delinquent mortgages. To that end, during the first quarter we sold \$1.1 billion in delinquent mortgages, and we have sold approximately \$6 billion of delinquent mortgages over the last five quarters.

As our economic assumptions for the rest of the year include continued slight downward pressure on HPI, we intend to remain active sellers of delinquent mortgages as long as market conditions remain favorable.

As you can see here in yellow, we have had double-digit percentage reductions in our first mortgage and home equity balances. That leaves us with an overall mortgage exposure that is underweight relative to most large U.S. banks.

Now that I have covered our improving credit trends in both corporate and consumer, let me describe our progress in reducing the amount of higher risk assets in general. Slide 7 shows the asset trends in Citi Holdings.

This quarter we reduced Citi Holdings assets by \$22 billion. We ended the quarter with \$337 billion of assets, which represents a reduction of \$262 billion or approximately 44% from the first quarter of 2009, and down \$166 billion year-over-year. As John mentioned, Citi Holdings now represents 17% of our total assets.

Turning to slide 8, we have a breakdown of the three segments of Citi Holdings -- Brokerage and Asset Management, Local Consumer Lending, and the Special Asset Pool. As you just saw on the previous slide we brought Citi Holdings assets down by approximately \$22 billion in the first quarter of 2011 and by \$166 billion year-over-year.

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 42% and 32%, respectively, from the first quarter of 2010.

As John mentioned, the Special Asset Pool also reflects the transfer of nearly \$13 billion of securities from held-to-maturity into trading at the end of the quarter. To date, we have sold nearly 80% of those assets at prices generally at, or above, our marks.

Clearly we are continuing to make significant progress executing on our Citi Holdings asset reduction strategy, although as we have stated we believe the pace of the reductions will moderate.

Turning to slide 9 now, we often talk about de-risking Citi Holdings, but I wanted to put that in the context of investing to grow the Citicorp businesses. This is especially pertinent now that Citicorp and Corp/Other represent 83% of our balance sheet.

**Citi First Quarter 2011 Fixed Income Investor Review***April 27, 2011*

On the right, you see Citi Holdings assets, which are down 33% year-over-year. On the left, you see Citicorp, which is up 8% year-over-year as we continue to re-invest in the franchise.

While John described some of our investment spend in the first quarter, here you can see how we have deployed our balance sheet to support our customers over the past year. For example, loans, which are our largest asset category, is up \$42 billion year-over-year as we lend to both consumer and corporate clients.

The combination of trading assets and secured lending is roughly flat as we have ample market-making capacity to facilitate transactions to support both our investor and corporate clients. Our Citicorp/Citi Holdings strategy provides us the flexibility to re-deploy capital and take advantage of growth opportunities around the world.

Turning to slide 10, given our healthier balance sheet, as I just explained, we have already been deploying capital in our Citicorp businesses. Let me take a moment to describe what we are seeing in loan volumes.

You can see that in Citicorp loans grew to \$418 billion, up 10% year-over-year, including 6% growth in consumer and 16% growth in corporate. This quarter's results represented the third consecutive quarter of loan growth.

In our Institutional businesses, lending increased 55% in Global Transaction Services from the prior year, driven by trade finance lending in Asia, Latin America, and EMEA. We saw 7% growth in our Securities and Banking corporate loan book, where large corporations and multinationals are beginning to borrow again.

We are optimistic that if general economic conditions continue to improve and corporate clients pursue capital expenditure and expansion plans, demand for loans will continue to increase.

International Consumer Banking loan volumes increased 15% year-over-year, led by Asia and Latin America. In these markets, we have seen increased purchase volumes and average loans for more than six quarters. These trends reflect the economic growth in these regions as well as the results of our investment spending.

North American consumer loan volumes are down year-over-year as the cards market continues to adapt to CARD Act and other regulatory changes. But we have increased our marketing investments, and we are beginning to see total accounts and purchase sales starting to stabilize.

So turning to slide 11, let me talk about capital, which continues to be an area of significant strength for us and supports the lending growth that I just described. This slide reflects our strong capital levels at the end of the first quarter, with approximately \$137 billion in Tangible Common Equity and \$131 billion in Tier 1 Capital. Compared to the pre-crisis era of 2006, our capital measures are up between approximately \$33 billion and \$57 billion across these four major capital measures. Our capital base is one of the strongest in the industry, and provides us the ability to expand our lending to our customers, as I just described.

Turning to slide 12, at the end of the first quarter our Tier 1 and Tier 1 Common ratios were 13.3% and 11.3%, respectively, up from a year ago and also from the fourth quarter. Our GAAP assets declined 3% year-over-year. Our risk-weighted assets stand at \$990 billion, and Citi Holdings now represents roughly 31% of that amount.

Turning now to slide 13. The components of capital, including stockholders' equity and various other types of securities that comprise it, will be important in the future as well. You can see in the bar chart on



## Citi First Quarter 2011 Fixed Income Investor Review

April 27, 2011

the left side of the page how this breaks out by capital instrument, with qualifying Tier 1 Common of \$112 billion, preferred stock of \$0.3 billion, and trust preferred securities of \$17.8 billion.

As we have discussed in previous quarters the Collins Amendment under the Dodd-Frank Act generally eliminates trust preferred securities as Tier 1 Capital with a 3-year phase-out period commencing in January 2013. Basel III eliminates trust preferred starting in January 2013 with a 10-year phase-out.

Many of you have asked about our current strategy with regards to our trust preferred securities, given the regulatory changes I just mentioned. As you can see on the right side of the page, we have 10 issues that are currently contractually callable. We also have 6 that are not callable today but would be at the time of regulatory events, such as the expected forthcoming NPR, or on their optional call dates prior to 2013. And we have four other securities that will be callable on their call dates after 2013 or at the time of a regulatory event like the NPR.

We also have outstanding securities that were previously held by the U.S. Treasury which are permanently grandfathered as Tier 1 Capital under Dodd-Frank.

In order to maximize our financing flexibility, we recently completed a successful consent solicitation to eliminate the Replacement Capital Covenant applicable to 8 enhanced trust preferred securities and two series of our preferred stock, Series AA and T. We believe the elimination of this covenant gives us more flexibility in optimizing our capital structure, and enables us to take advantage of a variety of options at the appropriate time.

In general, we will consider various factors when evaluating each of our trust preferred and enhanced trust preferred securities, including aspects such as coupon, currency, and the optional and regulatory call features of the securities I just reviewed, and the timing of such options.

Turning to slide 14, given our healthier balance sheet and strong capital position, 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 senior and short-term ratings for Citibank. As you are aware, the rating agencies are reconsidering their rating methodologies following the passage of the Dodd-Frank Act, particularly their assumption of government support. Of course, we are following it as well and will continue to do so as things develop.

You will also recall that since late in the fourth quarter of 2008 and early in the first quarter of 2009 our supported ratings at the Citigroup level have been unchanged at A3 for Moody's, A for S&P, and A+ for Fitch.

In 2010, however, in recognition of our progress, our unsupported ratings have improved at two of the three major agencies, thereby narrowing the gap between our supported and unsupported ratings. Most recently on January 26, 2011, as well in the fourth quarter of 2010, Fitch upgraded Citi's unsupported long-term and short-term ratings by 1 notch. Our unsupported long- and short-term Fitch ratings are A- and F-1, respectively.

Twice in 2010 -- in the first quarter and then again in the fourth quarter -- S&P upgraded our stand-alone credit profile, or our unsupported rating, by a notch. And as you may have seen yesterday, S&P upgraded our U.S. broker-dealer, Citigroup Global Markets, Inc., to A+/A-1, citing their view that this subsidiary is an integral component of our intermediate-term operating strategy.

Moving to slide 15, having discussed capital and our current ratings, now let's review Citi's liquidity and funding strategy. 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

**Citi First Quarter 2011 Fixed Income Investor Review***April 27, 2011*

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 appropriate funding sources. In our Bank businesses, our funding is primarily in the form of stable, globally diversified deposits. In our Non-Bank businesses, we use a modest amount of short-term funding, such as commercial paper and repo, to finance liquid assets. We then use a range of long-term debt instruments to cover our broader business needs.

On slide 16 you see our Aggregate Liquidity Resources or our liquidity buffer, defined as cash and highly liquid securities. It stood at approximately \$348 billion at the end of the first quarter.

We have maintained these resources at similar levels over the past year in both the Bank and the Non-Bank and currently believe that this range is proportionally calibrated to the size of our balance sheet and current market conditions.

In addition to these high levels of liquidity, let me take a minute to talk about fungibility of our liquidity at Citi. In general, Citigroup can freely fund legal entities within our Bank vehicles, and Citigroup Non-Bank vehicles can fund our Bank vehicles. In addition under Section 23A of the Federal Reserve Act, as of the end of the first quarter, our Bank can fund our Non-Bank entities with as much as \$25 billion, as long as it is collateralized, appropriately.

Turning to slide 17, to create the liquidity buffer that I just reviewed we have funding strategies tailored to the Bank and the Non-Bank. Within our Bank, as I said earlier, we view our deposit base as our most stable and lowest cost funding source. And you can see that approximately 75% of our Bank is funded with deposits. In addition, long-term debt including securitizations comprised about 10% of the Bank's funding.

In the Non-Bank, long-term debt represents the most significant component of our funding profile. The vast majority of this funding is comprised of senior term debt, which is both fixed and floating, along with subordinated instruments and trust preferred securities. A little over a quarter of our Non-Bank liabilities are secured financing, often referred to as repos, which provide funding in a carefully calibrated manner.

As you may have heard me say before, the majority of this secured financing is collateralized by highly liquid government, government-backed and government agency securities. The minority of the secured financing is collateralized by less liquid collateral and supports both our trading assets as well as the business of secured lending to customers, which is also part of our client matched-book activity.

The secured funding is carefully calibrated by asset quality, tenor, and counterparty exposure in order to increase the reliability of the funding, and supplements our other sources of funding. Finally, our large base of book equity supports both the Bank and the Non-Bank entities.

Turning to slide 18, deposits are our primary source of funding in the Bank. Firm-wide deposits were up approximately 3% or \$21 billion compared with the fourth quarter of 2010 to \$866 billion at the end of the first quarter. 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 slightly year-over-year year, and significantly lower than prior periods.

This reflects both the low rate environment and our ability to lower price points, which widens our margins, given abundant customer liquidity, while still remaining competitive and attracting deposits. As interest rates increase we would expect to see some pressure on rates, however.

Part of the way that we have managed to lower the cost of funds is to have a healthy amount of balances in non-interest-bearing accounts, which you can see has increased from \$112 billion to \$144 billion last

**Citi First Quarter 2011 Fixed Income Investor Review***April 27, 2011*

year. Even more importantly, within our interest-bearing deposits we continually seek out pockets of balances that provide us with lower-cost funding.

In summary, we continue to have a high-quality, diversified, and stable deposit base across our businesses and across the globe.

Moving on to slide 19 for long-term debt, you can see our actual maturities for the first quarter and expected maturities of long-term debt over the next 3 years. This chart clearly shows that maturities peak in 2012 and come down in 2013 and 2014.

As we see in light blue atop each column, TLGP debt represents a significant amount of maturities in 2011 and 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 have said before, for us at Citi we do not expect to replace TLGP maturities. 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.

During the first quarter, we issued approximately \$6 billion of long-term debt. We issued across multiple tenors and currencies in both benchmark and structured notes. Our full-year forecast currently remains unchanged at approximately \$20 billion. This leaves approximately \$14 billion of issuance left for the rest of 2011.

Moving on to slide 20 I would like to give you some additional texture about our recent issuance activity for our benchmark debt. On the top of the page you can see our issuance mix.

We have shifted from predominantly fixed rate towards floating rate during the first quarter in response to market demand. On the bottom of the page you see our tenor profile over the past 5 quarters, with most issuances concentrated in the 5-year bucket.

That said, we have issued more 2- and 3-year floating rate notes recently to position ourselves to capture more favorable cost of funds, assuming credit spreads continue to normalize in the future.

Moving to 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 currently 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 assets. We believe we have ample liquidity, and as you saw, our lending activities to clients have increased.

Third, we will have a significantly lower proportion of wholesale funding going forward. We currently expect modest re-issuance needs. And we do not expect to replace TLGP debt that is coming due.

Fourth, we see continued credit improvement across both Corporate and Consumer. We believe these trends position us for sustained growth in our three core businesses -- Securities and Banking, Global Transaction Services, and Regional Consumer Banking.

That concludes our Fixed Income review. John and I would be happy to take your questions.

**OPERATOR:** [Operator Instructions]. Your first question comes from Michael Rogers at Conning Asset Management.

**Citi First Quarter 2011 Fixed Income Investor Review***April 27, 2011*

**MICHAEL ROGERS:** Yes, good morning. Bank of America frequently releases to the market an indicator called time to required funding, as just another indication of the robustness of their balance sheet liquidity. Do you folks have an estimate as to what that would be for Citigroup?

**ERIC ABOAF:** Michael, it's Eric Aboaf. I am not familiar with the specific metric that you are referring to, to be honest. What I can tell you is that as we issue long-term debt we are very thoughtful about the maturity ladder and in particular have ensured that we have a nice balanced profile so that we don't have lumpy re-issuance needs that wouldn't be appropriate.

**MICHAEL ROGERS:** Okay. A follow-up, could you talk a little bit about the practical business implications and maybe funding implications going forward of the S&P upgrade apparently of the broker-dealer rating within the last 24 hours?

**ERIC ABOAF:** Michael, it's Eric again. It's a little, I think, premature for us to speculate on that. Clearly, it is a real positive for us. Clearly, the broker-dealer is a very important subsidiary and always has been, and it's nice to see it recognized.

I don't know that it will change our funding strategy; but obviously if it does, we will certainly communicate that to all of you.

**MICHAEL ROGERS:** Thanks very much.

**OPERATOR:** Your next question comes from Mark Kehoe at Goldman Sachs.

**MARK KEHOE:** Good morning. Could you talk around your intentions or what you perceive to be the intentions of the FDIC, but around the \$3 billion of TruPS and whether there is anything preventing you from calling some of your TruPS in the existence of this FDIC TruP?

**JOHN GERSPACH:** Mark, it's John. I think there's a couple of different hooks to your question, and I want to make sure that I get them all. There is -- that debt is currently not callable; all right? So it is not that we can just call the debt. So it is something we would have to work out with the FDIC.

Then, quite frankly, I know you had a couple of other things that you were looking for in that question, but you want to phrase it, any follow-up?

**MARK KEHOE:** Sure, does that, the existence of this TruP from the FDIC, does that prevent you calling other TruPS before their time? Their call date?

**JOHN GERSPACH:** No, the simple answer to that is no.<sup>(1)</sup>

**MARK KEHOE:** Okay. The other question then, in terms of the TruPS that are callable under the Collins amendment, can you call them a la carte, one by one, as in cherry pick them? Or do you necessarily have to call all of them together?

---

<sup>1</sup> Note: The existence of the trust preferred securities held by the FDIC, in and of itself, would not prevent Citi's ability to call its other trust preferred securities in accordance with the terms of such securities. However, as previously disclosed by Citi, including pursuant to its 2010 Annual Report on Form 10-K filed with the U.S. Securities and Exchange Commission on February 25, 2011, so long as the U.S. government continues to hold any Citi trust preferred securities issued pursuant to Citi's exchange offers consummated in 2009, Citi is generally prohibited from redeeming or repurchasing any equity or trust preferred securities (which such restriction is subject to waiver). As of March 31, 2011, the FDIC continues to hold approximately \$3.025 billion of trust preferred securities issued pursuant to the exchange offers (of which approximately \$800 million is being held for the benefit of the U.S. Treasury). In addition to this contractual restriction, any decision by Citigroup to initiate a repurchase or redemption of trust preferred securities would be subject to further regulatory approval.

**Citi First Quarter 2011 Fixed Income Investor Review***April 27, 2011*

**ERIC ABOAF:** Mark, it's Eric. They have individual call features, and so we have the discretion to do them one by one. Obviously, as I mentioned earlier on, we will try to optimize the economics, the tenors, the rates at which they were issued and so forth, to make an optimal decision for the Company.

**MARK KEHOE:** Thank you.

**OPERATOR:** Your next question comes from John Carolan at Hartford Investment Management.

**JOHN CAROLAN:** Hi, just on the Collins slide again, I just wanted to clarify how you think about these securities. When you consider a call would you be thinking about them relative to where your ability to issue subordinated or existing outstanding subordinated coupon might be? Or would you be comparing it to senior coupons as an opportunity to reduce interest?

**ERIC ABOAF:** John, it's Eric. It's actually hard to answer your question completely because the regulatory guidance is still ambiguous. It is not perfectly clear yet what counts as Tier 1.

It's not been restated recently what counts and will count as sub debt. Right? So Tier 2 capital. So it is actually -- we are trying to work through that. That said, we will certainly compare the cost of those existing TruPS and E-TruPS to preferred issuance cost, to senior a bit, and to sub debt a bit. So it is certainly going to be across those three instruments.

I think as we get more regulatory clarity and in particular as the NPR gets written by the U.S. agencies we will be able to better answer that and ascertain that for you.

**JOHN CAROLAN:** On that NPR, can you give me any more detail around when you think that might be coming out and how I should be looking for, just to follow that? That appears to be a trigger in your mind.

**ERIC ABOAF:** Yes, it is really hard to tell. I think you honestly have to check with the U.S. agencies. We have heard maybe this summer; but you really need to check with them to find out what that timing is likely to be.

**JOHN CAROLAN:** Okay. Then just on Basel III, I was wondering if you could -- I know -- I guess the way I would say it is that you have not quite provided as much detail around the expected changes as your peers. We see \$990 billion of risk-weighted assets and \$112 billion of Tier 1 Common today. Can you talk about the expected increase to risk-weighted assets and your expected mitigation, passive or active, that you think you could achieve from that?

And also clarify what deductions you would expect to incur as you transition to Basel III, so we could get a sense of how you look on an apples-to-apples basis versus your peers who have given that kind of data?

**JOHN GERSPACH:** It's John, John. The guidance that we have given is that we are still on track to operate at an 8% to 9% Tier 1 Common ratio under Basel III in 2012. We reiterated that when we did our earnings call last week.

**JOHN CAROLAN:** Yes; I know, I am aware of that. I am just interested in the path to get there, so I could do sensitization around the expected earnings retention that will occur over the period, and sort of trust, but verify, the data you are putting out there.

**JOHN GERSPACH:** Well, the other piece of data that we have provided is that -- our view is that for Citicorp, post-mitigation we would anticipate the increase in risk-weighted assets, Basel III versus Basel I, to be about an increase of somewhere in the 30% to 35% range. And that is still holding as well.

**JOHN CAROLAN:** So on slide 38 from [the] Q3 [earnings presentation] last year, where you talk about the potential deductions to capital that come from Basel III, can you provide any detail about how to

**Citi First Quarter 2011 Fixed Income Investor Review***April 27, 2011*

interpret that slide? Because there is a lot of information on there, but I don't really know what to do with it in terms of what it really means for deductions.

**JOHN GERSPACH:** Yes, I don't have slide 38 from the third quarter [earnings presentation] in front of me. But what I would suggest that you do maybe is give Ilene a call and maybe she can -- with the slide in front of her, she may be able to help you with some of that interpretive guidance.

**JOHN CAROLAN:** Thank you.

**OPERATOR:** Your next question comes from Ryan O'Connell at Morgan Stanley.

**RYAN O'CONNELL:** Good morning, John and Eric. A couple of questions I guess, and they really have to do I guess with Citi Holdings and the ongoing plans for disposals. First of all, just what is your current thinking in terms of the Partner Cards? Because this is something that has been talked about from time to time, but the improvement does seem to be ongoing.

So I guess the first question is -- what is your current thinking about retaining the Partner Cards portfolio or perhaps eventually disposing of it?

**JOHN GERSPACH:** Thanks, Ryan, it's a good question. This is John again. When it comes to Partner Cards, there's a couple of things. One is we have done an awful lot of work to re-underwrite the portfolio and really improve the underlying credit characteristics of the portfolio. And I think you see that in some of the performance metrics that we provide both in our supplementary financial deck and in some of the slides that we include in our earnings call deck.

Having said that, when we set out Citicorp and Citi Holdings, as much as some people want to characterize that as a good-bank/bad-bank type of structure, that really wasn't the case.

What the two represent -- Citicorp represented those businesses that fit in with the strategy that we had laid out going forward. Citi Holdings, those businesses in Citi Holdings, just didn't fit the strategy.

So as much as we have done to improve the overall portfolio, the retention of it would still mean that we would have to first convince ourselves that that Retail Partner Card business actually fit in with the Citicorp strategy. And that just is not a determination that we have made as of yet.

**RYAN O'CONNELL:** Just to clarify that -- so in other words it sounds like, actually -- I don't want to put words in your mouth, John. So in other words, is that still something that you are thinking about, possibly? Or in other words in the current posture it is still not deemed to be strategic; therefore eventually perhaps might be disposed of?

**JOHN GERSPACH:** Well, I would say that as with any decision you look at those decisions as time goes by and just make sure that you are still comfortable with the initial decisions that you made. You may recall that -- I think it was late in '09 or perhaps it was the very beginning of 2010, I can't recall. I think it was the beginning of 2010, we took a look at what was in Citi Holdings at that point in time. This was post the ending of the ring-fenced agreement. And we actually identified some of our mortgage assets that really fit our ongoing retail bank strategy and therefore moved them out of Holdings at that point in time back into Corp.

At the same point in time we also identified some corporate loans to customers that we intended to continue to service as part of our Citicorp strategy and therefore chose to move them back to Citicorp. So periodically I think you always revisit your strategic decisions, but we haven't revisited the Citi Holdings current assets that are in Citi Holdings recently.

**Citi First Quarter 2011 Fixed Income Investor Review***April 27, 2011*

And I can't give you a timeframe as to when we might take a look again. Nor can I tell you with any degree of assurance what the results of that type of review might be.

**RYAN O'CONNELL:** Okay; well, that's helpful. Then my follow-up is, and this is just by way of clarification. With respect to CitiFinancial, I think what you had said, correct me if I am wrong, that you'll -- I think you are looking to eventually dispose of perhaps \$14 billion of assets; but you are going to retain a bunch of CitiFinancial assets.

Could you just walk us through what you plan to keep, what you plan to sell off?

**JOHN GERSPACH:** I don't have the exact figures in front of me, Ryan, I apologize. But what we have indicated is that we have certainly split CitiFinancial. We separated CitiFinancial into a legacy group of assets and then the assets that would actually constitute an ongoing business. We did that around the summer of last year, sometime during the third quarter.

So there is definitely a group of the CitiFinancial assets that we will be looking to retain, just because our goal is to sell CitiFinancial as an ongoing business. So there will be a large piece of those assets that will stay on our books, and there will be some pieces then that will go with the sale. But I don't want to quote a number right now as I just don't have those figures in front of me.

**RYAN O'CONNELL:** Oh, sure. Well maybe, instead of specific figures, I mean if they are particular asset classes you are going to stay in, some asset classes you're going to move out of, maybe could we just do [inaudible] maybe?

**JOHN GERSPACH:** No, the asset classes are somewhat split. Again, it was more based on assets that we thought that went with customers. And CitiFinancial very much is a customer strategy.

So it is more what loans would go with an ongoing business, can be supported by an ongoing business, and what would be more of legacy type assets that would not necessarily be sold or saleable.

**RYAN O'CONNELL:** Right. Got you. Okay. Thanks very much.

**OPERATOR:** Your next question comes from Daniel Crawford at Stone Harbor.

**DANIEL CRAWFORD:** Yes, hi. Thanks very much for taking my questions. How liability-sensitive is the balance sheet right now to the U.S. dollar yield curve?

**ERIC ABOAF:** Daniel, it's Eric. As part of our K and Q disclosures we typically show an IRE measure, interest rate exposure measure. We show it to rising rates and falling rates. And in our case we actually do it for our top five currencies because, if you remember, dollar is just one of those measures. I think we disclosed that; you can go to our K. And we had a slight sensitivity to rising rates. But you will clearly get an updated look at that as the Q comes out.

What I would tell you is that we continue to be thoughtful about what we think interest rate moves are likely to be in the U.S. and international markets. In some, we might be more positively sensitive; in others, less so. And are pretty conscious of some of the opportunities for us as we go through a general rate-tightening environment.

**DANIEL CRAWFORD:** Okay. Just something for literally almost purposes of historical fact. You all made a big shift of mortgages into the trading portfolio, substantially selling that position before the earnings call. Could you tell us what was the entire -- on an average basis, what was the entire write-down on those mortgages? What was it from the very get-go?

**Citi First Quarter 2011 Fixed Income Investor Review***April 27, 2011*

**JOHN GERSPACH:** It's John. I just want to make sure that we have got your question right. Because there were some Alt-A securities that were part of the overall asset transfer; but mortgages were not the only assets that we shifted from the hold-to-maturity to the trading account.

So if you go back to again our earnings deck, there is a slide that actually lays out the component pieces of hold-to-maturity, and you can see the various classes that have come down. So that is one thing.

On the asset transfer itself, again we took a \$709 million pretax hit as we transferred those assets. There is a slide in the appendix of this investor presentation, it's slide 26, that lays out some of the component pieces.

But in general the \$700 million came about from taking a loss out that came out of our OCI account. This is where we had previously held or previously classified securities as available-for-sale. And we had \$1.7 million -- \$1.7 billion, although I wish it was \$1.7 million. \$1.7 billion of pretax losses associated with those securities in OCI. We passed that through the income statement.

And at the same time we had roughly a \$1 billion positive mark on other securities. So those two components netted out to the \$700 million pretax charge that we mentioned earlier.

**DANIEL CRAWFORD:** Yes, no; in fact I did realize that the OCI reserving net-net had been sufficient or even more than sufficient. But even that reserving was not, in and of itself, the entirety of the expensing and writing down associated with those assets. I am just wondering what the cumulative total was.

**JOHN GERSPACH:** You mean as far as the cumulative total of those specific assets as we -- again, are you talking about all the hold-to-maturity assets or just the \$12.7 billion that we moved at the end of March?

**DANIEL CRAWFORD:** I would love to know it for all, but I will take it for the \$12.7 billion.

**JOHN GERSPACH:** Well, you can actually -- we actually on the hold-to-maturity in total, in the K and you will see it again in the Q, we actually give you a roll-forward as far as what is the original, the par value of those securities; and what we currently carry them at; and where the various component pieces are as far as what is still left in OCI. So you can actually see all the component pieces.

I don't have the K in front of me right now. But maybe -- why don't you take a look at the K, and if that doesn't answer your questions, give Ilene a call and we will try to do what we can.

**DANIEL CRAWFORD:** All right. Thank you.

**OPERATOR:** Your next question comes from Robert Smalley at UBS.

**ROBERT SMALLEY:** Hi, thanks very much. Three very quick ones, if I could. Back on slide 13, and thank you for providing this, I think what we are all looking at is the callables, the ones that are currently callable and the ones that are optionally callable. I think that most of the people on the call, to speak for them, assume that these will be called according to the published call schedule, and what you did with the Replacement Capital Covenant solicitation is a demonstration of that potentially.

I think that what we are wondering about is, one, what are you considering to be a regulatory event by which could justify calling trust preferreds that may be callable after January 13? And would you look to do that prior to Jan 1, '13, or would you do it around then?

**ERIC ABOAF:** Robert, it's Eric Aboaf. Good questions. Our legal counsel as well as the legal counsel around the -- for most of the banks have been wrestling with exactly that question. We have gotten some strong indications, but this is not definitive, that a regulatory event could occur in a couple situations.



The forthcoming Notice of Proposed Rulemaking, or NPR, by the agencies might very well qualify as a regulatory event. There is also some in the legal community who believe that the actual rulemaking -- right? Not the notice of, but the actual promulgation of the rules, which we expect to occur in January 2013, might also be a regulatory event.

So, without being certain -- and we are dealing with that uncertainty ourselves, right? Those give us two additional timeframes under which, or by which, we could consider a call on some of these securities. As you can imagine we are monitoring when that event or those events may happen.

We are continuing to work with our legal counsel to determine how certain we are that those qualify as legal -- as regulatory events, right? And then we are doing the economic analysis underneath, to say what is optimal for the Company given that these issues here that we have talked about, the 20 issues, are issued at different coupons; some are fixed, some are floating, right? They have different features and there is clearly an economic optimization that it behooves us to do, for the benefit of our shareholders.

**ROBERT SMALLEY:** Are you -- is it at all in the mix or in your thinking that some of these securities may be trading substantially above par? And the regulator -- and you may not necessarily want to do a regulatory call at par given that several people on this call and the fixed income community owns these above par. Or is that not a consideration?

**ERIC ABOAF:** To be honest, everything is a consideration on one hand, and then you have got to go down to brass tacks and figure out what is the right trade-off for the Company. We will obviously make that with the interests of our shareholders at heart.

**ROBERT SMALLEY:** Okay. One last question on slide 18, on the deposits. You pointed out the non-interest-bearing deposits. How was this \$144 billion number going to be impacted by Reg Q?

**ERIC ABOAF:** That is a very good question. There is a fair amount of speculation on that; and we are not sure, to be honest. I am not saying that to be opaque.

I think we expect that it will be larger, but it is very hard to tell, Rob, what this -- where this will go. Reg Q has been in place for a very long time and clearly the market will react; customers will react. I think I would expect it to go up, but it's very hard to determine more than that right now.

**ROBERT SMALLEY:** Okay, thank you.

**OPERATOR:** Your next question comes from Barry Cohen at Knot Partners.

**BARRY COHEN:** Good morning. Thanks for taking the call. A couple of quick questions, I hope. One is could you just maybe outline a little bit where the TLGP debt resides at the Corporation?

**ERIC ABOAF:** Yes, Barry, it's Eric Aboaf. The TLGP debt really resides in -- I will say, big-picture, in two vehicles. There is about \$18 billion that right now is in the Bank, right? In Citibank, itself.

And then about \$38 billion that sits within what I will call the Corp-chain which is Citigroup and CFI, which is often used as our funding vehicle.

**BARRY COHEN:** Is any of that comingled in what you have termed the Holdings?

**ERIC ABOAF:** I don't think you can really think about it that way, because Holdings is really about assets, right?



**BARRY COHEN:** Right.

**ERIC ABOAF:** And our funding structure, whether it is capital or debt, really supports the entire Company.

**JOHN GERSPACH:** It's John now. Holdings is a management structure. It was always set up as a management structure. There is no legal entity structure surrounding Holdings.

**BARRY COHEN:** No, I understand that. I wasn't trying to confuse the subject matter. I am just trying to understand, as you make the decisions to essentially pay that off and you have what appears to be excess liquidity pools, what that may or may not mean, essentially. That is why I am trying to understand.

Those assets may not go away, but the liabilities underneath them may, right? So that is what -- I may be wrong, but I am trying to understand that.

**JOHN GERSPACH:** One of the ways to think about it and I think you have already stated that, if you look at the balance sheet right now, we currently have excess liquidity. It is one of the reasons why we can afford to have that TLGP debt just continue to run off.

**BARRY COHEN:** Okay. So the other question is, where are you in the discussions with the FDIC with respect to the preferred issuance?

**JOHN GERSPACH:** I'm sorry; the FDIC and what preferred issuance?

**BARRY COHEN:** Doesn't the government have a trust preferred, a \$3 billion preferred issuance with you?

**JOHN GERSPACH:** I'm sorry, yes. I thought you were talking about a future issuance.

**BARRY COHEN:** No, no, no, no.

**JOHN GERSPACH:** You mean the \$3 billion? They hold \$3 billion of the TruPS.

**BARRY COHEN:** I understand that, but are you in a discussion with them in terms of negotiating what you might be able to buy that back for?

**JOHN GERSPACH:** You know, we're not going to comment on any discussions that we may or may not be having with any of our regulatory bodies.

**BARRY COHEN:** Okay. Can you maybe then talk about a little bit as -- how much of -- there has been lots of speculation. You guys were talking a little bit about it on the phone with respect to CitiFinancial and some assets being sold and some assets being kept.

But I am curious away from the asset side of the discussion, like the expenses that are there. Selling the assets is one thing, but would a theoretical transaction actually have a disproportionately higher expense reduction than in the past?

Whereas if you kind of graph the asset reduction versus expense reduction, there tends to be a reasonable linearity to it; would something with those assets actually cause that linearity to improve?

**JOHN GERSPACH:** I can't comment for right now as far as how the actual cost structure of CFNA lines up against the assets. But you are correct in that if you look at, over time, our ability to reduce expenses, is right in line with our ability to reduce the assets.

**Citi First Quarter 2011 Fixed Income Investor Review***April 27, 2011*

So we have some businesses that are a little bit higher and a little bit lower. But in general over time the right expectation is that as we reduce assets we will also take out the expenses. I think you can see that clearly over the course of the last couple of years as to what we have been able to do with both the Brokerage and Asset Management assets, as well as the Special Asset Pool assets.

If you take a look at the Local Consumer Lending assets, we haven't quite met that exact linear approach. But that is mostly because we have had to add extra expenses into the mortgage business, as you can imagine, with some of the foreclosure activities and OREO, etc.

But otherwise, if you keep on thinking in terms of a linear approach as far as -- a roughly linear approach as far as expenses and asset reductions, you should be on track.

**BARRY COHEN:** Then maybe two final quick questions. One is, what is the internally -- where you think the regulators are, timing-wise perhaps, with SIFI?

**JOHN GERSPACH:** I don't think we can comment on where they are with SIFI. It is sort of exactly what Eric had said as far as when they might do anything, as far as whether publishing an NPR, coming out with guidance for SIFIs. The hope would be that we would get some guidance before year-end, but there has been no timetable published, so we really can't comment on that.

**BARRY COHEN:** I think in the earnings call, you guys talked a little bit about the relative size of the HoldCo's assets versus the relative size of the RWA. Inside of the Holdings is there a set of assets, either in LCL or other places, where there is actually a relatively even greater disproportionate amount of RWA in the calculation?

**JOHN GERSPACH:** Yes, what we have said and Eric repeated it I think today, Holdings currently constitutes about 31% of our risk-weighted assets. Yes, there are some assets in Holdings that have disproportionately higher risk weightings. As a matter of fact, that was the reason for the transfer of that \$12.7 billion pool out of hold-to-maturity to trading.

So that transfer gave us the ability to sell that particular pool of assets as part of our plan towards meeting the Basel III targets that we have laid out for you.

**BARRY COHEN:** Thank you. I appreciate your help.

**OPERATOR:** Your next question comes from David Olsen at JP Morgan.

**DAVID OLSEN:** This is a follow-up question around the TruPS. But you had mentioned before about the individual TruPS may be able to be called one at a time as you see fit. I assume though with those you are just talking about the contractual issuer calls, once they become current.

But if you are specifically going to invoke the change in capital treatment call language per the Collins Amendment, it was my understanding that that is just a one-shot deal. That you invoke that, and then you either call the applicable TruPS or you don't; but you couldn't go back and re-visit that issue.

Is that -- is my understanding correct? Or do you feel like there are going to be multiple times when you can actually invoke the same change in capital treatment call?

**ERIC ABOAF:** David, it's Eric. It's a good question because there are some in the legal community that I think would say there may be only one call time. And there are others that might say that there are multiple ones.

So to be honest, we are kind of wrestling through that imperfect information. I think as we get closer to potentially seeing an NPR, I think the legal community will start to converge and obviously we will then

**Citi First Quarter 2011 Fixed Income Investor Review***April 27, 2011*

know better how to proceed. But I'm just sorry I can't be more clear than that, because we are actually getting -- I think all banks are getting a variety of different views.

**DAVID OLSEN:** So even if what you were saying was -- you feel like there could be at least two additional times that could be trigger events. So if that is the case right now, would you think that during around those additional events that you could call? Or is that even still up in the air?

**ERIC ABOAF:** I think like you said, if we think there is going to be only one event we may take certain actions. If we think there are going to be two events we will take probably somewhat different options or actions because the optimization will be a little broader. We are just trying to figure that out as we get closer to seeing an NPR.

**DAVID OLSEN:** Thank you.

**OPERATOR:** Your next question comes from David Knutson at Legal & General.

**DAVID KNUTSON:** Just a quick follow-up on that. Regardless of whether that information, the NPR comes out, we should take away from this call that you're going to be making economic decisions if something is trading well above par, it is obvious that the call is on the money, and you're going to exercise your right to redeem these securities if there is a change in their capital treatment; to be blunt about it, right?

**JOHN GERSPACH:** I think what you can take away from this call is, as we said before, there is a wide range of considerations that will go into our thinking. And quite frankly, given everything that is not clear at this point in time, it is a little difficult for us to tell you with any specificity, as you can obviously see, exactly what we are going to do or when we are going to do it.

So I absolutely wouldn't walk away from this call with anything set in concrete.

**DAVID KNUTSON:** Okay. You talked about the ratings upgrades recently. What about the short-term rating stability and contingency plans, if there is -- if you lose your prime short-term rating?

**ERIC ABOAF:** David, it's Eric. Yes, there has clearly been some progress with the rating agencies on that question, and clearly they are recognizing some of our progress. In fact, one of the three major agencies, Fitch, actually has our unsupported rating at F-1, which is prime. So one of the three has already published that.

That obviously leaves your question with S&P and Moody's. I am sure you are in discussions with them, and we will all learn more as they make some judgments.

That said, you can imagine that we are well prepared for a variety of different possibilities out there, right? We just lived through a pretty harrowing financial crisis. We have learned a lot about what liquidity is stable and what isn't. So literally as part of our historic process we have had contingency funding plans that are codified; they are reviewed at multiple levels of management, including the Board.

And you can also imagine that we actually stress for a number of different scenarios -- regional stresses, rating agency stresses, different markets moving in different directions. So there is a wide range of scenarios.

I think you could reasonably expect that rating downgrade, given how much we talked about it, is one of those that we have been very thoughtful about. Given that, what we do in a contingency funding plan is literally estimate what may happen and then we determine what actions we would take.

**Citi First Quarter 2011 Fixed Income Investor Review***April 27, 2011*

And obviously, that is not a theoretical exercise. The idea is to have sufficient liquidity and sufficient structure and parameters and so forth, so the action can compensate for the potential risks -- right? -- were they to occur. I'd tell you that one of the reasons why we describe our liquidity buffer so clearly and describe it as ample, as an example, is that when we run those stresses and we work through the very practical contingent actions we would take, that we have sufficient liquidity to operate under those circumstances.

**DAVID KNUTSON:** Okay. Standard Chartered actually came out -- you guys have talked a lot about how international is the future in the growth rate, and a lot of your income is coming from these markets, developing markets or growth markets. Standard Chartered obviously is a competitor in that area. They announced that they had met both the liquidity coverage ratio and net stable funding ratio earlier this year.

I am curious; what are your plans? What will you have to change in terms of security holdings and debt issue to keep up with arguably a competitor and new regulations?

**ERIC ABOAF:** David, it's Eric. We, with regard to the Basel III liquidity ratios, the LCR in particular, the liquidity coverage ratio, as of several quarters back we actually have been quite clear that we are above the 100% standard that is mandated by Basel III.

We have actually spent less time, to be honest, internally on the NSFR because the regulators have been quite clear that that one is really more in process; they expect to make some substantive changes. So we don't really think that a percentage level on that is particularly indicative either of enough, or not enough, at this point.

But we have been very clear, and I am happy to continue to be clear, that on the LCR -- which I think is the one that is going to be implemented first and is pretty far along -- we are over the minimum requirement.

**DAVID KNUTSON:** Two last, two quick last. The NPR, your expectation is July? Or when do you expect that?

**ERIC ABOAF:** Very hard to tell, we have -- some have said in the media, some observers have said July/August. But you probably really need to ask the agencies that question.

**DAVID KNUTSON:** Last, the 9 days after the equity call I think is too late. I don't know if other people have voiced it, but I would appreciate it if this call is held much closer to the equity call.

**JOHN GERSPACH:** Duly noted.

**DAVID KNUTSON:** Thank you.

**OPERATOR:** Your next question comes from Steve Kolderup at Allstate.

**STEVE KOLDERUP:** Thanks for the call. Most of my questions have been answered here, but I wanted to focus a little bit on the mortgages and the statement you made earlier about remaining focused on selling delinquent mortgages. Is it primarily occurring from the Citi Holdings piece? Or is it more across Corp and holdings?

**JOHN GERSPACH:** The sales are really coming of Holdings. It is part of our mitigation strategy and one that we focused on pretty early, as far as the ability to avoid the severity of risk, which we think is where the whole industry is headed.



**STEVE KOLDERUP:** Okay. What types of marks are you realizing on that? What can we expect in terms of the trajectory over the next three, four quarters?

**JOHN GERSPACH:** The mark? We are certainly able to -- I am not going to give you an actual mark, all right? But we certainly find the terms to be attractive on the sale of the delinquent mortgages. Again, we are selling -- we have done roughly \$6 billion over five quarters, so roughly averaging \$1.2 billion a quarter. I think this quarter we did another \$1.1 billion, so kind of right in there.

The marks, it is a little bit above. We are taking a little bit of a loss against what we would have against the available reserves against those mortgages. But well within what we would think would be the lifetime losses associated with those.

**STEVE KOLDERUP:** Okay. Then that run rate, though, is something that is largely expected, do you think [inaudible] the course of this year?

**JOHN GERSPACH:** I can't guarantee that we are going to be able to do \$1.1 billion, \$1.2 billion a quarter. But we do remain active sellers of delinquent mortgages. Again, we think that it is the best way of managing the severity risk that you have associated with the mortgage portfolio.

I mean when you get to a credit card portfolio, you get to 180 days, you write the whole thing off. It is very easy to see. When you get with a mortgage portfolio, you get to 180 days, you take your initial write-off; but then you keep having to assess the fair value of those mortgages until you actually go through the entire foreclosure process and then actually get them off your books through a short sale, an OREO or whatever.

So that risk stays with you, and that is the risk that we are trying to very actively manage.

**STEVE KOLDERUP:** So the \$6 billion sequential reduction, netting out the \$1 billion or so of sales, that \$5 billion net, is that principally paydowns and the combination of maybe additional charge offs?

**JOHN GERSPACH:** It would be paydowns and charge offs, absolutely.

**STEVE KOLDERUP:** Okay, thank you.

**OPERATOR:** Your final question comes from David Jiang at Prudential Financial.

**DAVID JIANG:** Hi, guys, thanks for the call. I had a quick question on slide 8, the Citi Holdings summary. Within the breakdown of Local Consumer Lending, is Primerica still reflected here? I know you have done some -- an IPO or secondary offering recently. Just wondering where that line item is.

**JOHN GERSPACH:** Yes, this is John. The answer is, yes; and it is in that wonderful category called Other.

**DAVID JIANG:** Okay. Ultimately when do you have to stop reflecting it? When all of it is essentially spun off, or --?

**JOHN GERSPACH:** When we stop holding any of the equity in Primerica.

**DAVID JIANG:** Okay. Then I noticed in your earnings deck that have a breakout for CitiFinancial NA in the Citi Holdings group. Is that essentially a platform that may -- that is the ongoing business, that is going to be sold?

**JOHN GERSPACH:** That is the totality of Citi Holdings -- I'm sorry, of CitiFinancial.

**Citi First Quarter 2011 Fixed Income Investor Review***April 27, 2011***DAVID JIANG:** Okay.**JOHN GERSPACH:** That includes both the legacy book as well as the assets that would be sold as part of the ongoing business.**DAVID JIANG:** Okay. How much of that is it in terms of asset-wise do we attribute to that, CitiFinancial NA?**JOHN GERSPACH:** How much of?**DAVID JIANG:** Asset-wise, is it primarily this mortgage line essentially?**JOHN GERSPACH:** I am just not following the question.**DAVID JIANG:** CitiFinancial, that unit. CitiFinancial NA, I am just trying to figure out what are the assets associated with it, in terms of --**JOHN GERSPACH:** CitiFinancial has got some mortgage assets but it is also -- the largest asset class in CitiFinancial would be personal installment loans.**DAVID JIANG:** Okay. Great. Then in the Special Asset Pool, the sale of what was transferred over to trading, that occurred after the quarter end, right?**JOHN GERSPACH:** There were some sales that occurred pre-quarter end. But the bulk of the sales activity certainly occurred from April 1 till the date of the earnings call.**DAVID JIANG:** Okay, so that trading MTM line should go down by over 80% or so?**JOHN GERSPACH:** Yes; you should see the bulk of the asset sales reflected in the second quarter.**DAVID JIANG:** Okay. Then the rest of Special Asset Pool, is it just an orderly runoff at this point, at least the HTM bucket and the loan bucket?**JOHN GERSPACH:** Well, we will continue to pursue sales as we can do it. Obviously not out of the HTM pool; but to the extent that we can still do sales at attractive prices from either the loans bucket or the AFS bucket, we will continue to pursue some level of sales out of the Special Asset Pool.**DAVID JIANG:** Great. Thank you.**ILENE FISZEL BIELER:** Okay, everyone. Thanks so much 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 will talk to you again soon.**OPERATOR:** This concludes today's conference call. You may now disconnect.

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 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 Annual Report on Form 10-K.