CITICORP ANNUAL REPORT 1991

Please refer to page 61 of these financials for the Consolidated Balance Sheet at 31 December 1991 of CITIBANK, N.A., and its subsidiaries.

CITIBANK

CHAIRMAN'S LETTER TO STOCKHOLDERS

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CONTENTS

John S. Reed
Chairman

Citicorp in 1991 recorded a net loss of $457 million, suspended the dividend on its common stock, and saw the price of that stock fall to a longtime low before rebounding after year end. Nevertheless, and despite the magnitude of our problems, 1991 for Citicorp was in key respects a transitional, turnaround year.

- We made significant progress in reducing costs and improving operating margins.
- We stabilized our troubled loan portfolios
- We realigned the senior management team to bring its full strength to bear on 1992.
- We retained the extraordinary loyalty of millions of consumer and corporate banking customers.

In short, and as the financial community has increasingly recognized in recent months, we made meaningful progress last year in implementing our Five Point Plan to position Citicorp as a highly competitive and customer-driven global banking organization. Each of our core businesses—consumer, Global Finance international, and Global Finance JENA (Japan, Europe, and North America), excluding troubled portfolios—remained sound, together earning $1.5 billion in 1991. Citicorp's fundamental strength and greatness not only survived but began once again to be visible. And we set the stage for the accomplishment, near-term, of our principal and overriding objective: rebuilding and enhancing shareholder value

PROGRESS AMID CHALLENGES

During the year, we absorbed the slowdown of the U.S. economy as it worked its way through our consumer customer base and, as a result, through our consumer businesses. Consumer loan write-offs rose by nearly $1 billion, and we increased consumer credit reserves to $1.5 billion, up by $389 million.

Commercial credit costs for the year, including a $481 million build-up in commercial reserves, totaled $2.7 billion. In both the consumer and commercial portfolios, the pace of erosion has slowed, although credit costs are expected to remain high in 1992.

Our overall revenue growth remained positive but, reflecting prevailing economic conditions, slowed to 2 percent in 1991 from 12 percent in 1990.

Advancing toward our goal of a 5 percent or better Tier 1 capital ratio by year-end 1993, we improved our Tier 1 capital ratio in 1991 to 3.7 percent from 3.3 percent, and finished the year with more than $17 billion of total capital (as well as over $40 billion of liquid assets). Some of the capital—$1.25 billion—came from our successful issuance of convertible preferred stock, an expensive but essential measure. Our capital position also benefited from sales of nonstrategic assets during the year, which had a net effect equivalent to adding $1.2 billion to Tier 1 capital.

Mainly through our continuing expense reduction efforts, we achieved substantial gains in operating margin (revenues less expenses but before credit costs), which improved by $1 billion from the prior year to $5.8 billion in 1991.

Midway through our two-year plan, we are thus on track to achieve our operating margin goal of $7 billion for 1992. We need this to absorb the impact of real estate and other higher than normal credit costs and still return the company to normal profitability and build capital.

In part, 1991 will be remembered as the year we put the cross-border refinancing portfolio issue behind us, with the reserves allocated to that portfolio proving more than adequate. Indeed, our corporate and consumer businesses in Latin America are thriving—because, unlike some of our major competitors, we didn't back away from our customers there. And, as our customers around the world renew their interest in Latin America, they are finding our full range of banking products increasingly valuable.

We continue to manage our other troubled portfolios as well as possible given economic conditions. For example, although we obviously cannot control the real estate marketplace, currently characterized by illiquidity, we are working that portfolio in a practical way by writing off aggressively and looking for ways to maintain and improve value until liquidity returns. We understand this portfolio's risks and, absent a further economic downturn, believe they are contained.

ORGANIZATIONAL ACTIONS

Our goals are particularly demanding given the economic environment. So, along with everything else we are doing to meet them, we implemented, in January 1992, a series of organizational steps aimed at significantly improving how we are structured and managed, by getting us more focused on the task at hand, instilling urgency, better directing our energies, and promoting necessary teamwork.

Specifically, these steps included.

- Concentrating senior corporate responsibility in the Chairman and five other executives reporting to the Chairman.

- Assigning operating responsibility to fifteen proven executives who are currently running our businesses

- Establishing corporate-wide "task force initiatives" working on revenue, expense, and structure to ensure full achievement of the 1991-1992 plan and to help create throughout the company the revenue/expense relationships that we believe are crucial to performance in this decade

• Defining performance as *corporate* as well as business unit performance, with the management of each of our businesses working together toward common goals.

In doing so, we made two key additions to the senior management team reporting to the Chairman:

• Pei-yuan Chia was named Senior Executive Vice President with responsibility for Citicorp's consumer businesses worldwide, including branches, cards, and private banking. Mr. Chia has been Sector Executive in charge of Global Consumer Banking since December 1990. He began his Citibank career in 1974, as a senior marketing officer in the then newly formed Consumer Services Group.

• H. Onno Ruding, a senior banker, economist and international finance leader and a former Finance Minister of the Netherlands, was named head of worldwide corporate banking activities, and was elected a Vice Chairman. He has served as Chairman of the International Monetary Fund's Interim Committee, the Group of Ten (industrialized countries), the Inter-American Development Bank, the Asian Development Bank, and the European Investment Bank. Mr. Ruding has been a valued member of the Citicorp Board of Directors since 1990.

LOOKING AHEAD

What does it mean to be a great bank in the 1990s?

It means being able to meet customers' needs, however complex, anywhere in the world with unprecedented consistency—in the quality and range of our products, in highest service levels, in accessibility, and even in the "feel" of doing business with Citibank

It means having the financial strength—balance sheet and basic profitability—to be a true partner to those customers in good times and bad.

It means marshalling the human and technological resources of the organization more imaginatively and cost-effectively than one's competitors

These are the long-term challenges of Citicorp. They will remain challenges after we have returned to profitability, after the 1991-1992 plan is accomplished, indeed well past the turn of the century

We welcome these challenges. And we are confident that we will meet them as successfully as those we face today.

We recognize our role in U.S. banking and world finance, the responsibilities associated with that role, the challenges we face, and the many constituents with a vital stake in the outcome of our efforts. Accordingly, we are committed to keeping our shareholders, employees, customers, and regulators well-informed as to our business and financial condition and, in particular, our progress.

I want to thank Citibank employees worldwide for their outstanding efforts, our customers for their loyalty, and the Board of Directors for their dedication. In particular, we appreciate our stockholders' continuing interest and support.

John S. Reed

In January 1991, Citicorp instituted a Five Point Plan to restore the Corporation's earnings momentum and increase its capital strength within two years. Despite a sluggish economic environment throughout 1991, particularly in the United States, progress on the Plan in its first year was substantial and on schedule.

1 FOCUS ON 1991 AND 1992

During this period, Citicorp is closely examining every aspect of its operations around the world, identifying and implementing actions to position the company strongly for the remainder of the '90s and beyond. To ensure that attention, resources, and energy are sharply focused on near-term realization of the Plan's goals, a number of actions have been taken:

- Responsibility and accountability for each business unit's contribution to overall corporate performance have been vested in line management;
- Senior management task forces are working across business and geographic lines to seek out opportunities that may be lost in a vertical structure;
- A separate unit, reporting to the Chairman, was created to manage the U.S. commercial real estate portfolio;
- Reserves of $750 million were set aside to cover business restructurings, severance payments, and other corporate restructuring costs;
- Citicorp's aggressive approach to problem portfolios resulted in write-downs, write-offs, and reserves against credit losses of $5.5 billion in 1991;
- Country write-offs of $1.6 billion were taken against the non-performing outstandings in the cross-border refinancing portfolio.

Richard S. Braddock
President

2 MANAGE DIFFERENTLY... TO REDUCE COST BASE AND IMPROVE REVENUE/EXPENSE RELATIONSHIP

Citicorp consistently produces strong revenues, even in difficult environments. To assure the revenues generated create higher profits and greater capacity to absorb credit costs, the Corporation is making fundamental changes in the ways its businesses are managed. Nonessential activities are being eliminated, support functions consolidated, and management structures flattened to eliminate bureaucracy.

Each business is being analyzed to determine how its customers can be served more efficiently at lower cost. Other more cost-efficient processes are being set in place to optimize service to customers. In 1991, telecommunication resources were consolidated in a single entity, which will substantially reduce operating costs and position Citicorp to implement the latest advances in technology to the benefit of its customers. The goal is to increase the annual operating margin principally by reducing costs. Although the results of the expense reduction programs currently being implemented will not be *fully* visible until 1993, operating expenses in 1991, adjusted for restructuring and credit-related costs, were down almost $700 million from 1990.

Wei-yuan Chia
Senior Executive
Vice President

3 STRENGTHEN CAPITAL

The program to increase Citicorp's capital position involves adding $4 billion to $5 billion to the 1990 Tier 1 capital base. This is to be accomplished principally through retained earnings but includes selling non-strategic assets, managing the balance sheet, and raising external capital. The goal is to meet applicable regulatory guidelines by year-end 1992 and substantially exceed them in 1993. During 1991, important capital-building steps were taken:

- Tier 1 capital increased a net $541 million, and total Tier 1 and Tier 2 capital increased to $17.1 billion—more than that of any other U.S. bank;
- $1.25 billion in new preferred stock was sold to outside investors.
- Various asset sales had the equivalent effect of adding $1.2 billion to Tier 1 capital.
- Suspension of the common stock dividend eliminated annual payments of almost $350 million;
- The Tier 1 capital ratio, calculated according to year-end 1992 guidelines, was raised to 3.7% from 3.3%

Paul J. Collins
Vice Chairman

4 BUILD ON THE STRENGTHS OF CORE BUSINESSES

Citicorp has the most valuable consumer, corporate, and institutional banking franchises in the world. Great care is being exercised to insure that restructuring and cost-cutting programs not only do not impair that value but also, where possible, enhance it. Citicorp is continuing to invest in people, technology, and facilities in the U.S. and internationally, in contrast to some competitors who are exiting important markets or shrinking businesses. The validity of Citicorp's commitment was demonstrated in 1991: revenues for each of the company's core businesses held up or even increased in a difficult economic environment. The performances of individual core businesses are discussed elsewhere in this report.

William R. Rhodes
Vice Chairman

5 MAINTAIN A STRONG CUSTOMER FOCUS

With a customer list that is the envy of the banking industry, Citicorp is intensifying and extending its relationships with existing clients and adding new ones. It is doing so by better understanding customers and their needs, and then developing products and services to meet those needs. Under this plan, each unit is asking, "What do our customers need and how can we provide it profitably?" rather than simply, "What can we sell?" This has brought about a distinct difference in how Citicorp approaches and serves its markets. The results are reflected in high satisfaction rankings among customer groups and increased shares in most markets. Specific examples of how customer focus is being intensified are described in this report.

H. Onno Ruding
Vice Chairman

The Five Point Plan, in addition to fostering profound change in Citicorp's approach to its businesses, is designed to capitalize on existing strengths. These strengths make Citibank unique among banking institutions, and they underlie its singular position in world finance.

GLOBAL PRESENCE

No other bank in the world approaches Citibank's global reach. With a network linking 92 countries, Citibank is the only international bank with a significant presence in so many markets. While competitors pull back from some international markets, Citibank continues to expand in both developed and emerging economies. As the world's economies become increasingly interrelated and integrated, as is happening in Europe, the ability to deliver service globally will be an important competitive advantage.

Citibank continues to translate global *presence* into global *operation*. For the consumer, that means more than branches in many locations—it means "Citibanking"—24-hours-a-day, 7-days-a-week access to banking service—wherever the customer may be. Branches thousands of miles apart will look, feel, and function basically alike, products will be similar; and service standards will be consistent around the world. For the institutional or corporate customer, truly global operations mean access to the full complement of Citibank talent, skills, experience, and resources, regardless of geographic or functional boundaries.

INNOVATION

Citicorp has built its reputation for innovation over many years. Today, that reputation is being reinforced by a renewed focus on customers under the Five Point Plan. Citibankers around the world are developing solutions to meet specific customer needs and, through success transfers, are adapting and delivering many of those solutions to other parts of the organization. Examples of innovation in 1991 include:

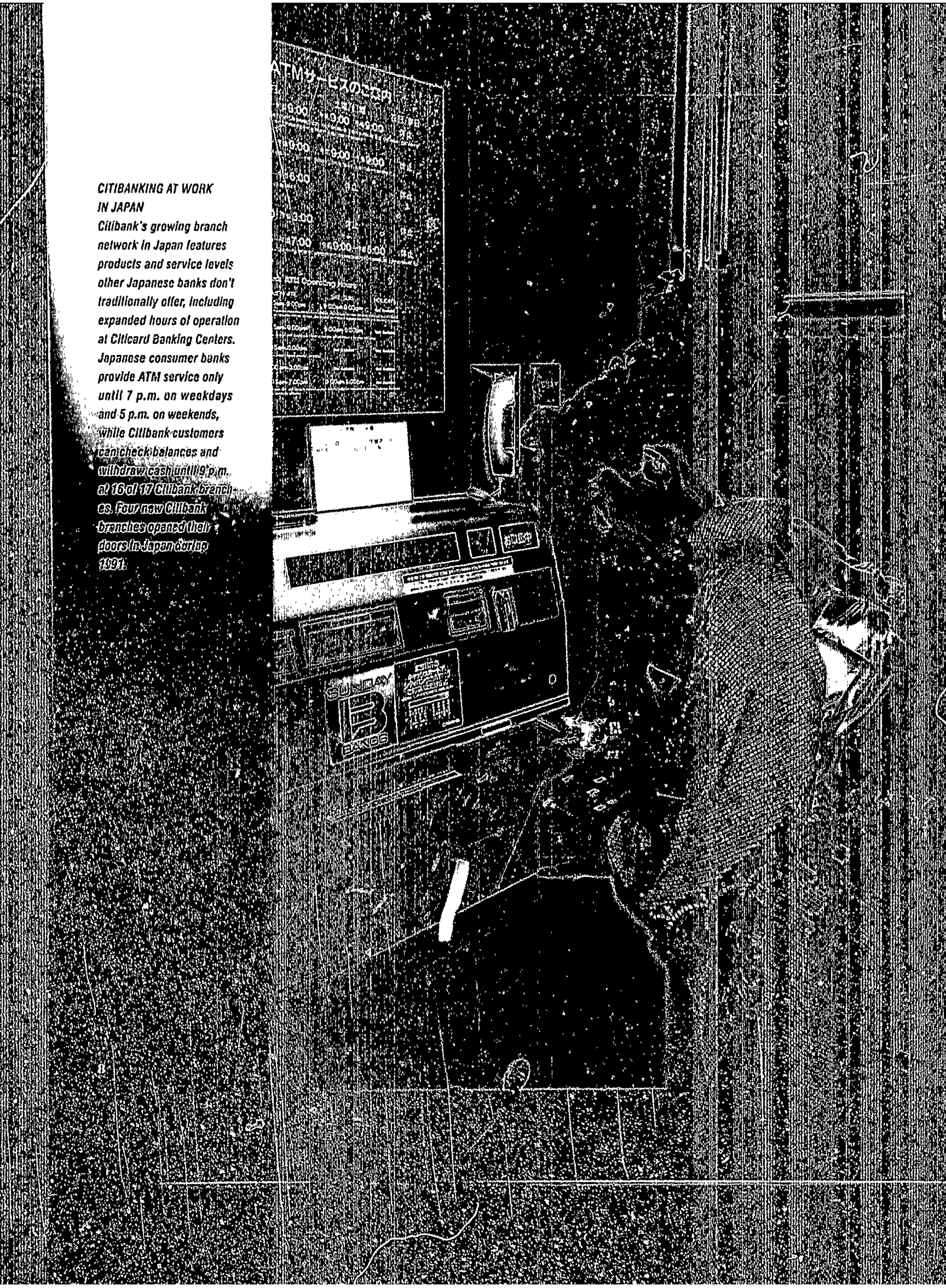
- Expanded functions for the Citicard Banking Center network, such as delivering full transaction journals and operating with multiple currencies and in multiple languages.
- Creation of high-volume trade processing centers in the U.S. and Hong Kong that operate across geographic boundaries, linking importers and exporters and providing letter of credit and collection services;
- MultiMoney accounts that permit customers to invest in different currencies through their local branches. Initially developed for Asian markets, this product was "success transferred" to the U.S.;

• *Price Protection*, guaranteeing the lowest advertised price on most purchases made in the U.S. with Citibank credit cards, which was added to protection against loss, breakage, and theft.
• A new master trust structure for securitizing credit card receivables, which extended Citicorp's leadership in asset-backed securities;
• Innovative lease financings for a major U.S. energy company to provide optimal funding under tight timetables for two large asset acquisitions.

CUSTOMER RELATIONSHIPS

Citicorp's focus on increasing and deepening activities with its existing customer base is founded on solid, long-standing relationships with satisfied consumers, corporations, institutions, and governments. Citibank consistently ranks at or near the top in independent surveys of users of financial services and improved its standing in several important areas during 1991:

• According to the 1991 Goldman, Sachs & Co. survey of chief financial officers of large U.S. corporations, Citibank has primary relationships with 41% of participating companies, up from 27% the previous year and well ahead of the nearest competitor.
• In the U.S., Citibank has a banking relationship with one in four households and serves 30% of households in the New York City market;
• Citicorp is the leading home mortgage servicer in the U.S.;
• The Citibank Private Bank is the largest non-Swiss institution of its kind in the world;
• In Japan, Citibank is the leading and most profitable foreign bank;
• In Eastern Europe, Citibank is the only U.S. bank with a substantial presence.
• In Mexico, Citibank is the only privately owned international bank.
• Citibank is the worldwide leader in such services as foreign exchange, cash management, and credit cards.
• Citibank was voted the top foreign exchange dealer for the 14th consecutive year in *Euromoney* magazine's annual poll.
• Citicorp is the leading source of loan syndications, both in the U.S. and internationally.
• A survey of broker dealers, investment advisers, and banks by *Global Custodian* magazine rated Citibank the overall best custodian for cross-border investors in the emerging markets.
• The Irish Association of Corporate Treasurers voted Citibank Ireland the [illegible] of the Year for 1991;
• Citibank in New York and Citibank thrift operations in California, Illinois, and Washington, D.C., all earned "Outstanding" ratings, the highest obtainable under the Community Reinvestment Act program that measures service levels in lower income communities.



CITIBANKING AT WORK IN JAPAN
Citibank's growing branch network in Japan features products and service levels other Japanese banks don't traditionally offer, including expanded hours of operation at Citicard Banking Centers. Japanese consumer banks provide ATM service only until 7 p.m. on weekdays and 5 p.m. on weekends, while Citibank customers can check balances and withdraw cash until 9 p.m. at 16 of 17 Citibank branches. Four new Citibank branches opened their doors in Japan during 1991.

GLOBAL CONSUMER BANKING

In consumer banking, Citibank is becoming recognized the world over for setting a new standard for service. The Global Consumer Bank serves 13.8 million households through 1,600 offices in 37 different countries and territories. In addition to branch banking, Global Consumer Banking includes the mortgage and insurance businesses and the non-U.S. credit card business.

The fundamental strength of Citibank's consumer franchise was clearly demonstrated in 1991, despite a prolonged U.S. recession, a weak U.S. housing sector and high unemployment which dampened consumer spending. Expenses, excluding restructuring charges, were reduced 6% from the previous year reflecting increased cost-containment efforts.

Earnings were adversely affected by record credit losses in the U.S. and restructuring charges taken during the year. Other markets posted strong results, however. Earnings grew 30% in the Asia Pacific region and 34% in Latin America. Operations in Europe were adversely affected by the Gulf War but recovered as the year progressed. Consumer operations in Latin America and the Asia Pacific region, where Citibank is strongly positioned, should continue to outpace other markets in growth in 1992.

In the U.S., Citibank's strong franchise will enable the consumer business to benefit as the economy emerges from recession and the U.S. consumer's financial condition improves.

The Citibank vision of consumer banking entails a seamless integration of products, services, and delivery systems, offered on a customer relationship basis. It is banking that is easy, safe, accessible, multilingual in many markets, uniformly delivered around the world, and available around the clock. The Global Consumer Bank is providing a demonstrably superior banking experience to its customers and creating compelling reasons for them to develop full financial relationships with Citibank.

This is the concept of "Citibanking," combining relationship banking—knowing and supporting the customer in all his or her financial activities—with technology that enables the customer to exercise greater management and control over his or her money.

The critical elements of the Citibanking relationship are the Citicard, a customer's "key" to unlocking services at over 2,300 Citicard Banking Centers around the world; the CitiOne account, which includes checking, money market, and bankcard accounts, and the CitiStatement, a monthly statement that gives a clear picture of everything the customer owns at Citibank and reports on all account activity.

With Citibanking, products and services are distributed not only through the global branch system but also through Citicard Banking Centers and CitiPhone Banking, which are evolving to give customers the full functionality of a branch 24-hours-a-day, 7-days-a-week. CitiPhone Banking lets customers access complete account information and transaction history, transfer funds, and even pay bills on any touch tone phone. At Citicard Banking Centers, customers can get similar services as well as make deposits and withdrawals. In some markets, Citicard Banking

CUSTOMER-FRIENDLY

Over-the-phone contacts are critical to customer satisfaction, just as face-to-face meetings are with branch representatives. Citibank provides 24-hour-a-day service through dedicated, carefully selected people, supported by extensive computer technology and information systems. This means "touch of a button" access to a customer's complete banking relationship for quicker answers to questions and faster solutions to problems. During 1991, Citibank began construction of a centralized customer service center in San Antonio, Texas, to serve the entire U.S. branch system. Consolidating customer on-line support facilities means more cost-effective and quality-consistent customer service.

NEW LOOK IN BRANCH BANKING

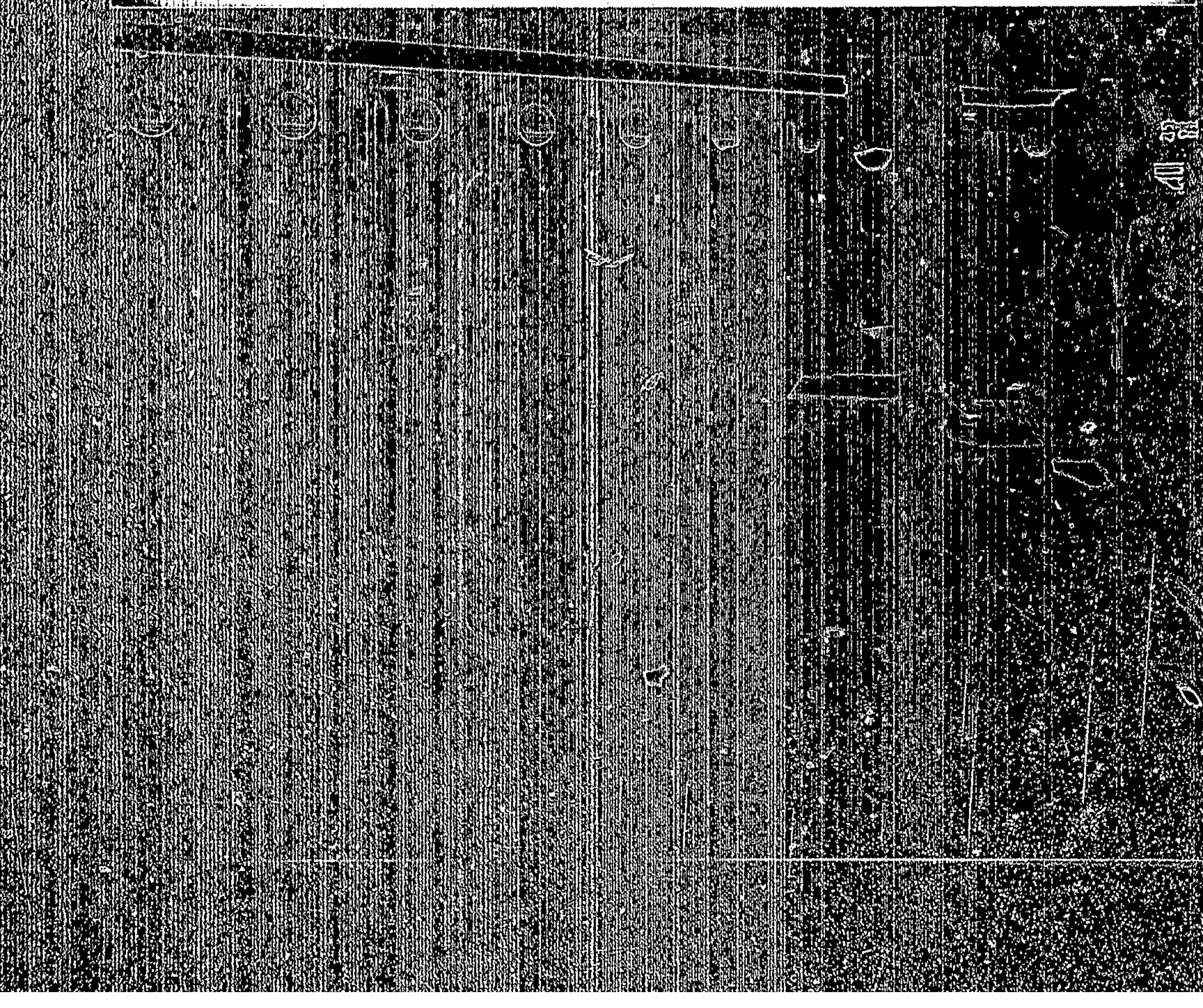
To create the ideal environment for customer sales and service, Citibank is changing the way bank branches look. The Citibank difference goes well beyond architecture. It includes advanced technology that gives branch personnel instant access to information about customer relationships. Citibank's Grand Central Commuter Branch in New York City emphasizes a range of financial services. In addition to savings and checking accounts and personal and business loans, there are specialized cash management services for small businesses and investment services for individuals.

Centers can even provide a full printed transaction journal on request.

Citibank's model branch project, pioneered in Chile, is creating the optimal in-branch environment for sales and service, coupling state-of-the-art technology with personnel who are trained, motivated, and rewarded to sell and service entire customer relationships. The project pioneers service innovations, such as paperless deposits, that will further reinforce the uniqueness of the Citibanking experience.

In 1991, Citibank joined the CIRRUS automatic teller machine network, greatly expanding Citicard holders' access to cash around the world. Also during the year, Citibank linked Citicard Banking Center service internationally between the U.S., Japan, Singapore, Hong Kong, Greece, and Germany. This international service has met with enthusiastic customer reaction. Japanese travelers, for example, are performing approximately 13,000 transactions each month at branches outside Japan.

The sale of investment products through the branch network, including mutual funds, treasury instruments, and money market funds, enjoyed significant success in 1991, particu-



larly in the U.S. market. Assets under management worldwide rose from $3.5 billion to almost $6 billion during the year. By enabling customers to invest in a variety of investment instruments with the same convenience they are accustomed to in their other banking activities, Citibank is able to enhance existing customer relationships and attract new ones.

Citibank not only defines a uniform banking experience around the world but also creates opportunities to transfer successful products, services, and technologies that are developed in one market into other markets.

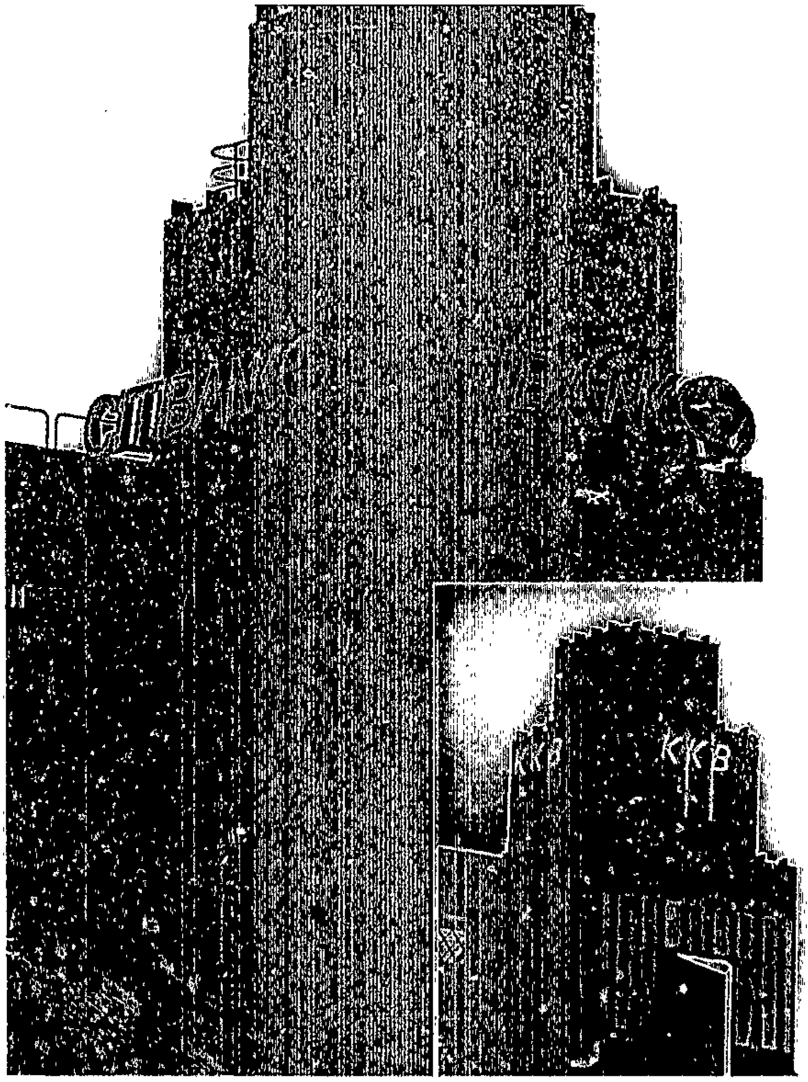
During 1991, the Global Consumer Bank took a number of strategic steps to position itself for even stronger performance in the future. To cut costs and improve efficiency, multiple customer service data center operations for the entire U.S. branch business were centralized in two separate facilities: customer service activities in San Antonio, Texas, and data center activities in Weehawken, New Jersey. Several different strategic planning and development units for the United States and other countries were consolidated as well.

Mortgage origination activities in the United States were restructured to operate through the branch system, bringing the loan making process closer to the customer and resulting in considerably leaner staffing and lower expenses. Mortgage servicing activities remain centralized to achieve economies of scale. Credit criteria for the U.S. mortgage business were reformulated in order to improve the business's credit performance. While the mortgage portfolio continues to reflect the difficult economic environment in the U.S., results since April have improved as a result of the strengthened credit criteria.

Citibank's consumer business exited nonstrategic businesses in France, Austria, the United Kingdom, and Italy during the year. These businesses were either narrowly focused in terms of product offerings or located outside major markets.

Expansion continues, however, in strategically important markets. U.S. branches were opened in Chicago, San Francisco, and New York.

Branches were also opened in East Berlin, Spain, Taiwan, Japan, South Korea, Australia, Brazil, and Mexico. In addition, Citicorp reacquired full ownership of its Colombian affiliate.



CITIBANKING AT WORK IN EUROPE
In September 1991, Citibank's consumer bank in Germany, with 302 former KKB branches in more than 200 cities, unveiled new Citibank signs. The name change is part of a Pan-European marketing effort that will make Citibank the first bank to have a standardized name throughout Europe and standardized products and services, such as the Citi-One account and touch-screen Citicard Banking Centers. The Global Consumer Bank serves customers in seven other European countries in addition to Germany: Belgium, France, Greece, U.K., Italy, the Netherlands, and Spain.

SUPPORTING LOWER INCOME COMMUNITIES

The Community Reinvestment Act (CRA) sets federally mandated service standards for banks in lower income communities. Typical of Citibank's CRA activities is its role in financing the Frank G. Mar development in Oakland, CA. The Mar project, a 119 unit, family housing project in Oakland's Chinatown district, recently received a Federal Design Achievement Award from the National Endowment for the Arts. Citibank in New York and Citibank thrift operations in California, Illinois, and Washington, D.C., have received Outstanding ratings from their respective regulatory agencies for their CRA activities.

In Germany, Citibank's branch operations began doing business under the Citibank name for the first time. The 302 German branch network will serve as the model for introducing the Citibanking strategy throughout Europe.

Citibank's credit card business outside the United States posted positive earnings in 1991 after three years of investment spending. The international card business is projected to post further gains in the coming year. Including Diners Club cardholders, Citibank credit and charge customers outside the U.S. currently number over 8 million, which places this business among the top credit and charge card issuers in the world.

U.S. CARD PRODUCTS

The U.S. credit card industry experienced tremendous growth in the 1980s, and while the overall market was expanding, Citibank's Card Products Group was growing even faster. This momentum enabled Citibank to achieve a size that allows it to support strategic efforts in ways smaller competitors cannot. Citibank maintains its preeminent share of the U.S. credit card market, with 31 million accounts in force. Of all retail purchases in the U.S. last year, excluding automobiles, 3.6%, or $52 billion were paid for with Citibank cards.

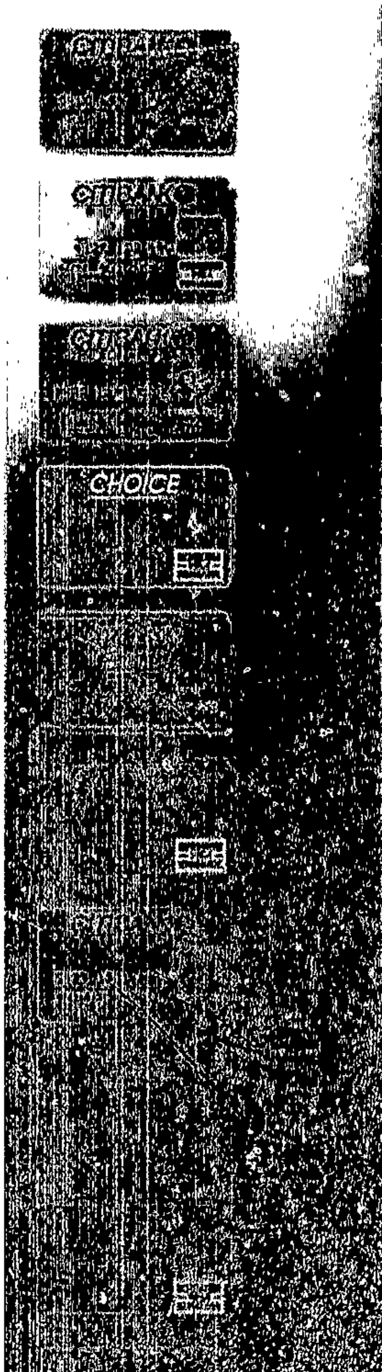
Although the rate of growth in the market slowed and credit losses increased in a slow economy, the Card Products Group continued to be highly profitable in 1991. Tight controls kept expense levels flat for the third consecutive year, while receivables under management increased 13%. Revenues increased 12% after excluding the effect of credit card securitizations.

In response to the economic environment, the Card Products Group shifted its marketing strategy toward targeted customer segments, raised credit standards, and tightened screening procedures for new customers. Credit limits for existing customers are monitored closely, and standards for credit line increases have been tightened. Point-of-sale authorization criteria are also becoming more stringent. Activities of credit and marketing staffs are being more closely coordinated in an effort to produce greater credit predictability. Many of these steps to control credit losses will have a positive long-term impact on profitability.

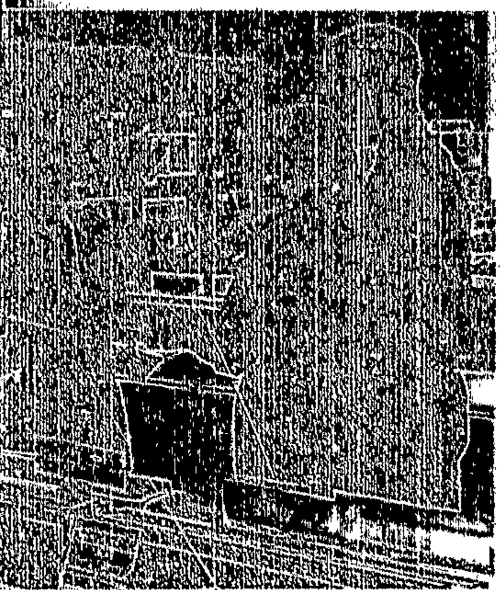
Only Citibank offers a range of cards to meet the needs of all major customer segments—Classic for the broad market, Preferred and AAdvantage for affluent consumers, Choice for the price conscious, and Diners Club for business travelers. Each card product offers specific benefits to a targeted customer group and carries somewhat different requirements.

The Card Products Group is acting to preserve and expand its relationships with creditworthy cardholders through more individualized service and benefits attached to card usage. New technology at Citibank card service centers facilitates greater attention and a more rapid response to customer needs.

Citibank's U.S. Card Products Group is already among the most efficient and customer-focused in its industry. In 1991 the Group embarked on a unit-wide program to further increase the quality of its operations from both the cost and customer service points of view. By finding better ways to manage work flow and processes, use staff time, and deploy resources, the Group intends to maintain its preeminence and profitability in a challenging and rapidly changing business.



CITIBANK'S FAMILY OF CARDS ▶
Offering a variety of credit and charge cards lets Citibank appeal to different market segments and customer interests. Citibank Classic is for the consumer who wants security, quality, and value. Citibank Preferred appeals to those requiring a larger credit line. CHOICE is for the price-sensitive consumer. AAdvantage is for the upscale traveler, and Diners Club is for the business traveler.



◀ CITIBANK INTRODUCES PRICE PROTECTION
Price Protection, which guarantees the lowest price on most items purchased in the U.S. with a Citibank credit card, generated a great deal of consumer interest when Citibank introduced it in April 1991. Launched in the wake of the Gulf War, Price Protection attracted widespread media attention as well. Price Protection is one of the many ways Citibank builds customer loyalty by adding value to its credit cards.

PRIVATE BANKING

The Citibank Private Bank provides a wide range of sophisticated financial advisory and transaction services to wealthy individuals worldwide. With over 71,000 clients and $70 billion in assets under management, it is the largest non-Swiss private bank in the world.

As with many other Citibank businesses, the Private Bank benefited last year from its broad geographic balance. Sluggish economic conditions in the United States were offset by strong performances in other parts of the world, particularly Asia. Revenues increased 7%, and assets under management grew 4% in 1991.

Global presence is one of four crucial factors that distinguish the Citibank Private Bank from its competitors. The others are its ability to give clients access to the breadth and depth of Citicorp's expertise, the Private Bank's philosophy of wealth management, and the professionalism of its staff.

Private Bank clients, by virtue of their financial resources, can generally engage in financial activity on a global basis, taking advantage of opportunities around the world. Citibank's extensive global presence offers them a range of financial services and investment alternatives not available from any other source. With operations in 92 countries, Citibank is in an unparalleled position to develop first-hand knowledge about international financial trends and local market conditions all over the world. Private Bank clients enjoy the added benefit of Citibank's detailed understanding of local tax and regulatory issues affecting individual investors. Finally, the Private Bank's own dedicated offices in 18 countries give it delivery capabilities exceeding those of virtually all other private banks.

The Private Bank brings to the client the full complement of the global financial expertise resident in Citicorp, expertise that is unmatched in its breadth and depth. For example, Citibank's strengths in foreign exchange and derivatives, developed for corporate clients, are now routinely utilized for Private Bank clients. As a result, sophisticated product support services have become increasingly important to the Private Bank's activities in terms of both revenues and client services.

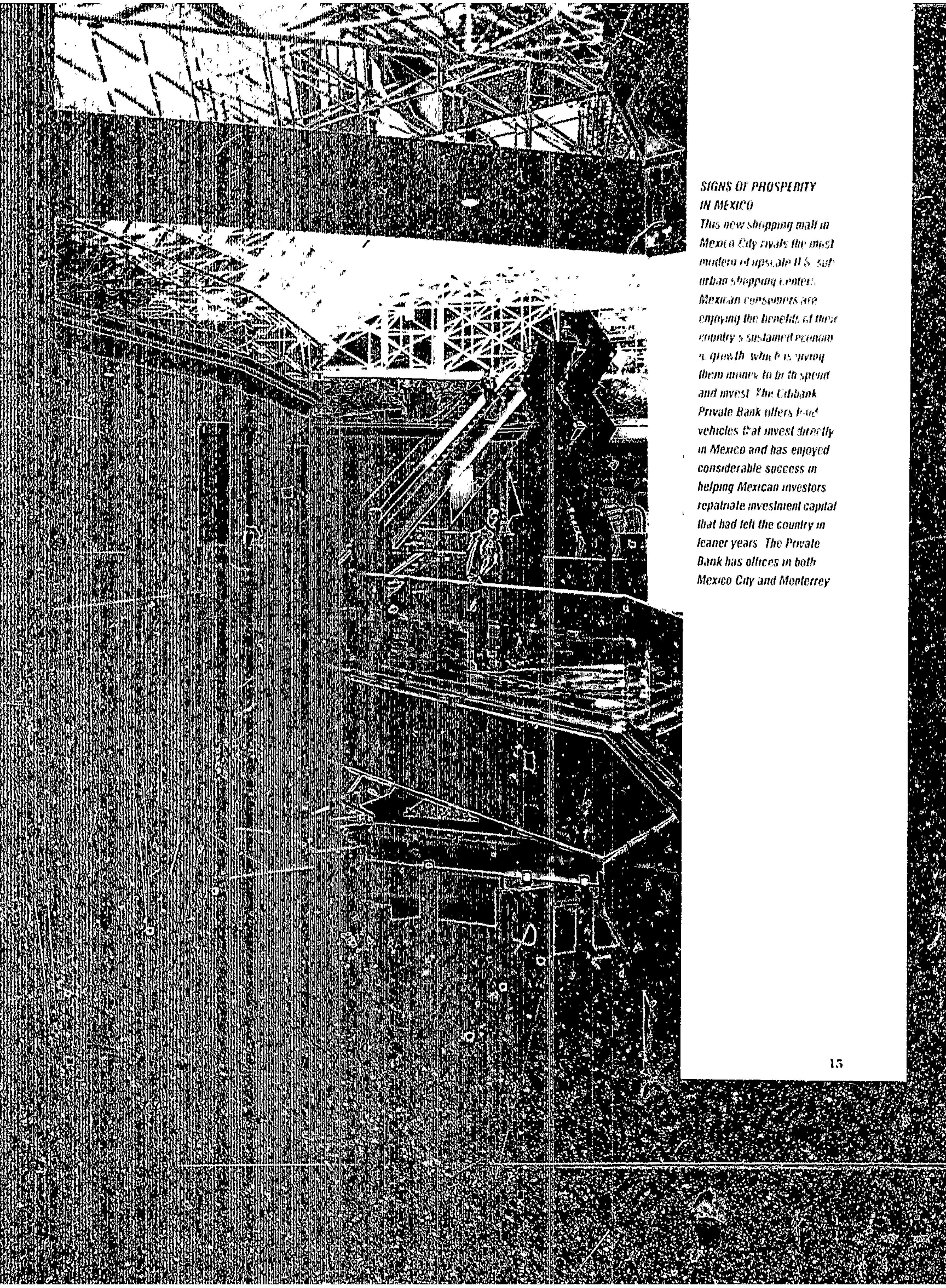
The Private Bank's investment performance is consistently top ranked by independent surveys. An important part of the Private Bank's strategy has been to create an array of investment products that meet different investment objectives. These include a group of 32 Landmark-managed mutual funds, personal trust funds, and IRA and Keogh funds, as well as funds managed from, or registered in, different locations around the world. Twenty-one of the 32 funds managed out of the Private Bank's U.S. investment center have a three-year performance history, and of those, 16 exceeded competitive benchmarks in 1991.

The Private Bank's philosophy of wealth management encompasses all aspects of a client's financial activities. It directs how the Private Bank thinks about its clients' asset allocation and the activities they should be engaged in. This approach entails working with both sides of the client's personal balance sheet and providing not only investment and transaction services but also counsel on using debt to maximize asset values and accommodate tax and regulatory considerations.

The Private Bank's goal is to assure that every client in every location receives personal attention and guidance geared to growing financial assets consistent with his or her needs and objectives. This high level of service must accommodate differences in language, culture, and customs as well as local regulation. Above all, it leads clients to regard the Citibank private bankers that work with them as their partners in managing and building their individual wealth.

In a business as personal as private banking, maintaining consistent, high-quality service across a broad range of products depends as much on high professional standards as on standardized procedures and training. The Private Bank emphasizes all three factors. It recruits top-quality professionals and exposes them to extensive training in the wealth management philosophy and in harnessing Citibank's vast global resources to respond to clients' individual needs.

Through these efforts, the Private Bank seeks to forge loyal, long-term relationships based on both a level of service and an approach to personal financial asset management that clients will come to regard as distinctly Citibank's and unobtainable at other institutions.



SIGNS OF PROSPERITY IN MEXICO

This new shopping mall in Mexico City rivals the most modern of upscale U.S. suburban shopping centers. Mexican consumers are enjoying the benefits of their country's sustained economic growth, which is giving them money to both spend and invest. The Citibank Private Bank offers fund vehicles that invest directly in Mexico and has enjoyed considerable success in helping Mexican investors repatriate investment capital that had left the country in leaner years. The Private Bank has offices in both Mexico City and Monterrey.

Citibank's Global Finance operations serve corporations and financial institutions in the sophisticated capital market economies of Japan, Europe, and North America and in the world's developing economies where banking services tend to be traditional and based in local currency. The World Corporation Group (WCG) and Financial Institutions and Transaction Services (FITS) span both developed and developing economies in meeting the complex and wide-ranging needs of their customers. The WCG serves a select group of multinational corporations, and FITS provides correspondent banking, cash management, and a broad range of securities and trade services to institutions and corporations. Results of WCG and FITS are reflected within the respective Global Finance businesses.

SEEING INVESTORS AS CUSTOMERS
Citicorp's Global Finance business in developed economies continues to shift from originating and booking assets on the Corporation's balance sheet to structuring and distributing those assets in the form of securities to investors around the world. This calls for new skills in identifying investor needs and structuring tradable securities that appeal to disparate investor groups around the world in terms of interest rates, maturities, currency risk, and credit profile. Citicorp has become a leading structurer and distributor of mortgage-backed and credit card-backed securities and a leading distributor of commercial paper and is building its capabilities in high-yield and corporate bonds.

GLOBAL FINANCE IN JAPAN, EUROPE, AND NORTH AMERICA

The Global Finance business in Japan, Europe, and North America has undergone dramatic changes in response to transitions in the economies of those countries and execution of the Corporation's Five Point Plan to build capital and earnings momentum. Operating units were restructured, layers of management were eliminated, and nonstrategic businesses were divested. In the process, operating expenses, excluding restructuring charges and net OREO (other real estate owned) costs, were reduced 9%, from $2.7 billion in 1990 to $2.5 billion in 1991, and capital requirements were reduced significantly. Divestiture of 50.3% of AMBAC, a municipal bond insurer; a London-based insurance broker; and Lynch, Jones & Ryan, an institutional brokerage business, eliminated $27 billion in risk-adjusted assets, equivalent to adding $800 million to Tier 1 capital. For internal management purposes, the problem U.S. commercial real estate portfolio has been segregated from the sector to ensure that the portfolio receives the senior management attention and resources it requires without distracting line management from other ongoing businesses.

Global Finance revenue levels in the developed economies in 1991 declined only 7% despite generally decreased activity and difficult economic conditions in several markets.

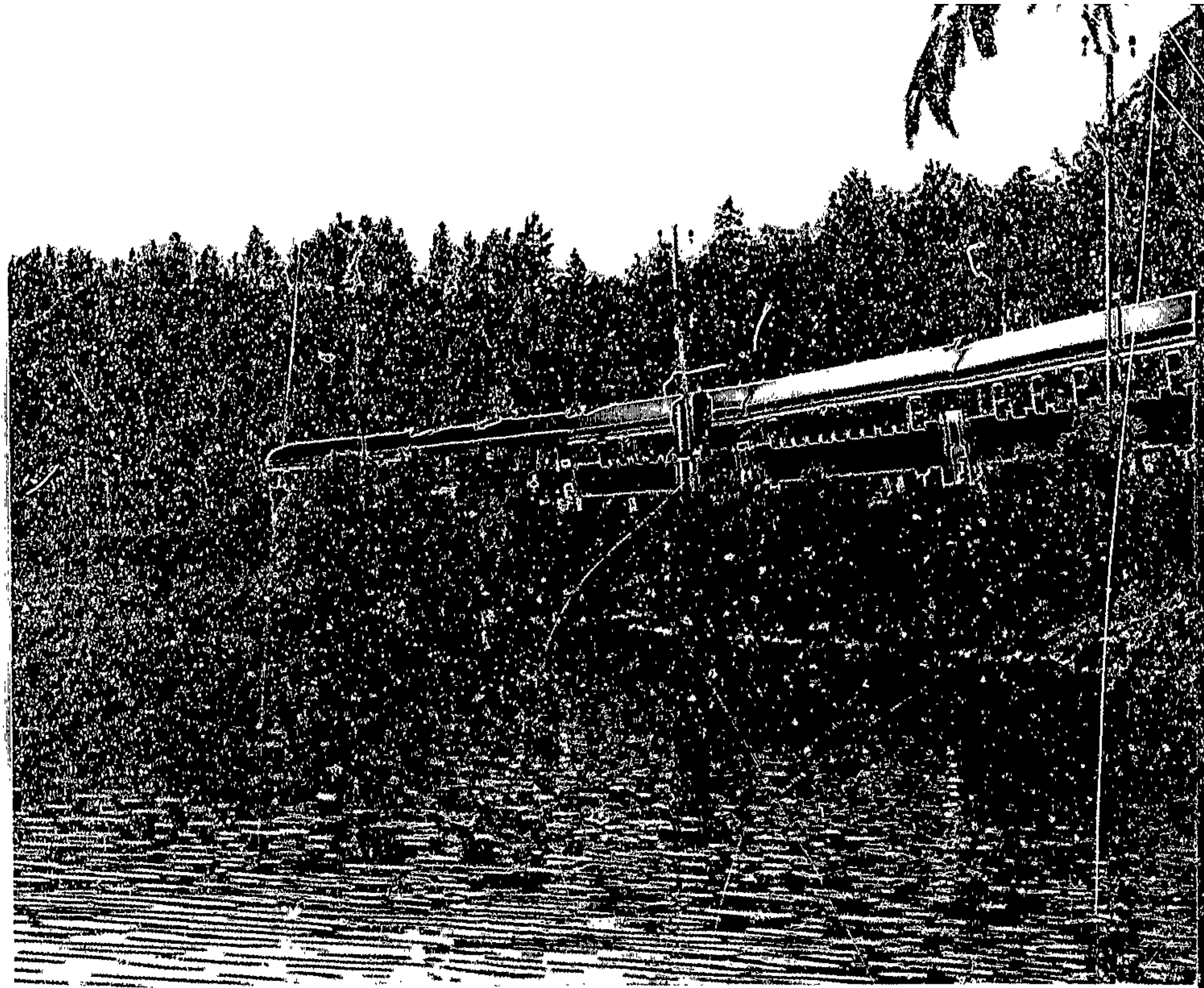
The financial and investment needs of corporate and institutional clients are large, complex, and international in scope. Citibank's developed-economy business today is lean and focused, with tight operating and risk exposure controls, and the company is well equipped to meet clients' corporate finance, trading, and transactional processing needs in a challenging market environment. The organizational changes have also created a business structure that can support virtually seamless service across functional and geographic lines. The benefits to customers of greater responsiveness are already apparent.

Citibank retained or improved its leadership position in such important businesses as foreign exchange trading and derivatives, loan syndication, and transaction processing.

Citicorp has become an important participant in fixed-income trading and issuance. It is a leader in asset-backed securities and in both high-yield and investment-grade bonds. In 1991, Citicorp was the fifth largest placement agent of commercial paper in the world and the second largest in the Euromarket. The overall business of fixed-income security origination, which was unprofitable as recently as 1988, contributed $55 million to 1991 Global Finance earnings.

As customers continue to access capital markets directly and bank-capital requirements demand a more conservative balance sheet, Citibank is putting more emphasis on its worldwide structuring and distribution capabilities as an intermediary. The capacity to understand and mesh the interests of both issuers and investors is demonstrated by Citibank's ability to structure instruments geared specifically to a variety of risk, credit rating, and maturity criteria.

The ability to act as an intermediary not only expands Citibank's relationships with both issuers and investors



but also reduces the Bank's own risk exposure and capital requirements.

A new portfolio management system is being installed to enhance analysis of portfolio composition and industry and borrower concentration as well as to facilitate pricing.

Trading accounted for $[illegible] million of Global Finance's developed markets business revenue in 1994. This includes foreign exchange, where Citibank's world leadership is long-standing, and related products such as interest rate swaps.

Transaction processing, which covers cash management, securities clearance and custody, trade, and trade-related services, generated $[illegible] million of 1994 revenue.

GLOBAL FINANCE IN DEVELOPING ECONOMIES

Citibank conducts global finance activities in [illegible] countries outside of Japan, Europe, and North America. Financial needs in these countries, in contrast to developed economies, tend to be satisfied via local investment products and funding activity.

Almost [illegible]% of Global Finance earnings in developing countries is generated by local corporate business. Another 1[illegible]% comes through transnational business with other financial institutions. Work for multinational companies doing business in developing economies accounts for [illegible]% of earnings, and the remainder comes from the public sector and professional trading activity.

Geographically, Global Finance earnings in developing economies are balanced between Latin America at [illegible]% and Asia at [illegible]%, with a smaller but growing percentage, 20%, from Eastern Europe, the Middle East and Africa.

Citibank's Global Finance business in these markets is generally characterized by a long-standing historical presence in a country, medium to large market share, healthy product mix, and the ability to attract the best local talent. In many markets Citibank is the largest or second largest — and sometimes the only — foreign bank, and has well-established relationships with corporations, financial institutions, individuals, and the public sec-

tor that are critical to [illegible] business opportunities.

In Latin America, results were impacted by a challenging Brazilian economic performance. Overall, Latin American revenue declined 24% from the prior year. Excluding Brazil, revenue was up 9% from 1993. Some Latin American countries, most notably Mexico, showed improved economic growth during 1994. Citibank is the leading bond underwriter for Latin American clients and has a [illegible] share of the securitized bond market. During 1994 in Venezuela, Citibank completed the largest merger and acquisition deal in the Corporation's history. (See caption on page 20.)

In the Asia Pacific region, revenues were up [illegible] and earnings [illegible] the year. The prior year Citibank [illegible] in the Asia Pacific [illegible] well established and growing and the foreign [illegible] bond [illegible] tion revenues in 1994.

The Global Finance business in Eastern Europe, the Middle East and Africa experienced considerable growth with revenues up [illegible]. Citibank is proceeding [illegible] in Central Europe [illegible] to participate in future [illegible] economic opening up. During the year, offices were opened in Prague and Warsaw. Citibank sold its [illegible] operation in the region, Citibank Budapest Rt., a joint venture with the Hungarian Central Bank, [illegible] and Credit [illegible] early in 1994 and is profitable [illegible] this year. Many developing countries have begun opening their economies, removing exchange barriers and encouraging private business initiatives. Economic growth has often picked up markedly in response. For Citibank, these trends have brought growth in both its local banking franchises and cross-border capital markets activity.

In 1994, Citibank initiated a comprehensive market analysis and an accompanying [illegible] effort aimed at improving its position with clients and enlarging its market share in developing countries. The Customer Focused Management Process is an ongoing program through which Global

Emerging businesses in more highly developed countries are analyzed according to customer segment, client profile and product line to determine high, moderate and low development potential.

The process is repeated for each business [illegible] where further investment is warranted. [illegible] must be adjusted [illegible] expected levels [illegible] potential. Because [illegible] customer feedback, the Customer Focused Management Process helps Citibank stay in touch with the market and develop products that anticipate customer needs.

[illegible]

WORLD CORPORATION GROUP

The World Corporation Group (WCG), which serves the world's 219 leading multinational corporations, has always been customer driven. A staff of 570, organized into 219 relationship teams in over 70 countries, serves the needs of these parent companies and their 7,000 subsidiaries. Citicorp has had relationships with many of these companies for over 100 years and has been doing business with over half of them for more than half a century.

Through this unique global franchise, the WCG can address the individual needs of its clients on both a local and cross-border basis. This commitment to client focus has resulted in the strengthening of the WCG's customer relationships. During 1991, several independent surveys of the major corporations confirmed that Citibank was a lead bank for about half of the WCG client base, and this percentage has continued to grow.

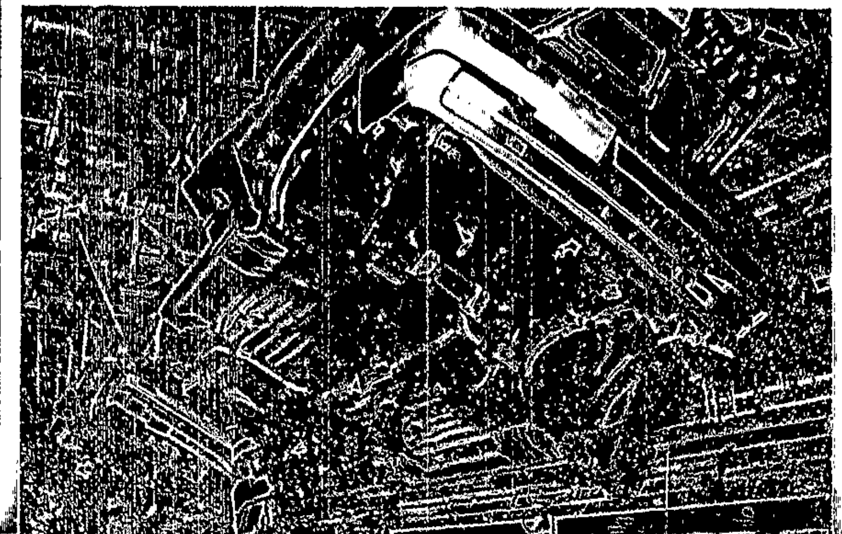
Accounting for $700 million, or 13%, of Global Finance revenues, the World Corporation Group's 1991 revenues for multinational customers improved by 6% over 1990 due to strong growth in many parts of the world. WCG revenues in Asia grew by 17%, with good performances in virtually every one of the 15 countries in the region. North American revenues also grew by 18%, the result of excellent performance in transactional products such as cash management, where Citibank has a leadership position, and a number of large, complex corporate finance transactions. Following an increase of 26% in 1990, revenues in Europe grew 7% in 1991, reflecting slower growth in several economies. A strong performance in northern Latin America was offset by weaker results in Brazil.

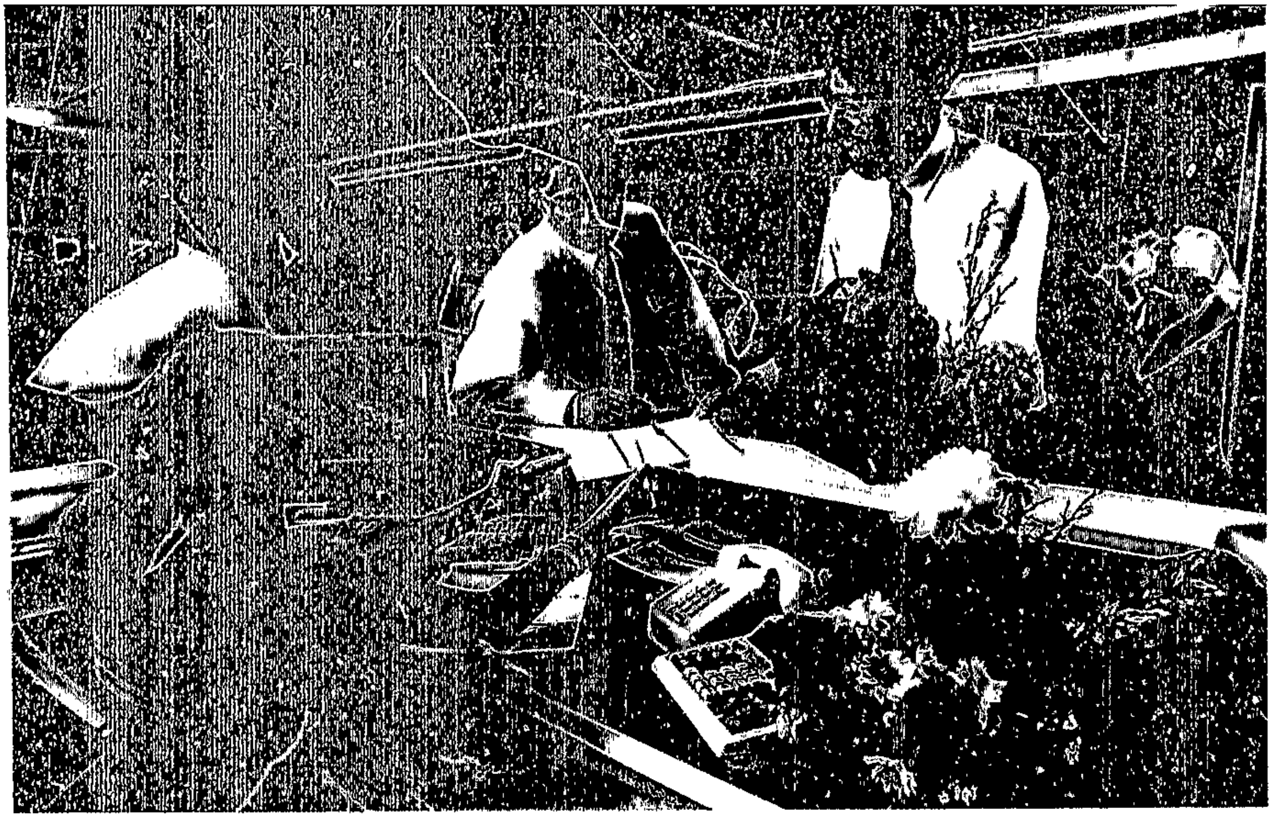
WCG earnings are diversified in terms of geography and products, with 75% coming from ongoing, annuity-type businesses. This, coupled with a high level of customer satisfaction, creates an earnings stream that is stable and predictable.

The WCG provides a full range of financial services to its clients. For one client, it may structure currency or interest rate hedges. For another, it may design export programs to facilitate trade. For a customer investing in Asia for the first time, the WCG might provide advice, contacts, and local-currency working capital. Another company may require assistance in issuing shares in the international capital markets. The WCG might design a European cash management netting system for a customer. For another, it may pull together teams in two or more countries to structure a leveraged lease with a syndication of debt in one country and the private placement of equity in another. But in every case, the key factor is the WCG's ability to deliver through its global network the resources required to solve a customer's financial needs.

The WCG is well positioned as the business environment grows increasingly global and the world's markets begin to recover. Given Citicorp's continued commitment to its global network and the WCG's customer focus, the group anticipates strong future growth.

INDUSTRY IN THE ASIA/PACIFIC REGION
The Pacific basin has developed into a significant industrial force in the past decade, and Citicorp's World Corporation Group (WCG), which serves multinational corporations around the world, has gained a double benefit. WCG clients in the U.S. and Europe are doing substantially more business in the Asia/Pacific region, requiring Citibank's financial support. By the same token, as the WCG's Asian multinational clients have become more global they also call increasingly on Citibank's international financial capabilities. WCG revenues in Asia grew 17% last year.





CASH MANAGEMENT IN INDIA

By introducing technology and creating its own clearing and collections infrastructure, Citibank Cash Management transformed the relatively inefficient and unwieldy mechanism that existed in India in the early 1980s into a fast growing, profitable business. Today Citibank provides clearing and collection services in India for almost 400 customers, and is the market leader. Such success attracts competition, so Citibank Cash Management in India is applying state of the art technologies and advanced disciplines and processes to push quality up to levels competitors will find difficult to match. The result is a high volume system that significantly increases speed and efficiency and assures a superior level of quality and customer service.

FINANCIAL INSTITUTIONS AND TRANSACTION SERVICES GROUP

The FITS Group has its foundation in traditional correspondent banking and transaction services. In positioning itself [illegible] to meet the demanding challenges [illegible] the decade, two important business dimensions were integrated to achieve increased leverage and productivity.

First, the Group expan[illegible] its focus from correspondent banking to embrace insurance companies and the securities industry. Second, while banks and other financial services corporations remain the Group's critical constituencies, nonfinancial corporations also need and use transaction banking services. The strength of the Group enables it to leverage its expertise in these products and deliver them across all corporate customer segments on a global basis.

In 1991, FITS maintained a 10% revenue growth rate, generating $110 million of net income despite adverse economic conditions, the impact of the Gulf War, and the intense price competition which is characteristic of this marketplace. During 1991, consolidation of staff and facilities, coupled with the divestiture of nonstrategic lines of business, led to increased efficiency and substantial savings.

The combination of revenue growth and expense reduction has raised the FITS contribution to Citicorp's operating margin to $650 million. FITS accounted for approximately 32% of Global Finance's developed economies revenues and 21% of revenues in developing economies in 1991. FITS businesses have an annuity-like character, contributing both stability and predictability to the Corporation's earnings stream. Additionally, these businesses are less asset intensive and do not place heavy demands on the Corporation's balance sheet.

Close customer contact leads to intimate knowledge of customer needs, thereby enabling the Group to bring innovative products to market, win new business, and achieve industry leadership positions. In no small measure, the Corporation's global network represents a significant competitive advantage in extending cross-border

F/X TRADER

For foreign exchange trading, Citicorp developed the Quotron F/X Trader, a foreign exchange dealing system housed in an IBM PC workstation. Speed and simplicity are the hallmarks of the system, which is rapidly becoming an established trading room tool. More than 250 banks have made purchase commitments.

transaction banking services to the entire customer base.

In 1991, the Cash Management business held top market shares in FED Wire and Clearing House Interbank Payments System volumes for U.S. dollar clearance, ranked first in industry surveys in 6 out of 10 cash management products measured, led all providers of corporate cross-border service in Europe, and ranked first in usage for cash management in the U.S.

Worldwide Securities Services, now organized to serve the processing and information needs of investor and issuer customer segments, also reflects this leadership. Investor Services was rated first for its proprietary network in custody and securities clearing in all industry surveys. It kept its leadership position as the pr[illegible] custodian of cross-border assets, and add[illegible] to its position by becoming an industry leader in cross-border securities clearance. [I]ssuer Services is the dominant force in capital raising activities via American Depositary Receipts and Global Depositary Receipts, as well as a leader in servicing global bonds, medium-term notes, commercial paper, and Eurobonds.

Global Trade Services provides the financial intermediation for trade flows around the world, building a rich repertoire of facilities on the foundation of traditional letter of credit products. It is because of transaction intensity, and their ability to be substantively transformed by the innovative use of technology, that they are grouped within the transaction banking family. Global Trade Services, one of the largest providers of trade finance in the world, processes over 100,000 transactions per year.

BUILDING HOPE AMONG NATIVE AMERICANS
Citibank has teamed up with Sinte Gleska College, a tribal college on the Rosebud Sioux Reservation in South Dakota, to train Native Americans to become secondary school teachers and serve as role models to encourage students to remain in school and go on to college. Specifically, Citibank's five-year grant will fund development and accreditation of a secondary education teacher training program, recruitment and support of secondary school teacher trainees, creation of a mentoring program to encourage students to stay in middle school, recruitment of high school students into post-secondary programs through work-study programs, and development of a culturally appropriate K-12 curriculum.

Citicorp continues to maintain its social commitment to the communities where it does business. Support in 1991 was tightly focused, reflecting the measures being taken throughout the Corporation to consolidate activities and control spending. Two priority areas, education and community development, comprise 75% of total giving. Support for higher education is Citicorp's longest-standing interest. To develop a larger pool of minority talent to help diversify the work force, Citicorp has established minority fellowship programs at eight of the leading MBA schools where its businesses recruit. The Corporation also sponsors the Citibank United Negro College Fund Fellows Program.

One of the Corporation's newest higher education initiatives is directed toward the globalized business environment and focuses on teaching, research, and fellowship support for students on a cross cultural basis. Grants have gone to fund students at Oxford and Cambridge, teachers from Hungary and Thailand doing research in the U.S., and summer internships for students in Asia.

In the kindergarten to grade 12 education area, Citicorp underwrites two of the largest corporate-led systemic change experiments in the United States. One, aimed at creating "smarter schools," provides teachers and parent groups in Florida, Chicago, and Washington, D.C., with tools they need to set new goals for success, diagnose bottlenecks, work out intervention plans, and develop accountability. The other, aimed at creating "smarter classrooms," helps students learn to think and solve problems.

In community development, the Corporation's main goal is to increase the supply of housing and stabilize neighborhoods through support for programs at both the community and national levels.

In Chicago, Citicorp provides an operating grant to the Peoples Housing cooperative housing demonstration project. During its first year, the project is providing cooperative home ownership to 25 low income families. Citicorp staff members around the country serve as board members on Neighborhood Housing Services, Inc., and community development corporations and have actually constructed housing themselves, working with Habitat for Humanity in four cities during the year.

Citicorp seeks to be responsible on environmental issues as well. The Corporation is targeting grants for two purposes: environmental education and conservation-based development, including programs for creating incentives to use natural resources wisely.

Citicorp funds the Audubon Science Institute's project to teach junior high school teachers to incorporate environmental sciences into their curricula. It also funds Conservation International's Sustainable Development Initiative, which helps Trio Indians in the Brazilian rain forest build a local economy that avoids damage to forest ecosystems.

Citicorp employees as a group generously support human services agencies in their communities through contributions to United Way. The Citicorp Matching Gifts Program is the fastest growing element of corporate contributions activities. In 1991, the Corporation matched more than $5 million in employee and retiree gifts.

FINANCIAL INFORMATION

CITICORP IN BRIEF

In Millions of Dollars Except Per Share Amounts	1991	1990	1989	1988	1987
Results					
Earnings (Loss) Per Share					
Income (Loss) Before Extraordinary Item and Cumulative Effects of Accounting Changes[1]	$ (3.22)	$ .57	$ 1.16	$ 4.87	$ (4.41)
Net Income (Loss)	$ (1.89)	$ .99	$ 1.16	$ 5.36	$ (4.41)
Earnings (Loss)					
Income (Loss) Before Extraordinary Item and Cumulative Effects of Accounting Changes[1]	$ (914)	$ 318	$ 498	$ 1,698	$ (1,182)
Net Income (Loss)	$ (457)	$ 458	$ 498	$ 1,858	$ (1,182)
Return on Common Stockholders' Equity[2]					
Income (Loss) Before Extraordinary Item and Cumulative Effects of Accounting Changes[1]	(14.3)%	2.1%	4.3%	21.4%	(19.6)%
Net Income (Loss)	(7.9)%	3.7%	4.3%	23.6%	(19.6)%
Common Dividends					
Cash Dividends Declared	$ 256	$ 572	$ 510	$ 461	$ 379
Annual Dividend Rate Per Share at Year End	$ —	$ 1.78	$ 1.62	$ 1.48	$ 1.35
Capital					
Common Stockholders' Equity	$ 7,349	$ 8,190	$ 8,236	$ 8,274	$ 6,994
Percentage of Total Assets	3.39%	3.77%	3.57%	3.91%	3.37%
Common Stockholders' Equity Per Share	$ 21.23	$ 24.34	$ 25.36	$ 25.93	$ 22.12
Tier 1 Capital[3]	$ 8,540	$ 7,999	$ 7,974	$ 7,784	$ 6,527
Tier 1 Capital Ratio[3]	3.73%	3.26%	3.22%	N/A	N/A
Tier 1 + Tier 2 Capital[3]	$ 17,080	$ 15,998	$ 15,948	$ 15,568	$ 13,054
Tier 1 + Tier 2 Capital Ratio[3]	7.46%	6.52%	6.44%	N/A	N/A
Year-End Balances					
Total Assets	$216,922	$216,986	$230,643	$211,657	$207,749
Consumer Loans[4]	91,539	95,136	97,075	90,356	79,705
Commercial Loans[4]	59,405	61,172	63,037	58,841	58,210
Total Deposits	146,475	142,452	137,922	124,072	119,561

(1) Refers to accounting change for venture capital subsidiaries in 1991, accounting change for certain derivative products in 1990, and an extraordinary item for carryforward tax benefits in 1988.
(2) Based on earnings (loss) less total preferred stock dividends as a percentage of average common stockholders' equity.
(3) Calculated under 1992 guidelines.
(4) Net of unearned income
N/A Not Applicable

PEOPLE

Common Stockholders	70,000
Staff	
United States	45,000
Outside the U.S.	41,000
Total	86,000[1]

(1) Includes approximately 4,000 people whose jobs have been discontinued

OFFICES

United States (In 34 States and the District of Columbia)	
Citibank, N.A.,	
Branches	294
Subsidiaries' Offices	289
Citibank (New York State)	
Branches	30
Subsidiaries' Offices	16
Citibank, F.S.B.	
Branches	234
Other Offices	46
Other Subsidiaries' Offices	365
Total U.S. Offices	1,274

Outside the U.S. (In 91 countries)	
Citibank Branches and Representative Offices	311
Banking Subsidiaries' Offices	657
Banking Affiliates' Offices	115
Other Financial Affiliates' and Subsidiaries' Offices	971
Total Offices Outside the U.S.	2,054
Total Offices	3,328

Citicorp, a U.S. bank holding company, was incorporated in 1967 under the laws of Delaware and is the sole shareholder of Citibank, N.A. (Citibank), its major subsidiary.

Today, Citicorp, with its subsidiaries and affiliates, is a global financial services organization. Its staff of 86,000 serves individuals, businesses, governments, and financial institutions in over 3,300 locations, including branch banks, representative offices, and subsidiary and affiliate offices in 92 countries throughout the world.

Citicorp, Citibank, and their subsidiaries and affiliates are subject to intense competition in all aspects of their businesses from both bank and non-bank institutions that provide financial services and, in some of their activities, from government agencies.

Citicorp is regulated under the Bank Holding Company Act of 1956 and is subject to examination by the Federal Reserve Board. Citibank is a member of the Federal Reserve System and is subject to regulation and examination by the Office of the Comptroller of the Currency. See page 90 for further discussion of regulation and supervision.

Citicorp's activities are built around two basic constituencies: individuals and institutions. Individuals are served by the Global Consumer business, whose mission it is to meet the fullest possible range of their financial needs. Institutions are served by the Global Finance business—which encompasses JENA and International Banking and Finance.

JENA, which stands for Japan, Europe, and North America but which also includes entrepreneurial activities in Australia and New Zealand, serves the developed institutional markets of the world. In these sophisticated markets, JENA brings together the resources of corporate and investment banking to meet the needs of both investors and issuers.

International Banking and Finance serves institutional customers in the developing economies in Latin America, Asia, Eastern Europe, the Middle East, and Africa. These marketplaces are more traditional, the business is primarily local, and the demand is for traditional corporate banking and finance products. Citicorp has a long-standing local franchise and presence in these markets.

Citicorp's cross-border refinancing portfolio is a separate focus from the local activities in the refinancing countries; this activity is centrally managed and is discussed in depth on pages 35–36.

MARGIN ANALYSIS

Citicorp views the operating margin (adjusted revenues less adjusted expenses) as an important measure of the Corporation's ability to absorb credit costs, build profitability, and strengthen capital. In 1991, Citicorp generated an operating margin of $5.8 billion, an increase of $1.0 billion, or 21%, from 1990. Adjusted revenues of $15.9 billion in 1991 were up $320 million, or 2%, from 1990 and up $2.0 billion from 1989. Adjusted operating expense of $10.1 billion in 1991 was reduced $0.7 billion, or 6%, from the prior year. The annualized fourth quarter margin was $6.1 billion and $5.0 billion, respectively, for 1991 and 1990. This increase represents significant progress towards Citicorp's goal of increasing the operating margin to $7.0 billion for 1992.

The following table details the adjustments made to reported revenues and expenses, for the purposes of calculating the operating margin.

In Millions of Dollars	1991	1990	1989
Total Revenue	$14,750	$14,587	$13,752
Effect of Credit Card Securitizations[1]	1,155	639	206
Net Cost to Carry (JENA)[2]	454	311	100
One Time Items:			
— Asset Sales[3]	(386)	—	(180)
— Venture Capital[4]	(116)	—	—
Adjusted Revenue	**$15,857**	**$15,537**	**$13,878**
Total Operating Expense	$11,097	$11,099	$ 9,698
Net OREO Costs (JENA)[5]	(285)	(48)	(7)
Restructuring Charges	(750)	(300)	(103)
Adjusted Operating Expense	**$10,062**	**$10,751**	**$ 9,588**
Margin	**$ 5,795**	**$ 4,786**	**$ 4,290**

(1) See page 54 for discussion of the impact of credit card receivable securitizations.
(2) Amount includes interest reversed when loans are placed on a cash basis, plus the cost of carrying the cash-basis loans and OREO, reduced by interest received in cash and included in income.
(3) 1991 asset sales reflect net gains in the second quarter of $211 million from the sale of equity securities held in the corporate portfolio and a loss of $57 million on the sale of a 50.3% interest in AMBAC Inc. Also included for 1991 are the fourth quarter gains totaling $232 million from the sale of 25% of Citicorp's ownership interest in the Saudi American Bank and the sale of the southern Italian branches. The asset sale gain in 1989 was from the sale of premises in Tokyo.
(4) Reflects the effect on reported revenues through the third quarter of 1991 related to the accounting change for venture capital subsidiaries implemented in that quarter.
(5) Amount includes net writedowns and direct expenses, such as insurance and taxes.

BUSINESS FOCUS	Net Income (Loss) $ Millions 1991	Net Income (Loss) $ Millions 1990[1]	Average Assets $ Billions 1991	Average Assets $ Billions 1990[1]	Return on Assets 1991	Return on Assets 1990[1]
Global Consumer	$ 549	$ 905	$109	$112	.50%	.81%
Global Finance						
Japan, Europe, and North America[2]	(1,019)	(275)	80	88	N/M	N/M
International Banking & Finance	426	407	23	21	1.85%	1.94%
Cross-Border Refinancing Portfolio	187	(317)	7	10	2.67%	N/M
Corporate Items[3]	(1,057)	(402)	3	1	N/M	N/M
	$ (914)	$ 318	$222	$232	(.41)%	.14%
Cumulative Effects of Accounting Changes						
Venture Capital	457	—	—	—		
Certain Derivative Products	—	140	—	—		
Total Citicorp	$ (157)	$ 458	$222	$232	(.21)%	.20%

(1) Restated to conform to current year's presentation.
(2) Japan, Europe, and North America (JENA) includes the results of separately managed troubled credit portfolios, primarily U.S. commercial real estate. Excluding these portfolios, JENA would have reported net income of $209 million and $253 million in 1991 and 1990, respectively.
(3) Corporate Items includes the results of Quotron, which had a net loss of $313 million in 1991 compared with a net loss of $159 million in 1990. See page 32 for further discussion.
N/M Not Meaningful

Citicorp's Global Consumer business serves a full range of consumer financial needs worldwide. It includes Global Consumer Banking, U.S. Card Products, and Private Banking. In addition, the consumer results include the point of sale (POS) initiative to provide marketing data on consumer purchasing patterns

Global Consumer

In Millions of Dollars	1991	1990	Var.	%
Total Revenue	$9,162	$9,340	$(178)	(2)
Provision for Credit Losses	$2,108	$1,525	$ 583	38
Restructuring Charges	$ 143	$ 71	$ 72	N/M
Other Operating Expense	6,134	6,411	(277)	(4)
Total Operating Expense	$6,277	$6,482	$(205)	(3)
Income Before Taxes	$ 777	$1,333	$(556)	(42)
Income Taxes	228	428	(200)	(47)
Net Income	$ 549	$ 905	$(356)	(39)
Average Assets ($ Billions)	109	112	(3)	(3)
Return on Assets (%)	.50	.81	(.31)	—
Return on Equity (%)[2]	12.6	20.2	(7.6)	—

(1) Restated to conform to current year's presentation
(2) Return on equity is based on dividing net income by a standard imputed average equity.
N/M Not meaningful

Average Balance Sheet

In Billions of Dollars	December 1991[1]
Assets[2]	
Revolving Loans	$ 18.9
Shelter Loans	37.9
Other Loans[3]	38.7
Other Assets[4]	12.6
	$108.1
Liabilities	
Transaction Account Deposits[5]	$ 15.8
Savings Deposits	76.1
Other (Includes allocated equity)	16.2
	$108.1

(1) Average balances for the month of December
(2) Loan amounts are net of unearned income
(3) Principally includes lending to high net worth individuals, community banking, student loans, auto loans, and other installment loans.
(4) Includes the allowance for credit losses
(5) Includes demand deposits and travelers check and money order outstandings.

The Global Consumer business recorded net income of $549 million in 1991, compared with $905 million in 1990. Several factors contributed to the earnings decline, most notably recessionary economic conditions in the U.S., which affected revenues and increased credit costs. The 1991 results included a $129 million after-tax restructuring charge designed to counter revenue pressures by consolidating businesses and functions (further reducing expenses) and by exiting certain nonstrategic businesses in Europe. During 1990, a $52 million after-tax restructuring charge was recorded.

Though the restructuring actions are expected to mitigate the impact of difficult economic conditions, consumer business earnings could remain depressed by a weak U.S. economy and housing market, high net write-offs, and the need to build additional credit reserves.

While the consumer business results in the U.S. reflected recessionary conditions, the branch businesses and private banking activities in Asia and Latin America achieved record earnings. The Asian and Latin American branch businesses increased earnings 30% and 34%, respectively, compared with 1990, while private banking combined net income for these regions increased 15% over 1990 results.

Revenues for the year were $9.2 billion ($10.3 billion, excluding the effect of credit card securitizations) compared with $9.3 billion in 1990 ($10.0 billion, excluding the effect of credit card securitizations). The Asian and Latin American consumer businesses recorded year-to-year revenue growth of 27% and 23%, respectively, and U.S. credit card revenues, excluding the effect of credit card securitizations, were up 12%. Revenues were affected, however, by the slowdown of the U.S. economy and business sales and downsizings in Europe. Contributing to the decline in U.S. revenues were lower net gains from mortgage pass-through sales, which totaled $158 million (net of a $90 million increase in the reserve for recourse obligations) in 1991, compared with $353 million (net of a $23 million increase in the reserve for recourse obligations) in 1990. Included in total revenue for 1991 was a $29 million gain from the sale of the southern Italian branch system. Prior year's revenues included a $58 million gain from the sale of the Diners Club franchise in Japan.

At the end of 1991, $21.1 billion of securitized credit card receivables (net of amortizations) were outstanding, compared with $16.3 billion at the end of 1990. While there is no impact on net income, revenue and asset growth as well as credit loss and asset ratios are affected by asset securitizations as described below and on page 54.

Expense reduction programs enabled the consumer businesses to reduce other operating expenses (excluding restructuring charges) by $277 million (4%), compared with 1990. The U.S. branch business cut costs by 7% and the U.S. credit card business by 3%, both despite higher credit collection costs. Europe reduced expenses by 20%, with sales of businesses accounting for approximately half the decrease. Investment spending continued in the expanding franchises in Asia and Latin America. Pre-tax restructuring charges in 1991 were $143 million, compared with $71 million in 1990.

Credit costs were significantly higher in 1991, particularly in the U.S. revolving credit, mortgage, and community banking portfolios. Consumer net credit write-offs, particularly in the U.S. credit card portfolio, rose in tandem with the unemployment rate. Net consumer write-offs for the year were $1.8 billion, a 33% increase from 1990, primarily reflecting increased write-offs in the U.S. portfolio. Net write-offs as a percentage of average loans were 1.97% for the year, compared with 1.43% in 1990. The increase in the write-off rate reflects rising net credit losses in all loan products. For further discussion of the consumer credit loss ratio, see the Portfolio Risk Analysis on page 38.

The loan loss provision was $2.1 billion for the full year, $305 million above net charge-offs and $583 million higher than the provision recorded in 1990. The allowance for credit losses was 1.24% of year-end loans, compared with 0.98% a year ago. In addition, the reserves for recourse obligations on mortgage pass-through sales and securitized credit card receivables doubled during 1991, ending the year at $354 million.

Though signs of stabilization in the consumer portfolio were evident late in the year, uncertain economic conditions, particularly in the U.S., could result in further increases in consumer delinquencies, loans on which the accrual of interest is suspended (including U.S. mortgages), credit reserves, and net credit losses in 1992. For further discussion of the consumer portfolio, see the Portfolio Risk Analysis on page 38.

Global Consumer average assets decreased by $3 billion to $109 billion. Assets in the Asian and Latin American consumer branch businesses grew by $3 billion, offset by declines of $3 billion in the U.S. branch and mortgage businesses, $2 billion in Europe, and $1 billion in U.S. credit cards.

The reduction in the U.S. branch and mortgage businesses average assets reflects $8.7 billion of mortgage pass-through sales, an increase in mortgage prepayments, and a 21% decline in mortgage originations compared with 1990 levels. If mortgage prepayments continue to accelerate and the level of mortgages originated remains depressed, 1992 net interest revenue and servicing fee revenue could be adversely affected. In addition, higher than anticipated mortgage prepayments may result in adjustments to the carrying amounts of certain assets that are subject to prepayment risk.

The decline in average assets in Europe reflects the sale of the southern Italian branches, asset dispositions in France, Belgium, and Austria, and asset reductions in the United Kingdom.

For the year, return on assets was 0.50%, compared with the prior year's return of 0.81%. Return on equity declined to 12.6% in 1991 from 20.2% in 1990.

The table below shows what certain indicators for the Global Consumer business would be without the impact of credit card securitizations. Revenue would increase by $1.2 billion in 1991 and $630 million in 1990. Net credit write-offs would rise by identical amounts, and the net credit loss ratio would also increase.

In addition, the table reinstates the securitized receivables as assets for the purpose of calculating average assets and return ratios. The effect on average assets was $18 billion in 1991 and $12 billion in 1990. The impact of securitization is discussed further on page 54.

In Millions of Dollars	1991	1990[1]	Var.	%
Total Revenue	$10,317	$9,979	$338	3
Net Write-offs	2,938	1,999	939	48
Average Assets ($ Billions)	127	124	3	2
Return On Assets (%)	.43	.73	(.30)	–
Net Credit Losses (%)	2.69	1.86	.83	–

(1) Restated to conform to current year's presentation

The Global Finance business serves corporations, financial institutions, governments, and capital markets around the world. Global Finance encompasses two broad areas, reflecting a basic difference in the world's institutional marketplaces, and incorporates the businesses of JENA and International Banking and Finance. In JENA, which stands for Japan, Europe, and North America but which also includes entrepreneurial activities in Australia and New Zealand, Citicorp brings together the resources of corporate and investment banking to meet the sophisticated demands of both investors and issuers. In the International Banking and Finance business in the developing economies, Citicorp's local franchise and presence in the countries of Latin America, Asia, Eastern Europe, the Middle East, and Africa serves a more traditional marketplace, where business is primarily local and the demand is for traditional corporate banking and finance products.

JENA

In Millions of Dollars	1991	1990[1]	Var.	%
Total Revenue[2]	$ 3,921	$4,211	$ (290)	(7)
Net Write-offs	$ 1,433	$ 567	$ 866	N/M
Additional Provision for Credit Losses	474	557	(83)	(15)
Net OREO Costs[2]	285	48	237	N/M
Net Cost to Carry[2]	454	311	143	46
Credit Costs	$ 2,616	$1,483	$ 1,163	78
Restructuring Charges	$ 158	$ 196	$ (38)	(19)
Other Operating Expense	2,489	2,724	(235)	(9)
Total Operating Expense[2]	$ 2,647	$2,920	$ (273)	(9)
(Loss) Before Taxes	$(1,372)	$ (192)	$(1,180)	N/M
Income Taxes	(353)	83	(436)	N/M
Net (Loss)[3]	$(1,019)	$ (275)	$ (744)	N/M
Average Assets ($ Billions)	80	88	(8)	(9)

(1) Restated to conform to current year's presentation.
(2) For presentation purposes, net OREO costs and the net cost to carry nonperforming assets are shown as credit costs. These items are included in operating expense and net interest revenue, respectively, in the Consolidated Statement of Operations.
(3) Return on assets and return on equity are not meaningful for the periods shown.
N/M Not meaningful.

JENA recorded a net loss of $1,019 million in 1991, compared with a $275 million loss in 1990. These results reflect the continued slowdown in the Organization for Economic Cooperation and Development (OECD) economies and a difficult credit environment, particularly in commercial real estate markets in both the U.S. and in certain overseas locations, which led to significantly higher credit costs. Included in JENA are the results of the separately managed troubled credit portfolios, primarily

U.S. commercial real estate. Excluding these portfolios, JENA would have reported net income of $209 million in 1991 and $253 million in 1990. The uncertain economic conditions in JENA's markets, combined with the continuing erosion of real estate markets are likely to result in continued revenue pressures, high credit costs, additional provisions for credit losses and further increases in nonperforming assets during 1992.

Total revenues in 1991 were $3.9 billion, down 7% from $4.2 billion in 1990 (which included a $121 million gain from the sale of an overseas real estate partnership interest). The decline in revenues reflects the sale of nonstrategic businesses completed in 1991 and the impact of recessionary conditions in JENA's markets. These declines were partially offset by strong trading and foreign exchange revenues, up 43% and 10%, respectively, over the prior year. Despite the economic slowdown, revenue growth from business with financial institutions and multinational customers was sustained in 1991.

JENA credit costs were $2.6 billion in 1991, compared with $1.5 billion in 1990, principally reflecting higher net write-offs and increases in OREO costs. Net write-offs for 1991 of $1.4 billion were up $0.9 billion from 1990, reflecting higher net write-offs in commercial real estate in the U.S. as well as in certain overseas locations, and a $171 million write-off related to Citicorp's exposure to First Capital Holdings Inc. Commercial real estate net write-offs in the U.S. for 1991 were $511 million ($228 million in 1990). Commercial real estate net write-offs in overseas markets during 1991 were $314 million, compared with $55 million in 1990. The increase reflects the erosion of real estate values in the U.K. and actions taken to restructure and reduce the portfolio in Australia. Leveraged finance senior and subordinated loan net write-offs in the U.S. declined to $137 million in 1991 from $162 million in 1990. Overseas leveraged finance net write-offs were $208 million in 1991 and $34 million in 1990. Leveraged finance write-offs in 1991 included $14 million in the U.S. and $64 million overseas, which are also reported in the above commercial real estate write-offs. Total JENA net write-offs represented 3.35% of average loans, up from 1.23% in 1990.

The net cost to carry nonperforming assets was $154 million for the year, up from $311 million in 1990, reflecting the increase of $1,502 million in nonperforming assets during 1991 to $7,724 million at year-end. Cash-basis and renegotiated loans at year-end 1991 of $5.4 billion were up from $4.9 billion at December 31, 1990. Commercial OREO at year-end 1991 was $2.3 billion, compared with $1.3 billion at year-end 1990.

Commercial nonperforming assets in U.S. offices included cash-basis loans of $4.3 billion and OREO of $2.0 billion at December 31, 1991, up $0.5 billion and $1.1 billion, respectively, from 1990. Increased nonperforming assets in Europe, primarily related to the commercial real estate portfolio in the U.K., were offset by a reduction in nonperforming assets in Australia due to write-offs, write-downs, paydowns, and asset sales. Uncertainties in the economic environment in the U.S. and certain overseas locations, primarily the U.K., could result in continued high levels of credit costs and nonperforming assets in 1992, particularly with respect to real estate exposures.

Operating expenses, excluding restructuring charges, decreased 9% in 1991. The decline in expense levels reflects nonstrategic business sales during 1991 and also the success to date of JENA's expense control efforts while operating in a more challenging revenue, pricing, and competitive environment.

Average assets declined to $80 billion in 1991 from $88 billion in 1990, reflecting ongoing asset management initiatives.

Earnings by Product

In Millions of Dollars	1991
Specialized Finance	$ 136
Trading	315
Distribution	79
Venture Capital [1]	121
Transaction Banking	71
Lending Activities [2]	(1,528)
Advisory, Financial Guarantees, and Other [3]	(213)
Total	$(1,019)

(1) Excludes cumulative effect of accounting change as discussed on page 78
(2) Includes $345 million (after-tax) additional provision for credit losses
(3) Other includes $154 million (after-tax) of restructuring charges

Products Delivered to JENA Customers

Specialized Finance

Specialized finance is the generic term for Citicorp's nontraditional lending, encompassing asset-based lending, corporate asset funding, leveraged finance, and equipment finance. These activities include the wholesale purchase of all or part of a company's portfolio of financial assets, equipment-related secured lending and leasing options to end users, leveraged leasing, tax leasing, and vendor finance to assist the manufacturers or sellers of capital equipment.

Trading

Trading includes activities related to foreign exchange and derivative products. Citicorp is the world's largest foreign exchange dealer. Citicorp provides assistance to customers through a variety of products such as interest rate and foreign exchange swaps, futures, forwards, and options, and other derivative products to provide flexibility in controlling both currency and interest rate exposure. Also included in this category are Citicorp's funding and liquidity management activities. Citicorp may also take positions within pre-approved guidelines in anticipation of changes in these markets.

Distribution

Distribution is a family of products that includes underwriting, trading and/or sales of commercial paper and loan notes; also included are results from underwriting and distribution of non-investment grade corporate debt including middle market, healthcare, project finance, and utilities.

Venture Capital

Venture capital comprises investments in small to medium-sized companies and other entrepreneurial initiatives.

Transaction Banking

Transaction banking is the payment services business for corporations and financial institutions. Services include cash management services, trade services, data processing, and information services.

Lending Activities

This category includes more traditional lending activities, for example, term loans, construction loans, working capital loans, long-term financing, syndicated loans, and fees generated on loan commitments to corporations, governments, and financial institutions.

Advisory, Financial Guarantees, and Other

Citicorp advises institutional investors on placing their assets in equity, fixed income, and real estate investment funds throughout the world. Citicorp also provides investors with financial guarantees. Earnings on allocated equity and unallocated costs, including restructuring charges, also fall into this category.

Average Balance Sheet

In Billions of Dollars	December 1991[1]
Assets	
Loans[2]	$12.6
Deposits at Interest with Banks	4.1
Investment Securities	7.5
Trading Assets	10.5
Securities Purchased Under Resale Agreements	3.8
Acceptances	1.1
Other[3]	9.0
Total	**$78.6**
Liabilities	
Interest-Bearing Deposits	$28.6
Non-Interest-Bearing Deposits	8.0
Other Borrowed Money	4.1
Securities Sold Under Repurchase Agreements	9.6
Securities Sold, Not Yet Purchased	2.7
Acceptances	1.3
Other[4]	21.1
Total	**$78.6**

(1) Average balances for the month of December
(2) Loan amounts are net of unearned income
(3) Includes the allowance for credit losses
(4) Includes allocated equity and intercompany funding

INTERNATIONAL BANKING AND FINANCE

In Millions of Dollars	1991	1990[1]	Var.	%
Total Revenue	$1,641	$1,628	$ 13	1
Provision for Credit Losses	$ 32	$ 20	$ 12	60
Restructuring Charges	$ 18	$ 10	$ 8	80
Other Operating Expense	923	917	6	1
Total Operating Expense	$ 941	$ 927	$ 14	2
Income Before Taxes	$ 668	$ 681	$ (13)	(2)
Income Taxes	242	274	(32)	(12)
Net Income	$ 426	$ 407	$ 19	5
Average Assets ($ Billions)	23	21	2	10
Return on Assets (%)	1.85	1.94	(.09)	-
Return on Equity (%)[2]	16.3	18.5	(2.2)	-

(1) Restated to conform to current year's presentation
(2) Return on equity is based on dividing net income by allocated average equity

International Banking and Finance business earnings in 1991 of $426 million were up $19 million, or 5%, from last year, reflecting solid business performances in all regions, partially offset by continued weakness in Brazil. Excluding Brazil's results, earnings were up $74 million, or 21%. Effective with the fourth quarter of 1991, the International Banking and Finance business results also include the earnings from Citicorp's cross-border activities in Mexico.

Total revenue of $1.6 billion was flat in comparison with 1990, reflecting significant revenue pressures in Brazil. Revenues from foreign exchange, trading of less developed country debt, and fees and commissions grew strongly but were offset by lower net interest income and other revenue, principally in Brazil.

Other operating expense in 1991 of $923 million was up $6 million from 1990. Expenses in 1990 included a net $12 million asset assessment charge in Brazil. The increase in year-to-year expense reflected franchise expansions in Eastern Europe and Latin America and the broadening of product offerings in certain markets. Total operating expense also included restructuring charges of $18 million and $10 million in 1991 and 1990, respectively.

Net write-offs were $24 million in 1991, compared with $10 million in 1990.

The 1991 results benefited from a lower effective tax rate, reflecting proportionately lower earnings in Brazil, which has relatively high local tax rates.

Both return on assets at [illegible] and return on equity at 46.3% were down slightly from 1990, while average assets increased by $2 billion.

Earnings by Product

In Millions of Dollars	1991
Balance Sheet Intermediation	$ 98
Capital Markets Intermediation	69
Transaction Banking	133
Investment Banking	215
Other[1]	(89)
Total	**$426**

(1) Includes restructuring charges of $17 million (after-tax).

Average Balance Sheet

In Billions of Dollars	December 1991[1]
Assets	
Loans[2]	$14.9
Deposits at Interest with Banks	3.4
Investment Securities	2.3
Trading Assets	3.4
Acceptances	.7
Other[3]	2.1
Total	**$26.8**
Liabilities	
Interest-Bearing Deposits	$15.9
Non-Interest-Bearing Deposits	2.2
Other Borrowed Money	2.7
Acceptances	.8
Other (Includes allocated equity)	5.2
Total	**$26.8**

(1) Average balances for the month of December
(2) Loan amounts are net of unearned income
(3) Includes the allowance for credit losses

Products Delivered to International Banking and Finance Customers

Balance Sheet Intermediation

This product family includes earnings from lending activities, including term loans, working capital finance, trade finance, equipment finance and leasing, and real estate finance provided to corporations, financial institutions, and public-sector entities.

Capital Markets Intermediation

Results include earnings generated from loan syndications, corporate asset funding, private placement, advisory, and financial guarantees issued to and for corporations, financial institutions, and governments.

Transaction Banking

Product income is derived principally from fee-based transaction services to Citicorp's customer base. Products include cash-management services, trade services, data processing, and information services.

Investment Banking

Included in this product family are results generated from foreign exchange and exposure management (both currency and interest rate), funding and gapping, fixed-income securities, investment management, and equity investment and brokerage. Earnings are derived both from customer transactions and bank positions within pre-approved guidelines.

Other

This category principally includes unallocated costs less earnings on allocated equity.

CROSS-BORDER REFINANCING PORTFOLIO

The cross-border refinancing portfolio represents cross-border lending to the refinancing countries listed on page [illegible]. This activity is highly specialized and is managed separately from local activities in those countries.

Cross-Border Refinancing Portfolio

In Millions of Dollars	1991	1990(1)	Var.	%
Total Revenue	$ 196	$(200)	$ 396	N/M
Provision for Credit Losses	(157)	(7)	(150)	N/M
Operating Expense	56	73	(17)	(23)
Net Income (Loss)	$ 187	$(317)	$ 504	N/M
Average Assets ($ Billions)	7	10	(3)	(30)

(1) Restated to conform to current year's presentation
N/M Not Meaningful

Citicorp's cross-border refinancing portfolio activities resulted in net income of $187 million in 1991, compared with a net loss of $317 million in 1990. The improved results reflect the recognition of $196 million of Brazil interest during 1991, a release of $150 million from the cross-border loan loss reserve in the fourth quarter of 1991, and a lower drag from nonperforming assets in the portfolio. The release of the reserve reflected the reduction in refinancing portfolio outstandings, the level of country write-offs previously taken, improved values of debt assets, and management's view that the overall economic progress in Latin America is sustainable. Also affecting results was the removal of Mexico from the list of refinancing countries based upon its improvement in economic performance. Effective with the fourth quarter of 1991, the results of Citicorp's cross-border activities in Mexico are included in the International Banking and Finance business.

Net write-offs attributable to the cross-border refinancing portfolio were $1.7 billion in 1991. Included in this total were $1.6 billion of net country write-offs, primarily $1.4 billion in Brazil and $53 million in Argentina. Additionally, actions taken to restructure Citicorp's exposure resulted in net losses of $64 million on loan swaps and sales.

Medium- and long-term outstandings in the refinancing portfolio were $3.6 billion at December 31, 1991, down $4.0 billion from December 31, 1990 as a result of write-offs during the year and the removal of Mexico from the list of refinancing countries. At $521 million, the refinancing portfolio reserve at year-end 1991 continues to give Citicorp the flexibility to appropriately manage its exposure going forward. It also reflects Citicorp's unique long-term local presence, commitments, and prospects in these countries.

CORPORATE ITEMS

Corporate Items consists of unallocated corporate costs and other corporate items, including unrecognized tax benefits and the offset created by attributing income taxes to business activities on a local tax rate basis. Corporate Items also includes the results of Quotron, which provides on-line, real-time financial information services.

In 1991, Corporate Items recorded a net loss of $1,057 million (including $513 million attributable to Quotron), compared with a net loss of $402 million ($159 million attributable to Quotron) in 1990. Quotron's results include restructuring charges of $400 million in 1991 and $11 million in the prior year.

Revenues at Quotron were down 13% in 1991, reflecting difficult market conditions and increased competition. Corporate Items revenue in 1991 also reflected a $203 million pre-tax gain from the sale of 25% of Citicorp's holdings of the Saudi American Bank, higher net gains from the sale of equity securities held in the corporate portfolio, and a pre-tax loss of $57 million from the sale of a 50.3% ownership interest in AMBAC Inc.

Other operating expense of $460 million in 1991 was reduced by $166 million from the prior year, reflecting cost management efforts at Quotron, lower corporate staff expenses, and a pension curtailment gain of $44 million reported as a reduction of staff benefits expense. Corporate Items tax expense increased in 1991, primarily due to higher unrecognized tax benefits and the offset created by the attribution of income taxes to businesses on a local tax rate basis.

Corporate Items

In Millions of Dollars	1991	1990(1)	Var.	%
Total Revenue	$ 284	$ (81)	$ 365	N/M
Restructuring Charges	$ 431	$ 23	$ 408	N/M
Other Operating Expense	460	626	(166)	(27)
Total Operating Expense	$ 891	$ 649	$ 242	37
(Loss) Before Taxes	$ (607)	$(730)	$ 123	17
Income Taxes	450	(328)	778	N/M
Net (Loss)	$(1,057)	$(402)	$(655)	N/M

(1) Restated to conform to current year's presentation.
N/M Not Meaningful

Citicorp has always taken a long-term view of its relationships with refinancing countries. Even in the face of the Brady Plan's emphasis on debt reduction, Citicorp was pointing out the need for a core group of banks to provide new money for the growth and privatization plans of developing countries that were implementing successful economic reform programs.

In 1991, there was ample evidence to suggest that Citicorp's strategy is beginning to pay off.

Mexico, for instance, was removed from Citicorp's list of refinancing countries. In the two years since the country completed a financial package on its foreign debt owed to commercial bank creditors, Mexico has continued to take a lead role among Latin American nations in implementing economic reform to achieve sustained growth and has returned to the voluntary capital markets. Along with the debt agreement, it has privatized important sectors of its economy, deregulated internal trade and industry, diversified its exports, and improved its public finances.

The results of the Mexican reforms are substantial, and the benefits to Mexico in the market place are becoming more apparent every day. Among the examples:

—The budget deficit has been reduced from 16% of GDP in 1986 to 3.5% in 1990 and 1.3% in 1991.

—There have also been substantial savings on financing internal debt, with government bonds (CETES) now yielding 16% versus nearly 60% when negotiations between Mexico and its foreign commercial bank creditors were beginning in early 1989. The resulting savings from the lower interest rate are approximately $10 billion a year.

—Inflation is also down significantly, now running around 16% from a high of over 200% in 1988.

—Economic growth reached 3.9% in 1990, was sustained at slightly more than 4% in 1991, and forecasts indicate a similar rate of growth in 1992.

—Foreign investment into Mexico continues to rise with approximately $10 billion of new private investment, including portfolio investment, flowing into the country in 1991. In addition, between $3 billion and $4 billion of flight capital returned to the country last year. International reserves have now risen to $18 billion.

Other countries in Latin America that have also shown a determination to implement sound economic reform programs are Venezuela and Argentina.

In Venezuela, the government has implemented the following structural economic adjustments:

—Renegotiated the medium- and long-term debt in a deal that led to banks that held one-third of the debt agreeing to loan the country new money as a sign of confidence.

—Introduced tariff and tax reform.

—Joined GATT.

—Privatized a number of companies in key industries.

Growth in Venezuela reached more than 9% this year, up from 5% in 1990 and a negative rate in 1989. As it actively returns to the voluntary capital markets and begins to reap the benefits of returning flight capital and new foreign investments, the need remains for the government of Venezuela to convince the entire populace of the long-term benefits of economic reform.

The economic reform program in Argentina is also beginning to show results. After carrying through on a program that places an emphasis on privatizations and structural reforms, the government of Argentina began negotiations with its commercial bank creditors on its medium- and long-term debt.

Brazil, which stopped making payments to foreign commercial bank creditors in June 1989, completed an agreement in 1991 on the $8 billion of interest arrearages that had accumulated through December 1990. Under the terms of the agreement, Brazil paid $2 billion in cash, with the balance of the arrearages to be securitized in dollar-denominated bearer bonds with a 10-year maturity and a three-year grace period. With the settlement of the arrearages, the government of Brazil began negotiating with the Bank Advisory Committee on the medium- and long-term commercial bank debt. At the end of the year, the Brazilian government had submitted a Letter of Intent to the staff of the International Monetary Fund (IMF) that subsequently resulted in the IMF Board of Directors granting a $2.1 billion standby loan.

The progress of economic reform in each of these countries reflects the genuine "Sea Change" that Latin America has experienced in the last 10 years as it moved from being viewed as a pariah to the point where it is now favorably looked upon as an area of significant interest for investors. Perhaps the key to this trend toward economic reform is the acknowledgement of the limitations of the state. Most Latin American leaders now recognize that they have limited resources and that the models they were operating under led to inefficiency, waste, and corruption.

In evaluating prospects for Latin America today, there are several crosscurrents, foremost among them being the shortage of capital, along with the significant opportunities present in the opening of trade within the region.

The shortage of capital experienced in many parts of Latin America is due to several factors, including a decline in the internal saving rates throughout most of the 1980's. However, with economic reform programs continuing in the area and local investors regaining confidence, flight capital is returning. Latin American flight capital is referred to by some as "the largest savings account in the developing world."

This capital shortage in Latin America comes at a time when many believe there is also a credit crunch in external lending to the developing world. The amount of capital needed for privatizations alone in Latin America, Eastern Europe, and Southeast Asia could easily reach $500 billion over the next several years. This doesn't take into account the substantial amount of "risk" capital that would be needed for privatizations in what was the

Soviet Union as well as the reconstruction of the war-torn areas of the Middle East.

The capital situation becomes even tighter considering that two of the largest providers in recent years — Japan and Germany — are not exporting capital at the same pace they were in the decade of the 1980s. In addition, a number of major industrialized economies have been in a recession or are trying to climb out of one, and there is a tendency, internationally, for private financial institutions to be very cautious in their lending. Nevertheless, we have seen evidence of capital flowing to those countries that are competitive and creditworthy — countries such as Mexico, Chile, Venezuela, and Argentina.

The Latin American region is also poised to benefit from the liberalization of trade, including The Enterprise for the Americas Initiative (the Initiative) — with its emphasis not only on trade, but investment as well. Reaction to the Initiative by Latin American leaders has been positive, underscoring the fact that the region wants trade, not aid, and that it intends to rely on its private sector as the engine that will drive its economic reform programs. It also offers support for the historic structural adjustments underway throughout much of the region, including privatizations of formerly state-run industries. These reforms are aimed at returning those economies to sustained growth and strengthening new democracies in many countries.

A crucial step for the implementation of the Initiative is a successful conclusion to the free trade negotiations now underway among the U.S., Mexico, and Canada. Once that free-trade pact is finalized, the Initiative calls for further pacts, with the long-range goal being a Hemispheric Free Trade Zone. There is already evidence of a trend toward hemispheric free trade in the increase of activity among the regional trade zones, including the Mercosur and Andean Pact, and bilateral agreements such as the one signed this year between Mexico and Chile.

Outside of Latin America, the progress of economic reform was mixed. Poland, which recently underwent a cabinet change, has not met with its Bank Advisory Committee since June 1991.

In the Philippines, progress has been made in the negotiation of its medium- and long-term debt. Attempts are still being made to finalize an agreement before the May elections.

A commercial-bank financial package was reached, however, with Nigeria, bringing to six the number of countries where such packages have been finalized over the past two years.

In retrospect though, 1991 was a year in which several major developing countries of Latin America demonstrated significant economic progress and successfully tapped the voluntary capital markets. Their success increases the likelihood that other developing countries will be encouraged to follow a similar path to renewed growth and stability.

CROSS-BORDER AND FOREIGN CURRENCY OUTSTANDINGS

At the end of 1991, Citicorp's cross-border and foreign currency outstandings in the refinancing portfolio included $3.6 billion of medium- and long-term loans and placements. In addition, Citicorp had $1.6 billion of trade and short-term claims, $0.8 billion of investments in and funding of its local franchises in these countries, and $0.3 billion of equity investments obtained in debt-for-equity swaps.

Refinancing Portfolio Outstandings

In Billions of Dollars at Year End	1991	1990	1989
Cross-Border Claims on Third Parties			
Medium- and Long-Term	$3.6	$7.6	$8.6
Trade and Short-Term	1.6	1.6	1.5
Other:			
Investments in and Funding of Local Citicorp Franchises	.8	.7	.7
Equity Investments[1]	.3	.2	.3

(1) Equity investments obtained in debt-for-equity swaps.

At $3.6 billion, medium- and long-term loans and placements in the refinancing portfolio at December 31, 1991 were down $4.0 billion, from $7.6 billion at year-end 1990, reflecting country write-offs, loan sales and swaps, repayments of debts, and the removal of Mexico from the refinancing portfolio. Citicorp's cross-border and foreign currency outstandings in Mexico include approximately $2.1 billion of medium- and long-term claims, $0.3 billion of trade and short-term claims, $0.4 billion of investments in and funding of local franchises, and $0.1 billion of equity investments obtained in debt-for-equity swaps.

The allowance for credit losses at December 31, 1991 included $521 million attributable to the refinancing portfolio. This represented 15% of Citicorp's remaining $3.6 billion medium- and long-term loans and placements in the refinancing portfolio and 10% of Citicorp's $5.2 billion total cross-border claims on third parties in this portfolio.

Adding the $3.1 billion cumulative amount of country write-offs already charged off against the allowance together with the $521 million allowance gives a total of $3.6 billion, equivalent to 54% coverage of similarly adjusted medium- and long-term claims.

During 1991, the refinancing portfolio portion of the allowance was charged with $1,617 million of country write-offs (net of $60 million of recoveries on country write-offs taken in prior years) and $64 million of net losses on loan sales and swaps. Write-offs based on credit problems of individual commercial borrowers in this portfolio were $2 million, and the allowance was credited with $9 million of recoveries of such write-offs taken in prior years. The allowance at year-end 1991 reflected a release of $150 million related to the refinancing portfolio.

Country write-offs in 1991 included net write-offs on medium- and long-term outstandings to Brazil ($1.4 billion) and Argentina ($53 million). Loan sales in 1991 involved loans with a par value of $121 million and carrying value of $100 million, which were sold at an average discount of 50% of par. Loan swap transactions involved loans with a par value of $410 million and a carrying value of $258 million, and were accounted for according to the estimated fair values involved which averaged 57% of par value. Equity investments obtained in debt-for-equity swaps are carried at the lower of cost or estimated fair value.

At December 31, 1991, with the removal of Mexico from the refinancing portfolio in the fourth quarter, there were no refinancing countries with cross-border and foreign currency outstandings exceeding 1% of total assets. Brazil had cross-border and foreign currency outstandings between 0.75% and 1% of total assets.

Cross-Border and Foreign Currency Outstandings in Countries with Outstandings Exceeding 1% of Total Assets(1)(2)(3)

In Billions of Dollars at Year End

	Cross-Border Claims on Third Parties					1991	1990	1989
	Banks	Public Sector	Private Sector	Investments in and Funding of Local Citicorp Franchises	Equity Investments(4)	Total Outstandings	Total Outstandings	Total Outstandings
United Kingdom	$.2	$ —	$1.9	$1.6	$—	$6.7	$6.6	$8.4
Canada	.2	—	1.4	2.3	—	3.9	2.6	2.7
Mexico	.3	1.9	.2	.4	.1	2.9	2.4	2.2
Japan	.4	—	1.0	1.1	—	2.5	2.1	3.5
Germany	.1	—	.3	1.8	—	2.2	2.6	2.3
Brazil	.3	1.1	.1	.1	.1	1.7	3.2	3.9

(1) Outstandings are presented on a regulatory basis and include all loans, deposits at interest with banks, acceptances, other interest-bearing investments, and other monetary assets. Adjustments have been made to assign externally guaranteed outstandings to the country of the guarantor and outstandings for which tangible, liquid collateral is held outside of the obligor's country to the country in which the collateral is held.

(2) Legally binding cross-border and foreign currency commitments, including irrevocable letters of credit and commitments to extend credit, after adjustments to assign externally guaranteed commitments to the country of the guarantor, amounted to $1.9 billion in the United Kingdom, $0.8 billion in Canada, $0.2 billion in Mexico, $1.3 billion in Japan, and $0.6 billion in Germany at December 31, 1991. Commitments were less than $0.1 billion in Brazil.

(3) At December 31, 1991, there were no countries with cross-border and foreign currency outstandings between 0.75% and 1.0% of total assets other than Brazil. At December 31, 1990, the only such country was Japan. At December 31, 1989, the only such country was Mexico.

(4) Equity investments obtained in debt-for-equity swaps.

BRAZIL

As of December 31, 1991, Citicorp continued to carry substantially all of its $1.2 billion of medium- and long-term Brazilian outstandings on a cash basis. Interest payments on this debt had been suspended from June 1989 through the end of 1990. Beginning in January 1991, Brazil permitted full payment of interest on private sector debt (Citicorp's private sector debt has a face value of $403 million) and began paying 30% of interest due on public sector debt. For the full year of 1991, contractual interest due on Citicorp's medium- and long-term outstandings to Brazil was $249 million, of which Citicorp has collected $90 million and recognized $80 million in interest income, with $10 million recorded as a recovery of country write-offs previously taken.

On April 8, 1991, Brazil and its Bank Advisory Committee announced a preliminary agreement on the settlement of approximately $8 billion of cumulative interest arrearages through 1990 (including approximately $300 million due but unpaid to Citicorp) on Brazil's medium- and long-term commercial bank debt. Under the agreement, Brazil paid approximately $2 billion in cash (Citicorp's share is approximately $125 million, of which $116 million has been received and recognized in income through December 31, 1991) and will exchange the remaining arrearages for bonds. The bonds, which will be dollar-denominated bearer instruments, will mature in 10 years, with three years grace, and have a staggered amortization. The waivers required to implement the agreement were completed on August 8, 1991. The bonds will be issued upon agreement between the Bank Advisory Committee and Brazil on the treatment of the medium- and long-term commercial bank debt. To date no agreement has been reached on the medium- and long-term commercial bank debt, but negotiations are ongoing.

In 1991, Citicorp charged net write-offs of $1.4 billion on its medium- and long-term outstandings to Brazil against the allowance for loan losses attributable to the refinancing portfolio. Added to previous write-offs, this reduced the carrying value of Brazilian medium- and long-term outstandings to an average of 37% of face value.

Changes in Outstandings in Brazil

In Millions of Dollars	
Total Outstandings at December 31, 1990	$ 3,174
Short-Term Outstandings(1)	
Net Change	50
Other Outstandings	
Additional Outstandings	12
Interest Income Accrued(2)	2
Collections of Principal	(58)
Collections of Accrued Interest(2)	(2)
Country Write-off	(1,429)
Other Changes	(17)
Total Outstandings at December 31, 1991(3)	**$1,732**

(1) Includes trade credits and interbank deposits with original maturities of one year or less.

(2) In 1991, total interest on cross-border and foreign currency outstandings included in income was $212 million.

(3) Includes short-term outstandings of $0.3 billion in Brazil.

ARGENTINA

At December 31, 1991, Citicorp's cash-basis loans in Argentina were $0.2 billion, representing substantially all of Citicorp's medium- and long-term outstandings in that country. Argentina continues to make only partial interest payments of approximately $60 million per month (Citicorp's share is approximately $1 million) on its medium- and long-term commercial-bank outstandings. Interest arrearages to Citicorp totaled $146 million at December 31, 1991, including arrearages of $25 million for 1991. In the second quarter of 1991, Citicorp wrote off $65 million of its medium- and long-term outstandings to Argentina against the allowance for credit losses attributable to the refinancing portfolio. Added to previous write-offs, this reduced the carrying value of the outstandings affected to 30% of face value. On January 30, 1992, negotiations began on a Brady-type settlement of Argentina's commercial bank debt.

Cross-Border Refinancing Portfolio

The table below provides additional details at December 31, 1991 of Citicorp's outstandings and cash-basis loans in the cross-border refinancing portfolio. The last column shows the estimated after-tax impact of cash-basis loans on earnings for the year ended December 31, 1991. The amounts include interest reversed when loans are placed on a cash basis, plus the cost of carrying the cash-basis loans, reduced by interest received in cash and included in income.

Details of Cross-Border Refinancing Portfolio

	Cross-Border Claims on Third Parties		Investments in and Funding of Local Citicorp Franchises	Equity Investments[2]	Cash-Basis Loans	
	Medium- and Long-Term	Trade and Short-Term			Amount At Year End[3]	Estimated After-Tax Impact on Earnings[4]
	$ Billions	$ Billions	$ Billions	$ Billions	$ Millions	$ Millions
Argentina	$ .2	$ .5	$.2	$.1	$ 236	$ (1)
Brazil	1.2	.3	.1	.1	1,148	51
Nigeria	.1	—	—	—	132	(1)
Philippines	.3	.5	.5	—	12	1
South Africa	.6	—	—	—	—	—
Uruguay	.3	—	—	—	—	—
Venezuela	.6	—	—	1	3	1
All Other[5]	.3	.3	—	—	203	(7)
Total	$3.6	$1.6	$.8	$.3	$1,734	$44

(1) Legally binding cross-border and foreign currency commitments, including irrevocable letters of credit and commitments to extend credit, after adjustments to assign externally guaranteed commitments to the country of the guarantor, amounted to $0.2 billion in the Philippines at December 31, 1991. Commitments were not material to any other country in the refinancing portfolio.
(2) Equity investments obtained in debt for equity swaps.
(3) Includes cross-border loans as well as $[illegible] million of bank placements in Brazil.
(4) Brackets reflect a reduction in earnings.
(5) The remaining 16 countries are as follows: between $50 million and $100 million of cross-border and foreign currency outstandings — Ecuador and Morocco; less than $50 million — Bolivia, Costa Rica, Dominican Republic, Gabon, Honduras, Ivory Coast, Jamaica, Panama, Peru, Poland, Senegal, Yugoslavia, Zaire, and Zambia.

RISK MANAGEMENT

Risk management is of fundamental importance at all levels at Citicorp. The core elements of Citicorp's risk-management policies are diversification, decentralization of management, strong financial and operating controls, conservative accounting policies, portfolio management techniques, and an independent review process by an internal audit staff, with further examination provided by external auditors and regulatory bodies throughout the world.

These basic principles are supported by a commitment to quality information and people. Finally, the capital base and the allowance for credit losses provide the ability to absorb unforeseen risks or losses.

Risk management at Citicorp has evolved as its businesses have expanded. Previously, Citicorp functioned mainly as a funding intermediary for its customers, taking deposits and making loans, with credit risk, operations, and liquidity the major risks to be managed. Now, however, Citicorp acts also as a risk intermediary, serving both issuers and investors in an increasingly complex and global marketplace. To manage the new risks implicit in this change, the Corporation has enhanced its systems to monitor these new risks (i.e., price risk—the risk to earnings due to movement in interest rates, foreign exchange rates, and market volatilities).

Immediately below is a description of Citicorp's credit process together with a portfolio risk analysis. Following that is a discussion of market risk management, including liquidity and price risk exposure management, and a discussion of capital. A discussion of refinancing countries can be found on page 33, accounting policies on page 62, and financial instruments on page 75.

THE CREDIT PROCESS

The Corporation's credit process centers around a number of core elements, including comprehensive policies and procedures, a system of checks and balances involving the participants in the process, and on-going adjustments to meet changing needs, such as the introduction of a portfolio management system in Global Finance in 1991, as further discussed below.

Line management, the Credit Policy Committee, and Corporate Audit share responsibility for the credit process — Credit Policy establishing the framework for the extension of credit, line management directing the lending activities, and both Corporate Audit and Credit Policy monitoring performance. The focus in the process had long been on transaction management complemented recently by adding attention to product programs, particularly in consumer lending. Now, however, credit management increasingly requires the addition of portfolio management techniques that include standards for portfolio management within each business sector, centrally-managed controls covering the overall profile of the Corporation's credit portfolio, more comprehensive limits on industry and obligor concentrations, and more sophisticated information on the different gradations of loan risk and related pricing. Recently the Corporation introduced greater differentiation in approval requirements based on gradations of risk, to permit a quicker and more efficient process for low risk transactions or products, and to provide for more comprehensive reviews of higher risk situations.

The role of line management includes the origination, approval and management of risk, in keeping with the guidelines set by Credit Policy, and consistent with the development of portfolio management standards. Senior responsibility lies with the business managers and a group of several hundred of Citicorp's most experienced lenders who are designated as Senior Credit Officers or Senior Securities Officers and whose performance is reviewed and title reconfirmed annually. These individuals have the decision-making skills and are provided the decision-making authority since they are closest to the customers and the marketplace. The decision-makers are supported by a staff of credit specialists who monitor the quality of credit and help ensure that policies and procedures are followed. Relationship Managers conduct the day-to-day lending activities and are held accountable for their lending decisions, for staying within defined target markets, and for maintaining credit quality.

In the commercial lending and investment banking businesses, every credit transaction must have the approval of three lending officers, each exercising independent judgment and one accepting primary accountability. For large loans, two of the three lending officers must be Senior Credit Officers. The recent increase in trading volume involving foreign exchange, money market products, and derivative instruments has resulted in a significant increase in the notional amount of counterparty transactions. While there is low probability of loss, and the amount of risk in each case is only a fraction of the face amount of the transaction, the volume of activity is high. Management has responded by introducing new methods of measuring and monitoring these risks, and by participating in inter-bank netting arrangements. These arrangements permit the netting of counterparty risks for institutions which buy and sell actively with one another. The result of these efforts is better control over counterparty risk, as well as lower aggregate exposure for all the parties participating in netting arrangements.

In consumer lending, the business managers and Senior Credit Officers are also the focal point of credit decisions but use different tools reflecting the actuarial nature of the business. The focus is on product programs, effective credit operations, and information on portfolio quality trends. Each product organization maintains extensive data needed to monitor and manage the quality of its own portfolio. The quality of Citicorp's overall consumer portfolio is monitored monthly using a centralized management information system, and whenever credit performance deviates from profit models the results are analyzed and remedial action instituted. For example, the current U.S. recession has prompted a tightening of credit standards and operations in certain U.S.-based consumer businesses.

In addition to its enhanced role related to portfolio and credit management issues, Credit Policy continues to update Citicorp's Credit Policies and Procedures, designate Senior Credit and Securities Officers, and advise the line on large or unusual transactions and product programs.

Within Corporate Audit, the Business Risk Review Group conducts periodic independent examinations of both portfolio quality and the credit process at the individual business level. The members of the group include senior officers from line businesses who are on auditing assignments ranging from two to three years. They are also responsible for ensuring that line management has identified problem loan situations and for surfacing any substandard elements of the credit process.

The primary mission of the Institutional Recovery Management Unit, based in New York, is to minimize losses and maximize recoveries on non-real estate-related problem commercial credits. The group, which consists of 28 experienced lending professionals, also serves as Citicorp's primary resource for remedial management consultation and has focused considerable effort on participating at an early stage with the line's remedial management activities on individual accounts. Additionally, Institutional Recovery Management handles remedial management training, both domestically and internationally, ensuring that lessons learned from problem loans are communicated to line credit officers.

Citicorp's U.S. Commercial Real Estate Division's principal focus is the restructuring and repayment of existing loans, and the managing and optimizing of returns on commercial OREO (Other Real Estate Owned) assets. Citicorp has over 500 real estate professionals and staff with expertise in real estate-related corporate debt restructurings, non-performing and troubled loan workouts, asset sales, appraisals, construction loan management, and asset management. As a consequence of an ongoing portfolio review process, remedial management strategies are continually monitored and adjusted as conditions change, and problem loans are reviewed to achieve early detection of deterioration and the implementation of swift remedial action.

PORTFOLIO RISK ANALYSIS

In the management of its credit portfolios, Citicorp emphasizes the importance of asset and earnings diversification, the immediate recognition as losses of all credits judged to be uncollectible, and the maintenance of an appropriate credit loss allowance.

Since all identified losses are immediately written off, no portion of the allowance is specifically allocated or restricted to any individual loan or group of loans, and the entire allowance is available to absorb all probable credit losses inherent in the portfolio. However, for analytical purposes, Citicorp views its allowance as attributable to the following portions of its credit portfolios:

Allowance for Credit Losses

In Millions of Dollars at Year End	1991	1990[1]	1989[1]
Global Consumer	$1,137	$ 930	$ 815
Global Finance			
JENA	1,575	1,103	[illegible]
International Banking and Finance	75	66	63
Cross-Border Refinancing Portfolio	521	2,352	3,285
Total	$3,308	$4,451	$4,729

(1) Restated to conform to current year's presentation.

The total allowance for credit losses at year-end 1991 was $3.3 billion, as compared with $4.5 billion last year. Excluding amounts attributable to the cross-border refinancing portfolio, the allowance for credit losses was $2.8 billion at December 31, 1991, up $688 million from $2.1 billion at year-end 1990.

The total allowance as a percentage of loans was 2.19% at year-end 1991, down from 2.85% in 1990 and 2.95% in 1989. The consumer portion was 1.24% of consumer loans at the end of 1991, 0.98% at the end of 1990, and 0.87% at the end of 1989.

In addition to the allowance for credit losses, the Global Consumer business maintains reserves for recourse provisions related to the sales of loans or sales of participations in pools of loans and receivables. At December 31, 1991, reserves of $354 million were available to absorb losses related to these sold portfolios, compared with reserves of $172 million at December 31, 1990. Refer to Note 18 of the financial statements for further discussion of Citicorp's obligation under recourse provisions related to sold loans.

The allowance attributable to commercial credits in the Global Finance businesses of JENA and International Banking and Finance was 2.97% of related loans at December 31, 1991, compared with 2.18% at December 31, 1990 and 1.10% at December 31, 1989. The JENA portion of the allowance represented 3.85% of related loans at December 31, 1991, compared with 2.59% in 1990. The increase in the JENA allowance was made in recognition of the continued weakness in many OECD economies and the erosion of real estate market values (particularly in the U.S. and U.K.). The International Banking and Finance portion of the allowance represented 0.51% of related loans at December 31, 1991, compared with 0.60% in 1990.

Continuing deterioration in the economic environment in 1992 could result in increases in both the consumer and commercial portions of the allowance for credit losses.

The portion of the allowance attributable to cross-border and foreign currency outstandings in the refinancing portfolio was equivalent to 15% of Citicorp's $3.6 billion medium- and long-term outstandings and 10% of total claims of $5.2 billion in those countries at December 31, 1991, compared with 31% and 26% at year-end 1990, respectively. The allowance at December 31, 1991, adjusted to add back the $3.1 billion cumulative country write-offs previously charged off against the allowance, was equivalent to 54% of similarly adjusted medium- and long-term claims. The decrease in this portion of the allowance during 1991 reflected the impact of the Brazilian and Argentine net country write-offs of $1.4 billion and $53 million, respectively, as well as a release of $150 million from the cross-border loan loss reserve in the fourth quarter.

CONSUMER PORTFOLIO

Each consumer lending product has an expected level of credit loss that is generally a statistically predictable expense of doing business. For example, loans with generally low credit loss experience include home mortgage loans (first and second) and government-guaranteed student loans. Loans with medium credit loss experience are primarily secured products, community banking, and private banking receivables. The category of high credit loss experience includes such unsecured products as credit cards, travel and entertainment cards, and other personal revolving-credit products. Pricing and credit policies reflect the loss experience of each particular product.

Consumer loans are generally written off not later than a predetermined number of days past due on a contractual basis. The number of days is set appropriate to the loan product and country.

The following table summarizes Citicorp's consumer credit loss experience:

Consumer Portfolio Risk Categories[1]

			1991	1990	1989
	Average Loans $ Billions	Net Credit Losses $ Millions	Credit Loss Ratio	Credit Loss Ratio	Credit Loss Ratio
U.S.					
High	$16.7	$1,098	6.6%	4.7%	4.3%
Medium	15.0	173	1.2%	.8%	.9%
Low	28.1	197	.7%	.3%	.1%
Total U.S.	$59.8	$1,468	2.46%	1.67%	1.55%
Overseas	31.8	335	1.05%	.91%	.76%
Total	$91.6	$1,803	1.97%	1.43%	1.35%

(1) Loan amounts are net of unearned income

Average U.S. consumer loans declined $6 billion during the year, reflecting increased mortgage prepayments and depressed mortgage originations as well as continued programs to sell or securitize mortgages and credit cards. The year-to-year decrease in mortgages and credit cards was partially offset by increases in the community banking and private banking portfolios.

At year end, the U.S. portfolio included $3.6 billion of community banking loans secured by commercial real estate, primarily in New York, California, Arizona, and Illinois. The portfolio also included $1.1 billion of private banking loans secured by commercial real estate primarily in the western states and New York. Commercial real estate in the community banking portfolio is primarily comprised of loans secured by multi-family residential units or by owner-occupied commercial buildings. Commercial real estate in the private bank includes loans secured by office buildings, hotels, and residential properties.

Although there were small shifts in the mix of the portfolio, the year-to-year rise in the U.S. portfolio loss rate principally reflected increased net credit losses across the portfolio. High unemployment and rising personal bankruptcies, as well as a weak U.S. housing market, had a detrimental effect on consumer credit quality during 1991. The 0.4% increase in the low risk category loss rate compared with 1990 was due primarily to higher first mortgage losses. The 0.4% rise year-to-year in the medium risk category principally reflects higher community banking write-offs, and the 1.9% jump in the high risk loss rate was primarily due to increased U.S. credit card net credit losses.

The average overseas portfolio, which increased $2.5 billion in 1991, remains concentrated in the major industrialized nations of Europe and Asia. The overseas consumer loan credit loss ratio increased 0.14%, reflecting a shift in the composition of the overseas portfolio to a higher percentage of unsecured revolving loans, which typically have higher loss ratios, particularly in the initial years of portfolio formation. Overseas consumer losses rose $68 million compared with 1990.

The following table summarizes delinquencies in the consumer loan portfolio in terms of dollar amount of loans 90 days past due and as a percentage of related loans. Refer also to the table of cash-basis, renegotiated and past due loans on page 87.

Consumer Loan Delinquency Ratios

	Total Loans[1]	90 Days or More Past Due		
In Billions of Dollars at Year End	1991	1991	1990[2]	1989[2]
U.S. Mortgages Held	$23.7	$1.4	$1.2	$0.7
Ratio		5.3%	4.0%	2.1%
Consumer Loans Other Than U.S. Mortgages[3]	65.4	2.6	2.4	2.1
Ratio		4.0%	3.6%	3.4%
U.S. Mortgages Purchased Under Recourse Provision[4]	.4	.4	.1	.1
Total Consumer Loans	$91.5	$4.4	$3.7	$2.9
Ratio		4.8%	3.9%	3.0%

(1) Loan amounts are net of unearned income
(2) Restated to conform to current year's presentation
(3) Approximately 40% of loans 90 days past due are overseas consumer loans, the majority of which are secured borrowings.
(4) Mortgages were delinquent 90 days or more when purchased under recourse provisions of mortgage sales. Consequently, the ratio is 100% for 1991, 1990, and 1989.

U.S. mortgages held that were 90 days or more past due at December 31, 1991 were $1.4 billion, up $0.2 billion from last year, reflecting the weak U.S. economy, particularly in the Northeast. This increase, combined with a contracting mortgage portfolio attributable to rising prepayments, continuing mortgage pass-through sales, and slower mortgage originations due to tightened credit criteria, resulted in a rise in the delinquency ratio during 1991.

Increased delinquencies in consumer loans other than U.S. mortgages are primarily attributable to unsecured products, both in the U.S. and overseas, as well as community banking and private banking loans.

Citicorp's policy for suspending accrual of interest on consumer loans varies depending on the terms, security, and credit loss experience characteristics of each product, and in consideration of write-off criteria in place. Consumer loans on which accrual of interest had been suspended included $1,759 million of U.S. mortgages and $1,735 million of other consumer loans at year-end 1991. These amounts are up from the corresponding $1,259 million of U.S. mortgages and $1,419 million of other consumer loans at the end of 1990, reflecting the increased delinquency experience shown in the table above. The amounts for other consumer loans include loans in community banking and private banking activities. At year-end 1991, such amounts include $553 million of U.S. commercial real estate loans on which accrual of interest had been suspended, primarily in Arizona and New York.

Total consumer loans with delinquencies of 90 days or more on which interest continued to be accrued were $955 million at December 31, 1991. The majority of these delinquent loans are in categories, including credit card receivables, that are automatically written off upon reaching 180 days past due.

Under recourse provisions related to U.S. mortgage sales, Citicorp generally pays principal and interest to the security holder for mortgages in default until the completion of foreclosure proceedings. Upon completion of foreclosure proceedings, Citicorp reimburses the security holder for the full amount of principal outstanding and generally obtains title to the property. Recourse provisions for certain of these mortgage sales allow Citicorp to purchase delinquent mortgages before the completion of foreclosure proceedings. Purchasing these delinquent mortgages provides a funding benefit when the market interest rates decline below the interest rate required to be paid to security holders. At December 31, 1991 Citicorp had $0.4 billion of U.S. mortgages purchased under such recourse provisions.

Though credit and collection strategies are in place to mitigate the impact of the current economic environment, adverse economic conditions, particularly in the U.S., could result in further increases in consumer loan delinquencies, loans on which the accrual of interest must be suspended (including U.S. mortgages), credit reserves, and net credit losses in 1992.

COMMERCIAL PORTFOLIO

In commercial lending, losses as a percent of outstanding loans can vary widely from period to period and are particularly sensitive to changing economic conditions. Certain risk characteristics of the portfolio at year-end 1991 are shown in the accompanying table and discussed below. Refer also to the table of cash-basis, renegotiated and past due loans on page 87.

The highly leveraged transactions, which are discussed under Leveraged Acquisition Finance Activities on page 43, are included in the following table under their appropriate classification.

Commercial Portfolio[1]

	1991			1990
	Average Loans $ Millions	Net Credit Losses $ Millions	Credit Loss Ratio	Credit Loss Ratio
In U.S. Offices				
Commercial and Industrial	$12,774	$ 236	2.00%	1.43%
Mortgage and Real Estate	12,582	511	4.06%	1.75%
Financial Institutions	590	171	28.98%	-
Lease Financing	3,325	3	.09%	.10%
	$29,271	$ 941	3.21%	1.39%
In Overseas Offices				
Commercial and Industrial	$18,993	$ 670	3.53%	1.93%
Mortgage and Real Estate	4,234	304	7.18%	1.22%
Financial Institutions	2,978	14	.47%	2.76%
Governments and Official Institutions	4,384	1,202	27.42%	13.71%
Lease Financing	1,211	—	—	.08%
	$31,800	$2,190	6.89%	3.25%
Total	$61,071	$3,131	5.13%	2.35%

(1) Loan amounts are net of unearned income. The commercial and industrial category includes loans not otherwise separately categorized. The mortgage and real estate and the governments and official institutions categories are based on Comptroller of the Currency definitions. Loans to government-owned enterprises and banks that are not included in direct loans to governments and official institutions are included in commercial and industrial loans and loans to financial institutions, respectively.

U.S. Portfolio

Citicorp's U.S. portfolio is principally composed of commercial and industrial loans and mortgage and real estate loans, together with smaller amounts of loans to financial institutions and lease financing receivables. The portfolios are diversified by industry and geography but have been affected by adverse economic conditions.

Net credit losses in 1991 were substantial—$941 million, or 3.21% of average loans, up from $431 million, or 1.39% of average loans, in 1990. Net credit losses in 1991 included a $171 million write-off on exposure to First Capital Holdings, Inc. Net credit losses in U.S. commercial real estate lending increased substantially in 1991 to $511 million, up from $228 million in 1990, and are expected to increase further in 1992, as a result of slower, but continued, erosion of real estate values. Net credit losses decreased in U.S. leveraged acquisition finance activities to $137 million in 1991 from $162 million in 1990. In 1992, these losses are expected to remain within the range of 1991 losses. These two segments of the portfolio are discussed in detail on the pages that follow.

Losses on commercial lending activities are not as statistically predictable as in consumer credit and can vary widely with respect to timing and amount, particularly within any narrowly defined sector. Loss ratios are expected to increase further over the next 12 to 18 months as a result of continued weakness in the economy and the erosion of real estate values. Citicorp currently expects that, over the next 12 to 18 months, its net credit losses on U.S. commercial loans will range from 3.5% to 4.5% of 1991 average commercial loans.

Overseas Portfolio

While the principle of broad diversification acts to control risk in the overseas commercial portfolio as it does in the domestic portfolio, net write-offs overseas increased substantially in 1991.

Overseas Commercial Net Write-Offs

In Millions of Dollars	1991	1990
Refinancing Portfolio	$1,674	$ 926
All Other	516	146
Total	$2,190	$1,072

Net write-offs of $1.7 billion in the refinancing portfolio principally reflected net country write-offs, including $1.4 billion in Brazil and $53 million in Argentina, as well as write-offs related to loan sales and swap activity.

Outside the refinancing portfolio, net credit losses on commercial loans overseas were $516 million in 1991, up from $146 million in 1990, reflecting increased losses in leveraged acquisition finance and real estate loans in the U.K. and Australia. The loss ratio for the non-refinancing portfolio commercial net credit losses overseas was approximately 2.03% in 1991 and is currently expected to remain below the loss ratio on U.S. commercial loans over the next 12 to 18 months.

COMMERCIAL REAL ESTATE

U.S. Commercial Real Estate

As of December 31, 1991, the U.S. commercial real estate portfolio managed by Citicorp's U.S. commercial real estate division included $11.0 billion of loans secured primarily by real estate and $0.3 billion of real estate-related loans.

U.S. Commercial Real Estate Portfolio Summary

In Millions of Dollars	1991	1990
Total Loans(1)	$11,317	$13,012
OREO(2)	1,986	803
Unfunded Commitments	1,915	1,281
Letters of Credit	2,771	3,503
Other	569	399
Total Exposure	$18,558	$22,028
Cash-Basis Loans	$ 2,931	$ 2,562
OREO	1,986	803
Total Nonperforming Assets	$ 4,917	$ 3,365
Net Write-offs(3)	$ 559	$ 214
Net OREO Write-downs	157	22

(1) Includes cash-basis loans.
(2) Includes $1.1 billion of in-substance foreclosure properties for 1991 and $0.2 billion for 1990.
(3) Includes net write-offs of real estate-related loans of $[illegible] million in 1991 and $16 million in 1990.

U.S. commercial real estate exposure at year-end 1991 was $18.6 billion, down $3.5 billion from a year ago. Citicorp has continued to reduce its U.S. commercial real estate exposure through maturities, paydowns, cancellations, negotiated reductions in unfunded commitments, write-offs and write-downs. Cash payoffs and paydowns represent the largest component of the $3.5 billion reduction.

Commercial real estate lending has historically been an important business for Citicorp, which has financed large top-tier projects for national developers in urban locations. The portfolio is well diversified, both geographically and by project type with office, retail and residential comprising 35%, 21%, and 15%, respectively. These sectors experienced continued deterioration in 1991, with increases in nonperforming assets of $910 million, $266 million, and $245 million, respectively. Write-offs were concentrated in the office and residential sectors, together comprising over 60% of the total.

Vacancy rates in commercial office space remain high in many metropolitan areas; rents and, correspondingly, asset values have declined. This phenomenon, which is cyclical, is also evident in the residential sector and across the portfolio in varying degrees and has led to increases in nonperforming assets, net write-offs and OREO write-downs. The severity of the downturn, however, differs greatly by region. Citicorp's portfolio in the Mid-Atlantic region, representing 25% of the total loan portfolio, has experienced the most significant decline over the past year, principally in New York. In this region, nonperforming assets increased by $777 million in 1991 and net write-offs in 1991 totaled $226 million. In the Western region, which represents Citicorp's largest concentration with 32% of the portfolio, real estate values have not experienced the same degree of deterioration as the rest of the country. In this region, nonperforming assets increased by $421 million, and write-offs were $84 million in 1991. New England, which has been the hardest hit commercial real estate market, currently makes up only 2% of the total loan portfolio, with nonperforming assets of $262 million.

Net OREO write-downs for the year were $157 million, up $135 million from 1990, concentrated in office buildings ($81 million) and land ($33 million). Geographically, OREO write-downs were highest in the Southeast ($40 million), New England ($35 million), and the Mid-Atlantic ($32 million).

Cash-basis loans were $2.9 billion at year-end 1991, up $0.4 billion from a year ago, and OREO assets were $2.0 billion, up $1.2 billion from a year ago. Citicorp maintains a conservative policy for early identification of cash-basis loans, with approximately $1.5 billion of its year-end cash-basis loans less than 90 days past due as to interest and principal. Included in this amount are $0.7 billion of construction and self-funded loans. The yield on cash-basis loans for 1991 was 2.5%. Excluding construction and self-funded cash-basis loans, the yield was 3.2%.

The following table summarizes the distribution of the U.S. Commercial Real Estate Division portfolio at December 31, 1991 and 1990 as well as cash-basis loans, OREO and also net write-offs for each year.

U.S. Commercial Real Estate Portfolio by Project by Region

In Millions of Dollars at Year End

	Office	Residential	Retail	Hotel	Land	Mixed	Ind'l	Other[1]	1991 Total	1990 Total[2]
New York										
Total Loans	$ 751	$ 232	$ 112	$ 81	$ 30	$ —	$ 4	$ 83	**$ 1,316**	$ 1,606
Cash-Basis Loans	404	104	—	81	1	—	—	13	**783**	414
OREO	97	110			—	—	—	48	**255**	80
Net Write-offs	53	40	—	—	—	—	—	77	**170**	44
Other Mid-Atlantic										
Total Loans	432	254	332	134	99	96	56	20	**1,473**	1,565
Cash-Basis Loans	149	49	15	133	28	—	1	4	**379**	219
OREO	82	5	4	—	9	—	10	—	**110**	37
Net Write-offs	26	18	2	5	5	—	—	—	**56**	12
Midwest										
Total Loans	1,026	84	333	201	16	5	87	20	**1,772**	1,894
Cash-Basis Loans	270	22	142	70	7	5	—	2	**530**	425
OREO	224	26	25	[illegible]	4	—	—	—	**280**	93
Net Write-offs	58	2	—	6	—	1	—	—	**67**	32
New England										
Total Loans	172	2	15	23	14	22	8	—	**256**	283
Cash-Basis Loans	40	—	—	—	12	—	5	—	**57**	39
OREO	139	24	—	—	40	—	2	—	**205**	206
Net Write-offs	1	2	—	—	—	—	—	—	**3**	18
Southeast										
Total Loans	331	377	265	101	58		20	70	**1,222**	1,565
Cash-Basis Loans	143	120	32	16	40	—	5	4	**360**	512
OREO	139	120	29	7	89	—	—	11	**395**	206
Net Write-offs	47	18	10	—	12	—	—	2	**89**	41
Southwest										
Total Loans	161	68	137	29	21	247	21	60	**744**	813
Cash-Basis Loans	28	25	58	21	8	—	13	—	**153**	207
OREO	100	9	46	15	2	—	—	—	**172**	137
Net Write-offs	5	12	9	14	2	—	—	—	**42**	38
California										
Total Loans	620	514	506	262	103	38	227	147	**2,417**	2,817
Cash-Basis Loans	130	91	52	—	54	—	33	28	**388**	339
OREO	133	59	136	—	13	—	16	—	**357**	12
Net Write-offs	27	13	1	7	—	—	3	1	**55**	20
Other West										
Total Loans	433	126	223	207	63	146	26	16	**1,260**	1,436
Cash-Basis Loans	67	13	29	31	11	—	22	1	**177**	211
OREO	32	—	9	—	8	—	31	—	**80**	19
Net Write-offs	15	1	1	—	—	—	11	1	**29**	4
Other										
Total Loans	—	53	506	33	4	58	56	147	**857**	1,063
Cash-Basis Loans	—	41	4	6	4	—	—	49	**101**	196
OREO	14	1	1	—	—	—	1	115	**132**	13
Net Write-offs	—	—	—	—	—	—	—	48	**48**	32
Totals—1991										
Total Loans	**$3,949**	**$1,730**	**$2,429**	**$1,121**	**$408**	**$612**	**$505**	**$ 563**	**$11,317**	
Cash-Basis Loans	**1,327**	**531**	**332**	**361**	**165**	**5**	**79**	**131**	**2,931**	
OREO	**960**	**354**	**250**	**23**	**165**	**—**	**60**	**174**	**1,986**	
Net Write-offs[7]	**232**	**106**	**26**	**32**	**19**	**1**	**14**	**129**	**559**	
Totals—1990										
Total Loans	**$4,397**	**$2,125**	**$2,399**	**$1,282**	**$518**	**$488**	**$549**	**$1,251**		**$13,042**
Cash-Basis Loans	**965**	**519**	**280**	**145**	**129**	**85**	**116**	**323**		**2,562**
OREO	**412**	**121**	**36**	**21**	**157**	**—**	**15**	**38**		**803**
Net Write-offs[7]	**69**	**77**	**8**	**4**	**4**	**2**	**13**	**67**		**244**

(1) Includes working capital and multi-project loans
(2) Reclassified to conform to current year's presentation
(3) See page 43 for commercial real estate loans, cash-basis loans and write-offs for the portfolio which is managed in other areas of Global Finance
(4) Cash-basis loans are included in loans
(5) Includes real estate-related loans of $0.3 billion in 1991 and $0.4 billion in 1990 of which $50 million in 1991 and 1990 were on a cash basis
(6) Includes $67 million of renegotiated loans in 1991 ($27 million in 1990)
(7) Includes net write-offs of $31 million in 1991 and $16 million in 1990 of real estate-related loans

Of the $1.0 billion of unfunded commitments under which Citicorp's U.S. real estate division was obligated at December 31, 1991, $0.4 billion was related to customers experiencing financial difficulties. Citicorp also provides standby letters of credit, the majority of which back-stop tax-exempt multi-family housing bonds secured on residential properties. Approximately $0.9 billion of these letters of credit relate to projects where debt service is continuing but loan-to-value ratios have deteriorated below target levels and/or letter of credit fees are not being paid.

Other

In addition to the real estate managed by Citicorp's U.S. commercial real estate division, at December 31, 1991 and 1990 there were $0.5 billion of U.S. commercial real estate loans managed within other areas of Citicorp's commercial portfolio, of which $52 million in 1991 was on a cash basis. Net write-offs on these loans were $3 million in 1991.

Citicorp's overseas portfolio includes $4.2 billion of commercial real estate loans of which $1.0 billion, $1.0 billion, and $0.2 billion are in Canada, the U.K., and Australia, respectively. Overseas cash-basis commercial real estate loans were $820 million at year-end 1991, compared with $496 million a year ago. Net credit losses in the overseas commercial real estate portfolio totaled $304 million in 1991, up $249 million from 1990. The increase in net write-offs reflects the erosion of real estate values in the U.K. and actions taken to restructure and reduce the commercial real estate portfolio in Australia. Commercial OREO in overseas locations was $0.3 billion at December 31, 1991 compared with $0.1 billion at the end of 1990, primarily in the U.K. and Australia.

The continuing uncertain environment, both in the U.S. and certain overseas markets, could result in further deterioration of real estate values, increased nonperforming assets, additions to loan loss reserves, and higher net credit write-offs. Credit costs and write-offs are expected to remain high in 1992.

Leveraged Acquisition Finance Activities

Leveraged acquisition finance activities involve client transactions for the acquisition, leveraged recapitalization or management buyout of commercial and/or industrial companies, with financing based on cash flow and/or asset values. Citicorp's involvement in these activities includes evaluating and structuring transactions, as well as financing and distributing loans.

The following disclosures encompass all activities that meet the federal bank regulatory agencies' definition of "highly leveraged transactions." Under this definition, a banking institution is considered to be involved in a "highly leveraged transaction" when credit is extended or an investment is made where the financing transaction involves the buyout, acquisition, or recapitalization of an existing business. In addition, the transaction must either cause the client's liabilities to at least double and result in a ratio of total liabilities to total assets higher than 50%, or otherwise cause this ratio to exceed 75%. The amounts disclosed for "highly leveraged transactions" include substantially all claims on the subject company and are not limited to the leveraged financing itself.

Citicorp manages the risks associated with leveraged finance activities through a variety of risk-management techniques. These techniques include adhering to strict risk asset acceptance criteria and maintaining a portfolio that is diversified among industry groups. The risk asset acceptance criteria provide guidance on the types of borrowers and transactions that can be accepted, the way transactions should be structured, and the loan syndication process. Also important is the range of expertise that Citicorp brings to bear on transactions, in both line and review functions. In addition to the senior lending approvals required for all large and complex transactions, all leveraged finance transactions are considered and monitored by specialists experienced in this activity or in the appropriate specialized secured lending activity.

The current economic downturn has caused certain leveraged finance borrowers to experience a decrease in their financial performance and has contributed to a general reduction in new leveraged acquisition finance activities. As a result, Citicorp's senior leveraged finance loans on a cash basis and net credit write-offs increased over 1990 levels. Citicorp's earnings from these activities have been and may continue to be negatively affected by these trends. Cash-basis leveraged finance loans are expected to remain stable, while credit costs are expected to remain high.

Senior Leveraged Acquisition Finance Exposures

In Billions of Dollars at Year End	1991 Outstanding Loans	1991 Unused Commitments and Contingent Liabilities	1990 Outstanding Loans	1990 Unused Commitments and Contingent Liabilities
U.S.	$3.7	$1.4	$5.0	$2.3
Overseas	1.2	.3	2.2	.6
Total	$4.9	$1.7	$7.2	$2.9

At the end of 1991, Citicorp was a senior creditor for approximately $3.7 billion of leveraged finance loans in the U.S., compared with approximately $5.0 billion at the end of 1990. The decrease primarily reflects repayments but also includes delistings, loan sales, and write-offs. The substantial majority of these loans are secured, with an appropriate margin, by assets and/or shares. Outstanding loans in the U.S. represented approximately 135 obligors in approximately 25 industries at the end of 1991, compared with approximately 170 obligors in approximately 30 industries at the end of 1990.

Senior Leveraged Acquisition Finance Loans in the U.S. by Industry

In Billions of Dollars at Year End (Industries over $100 Million)	1991 Outstanding Loans
Media/Entertainment	$ .9
Retail/Wholesale	.6
Other Consumer Non-Durables	.3
Healthcare/Hospitals	.3
Real Estate: Shopping Centers	.2
Forest Products/Paper	.2
Consumer Durables	.2
Other Capital Goods	.1
Building Products	.1
All Other	.8
Total	$3.7

Industries for which leveraged finance outstandings exceeded 10% of U.S. leveraged finance loans in 1991 or 1990 were media/entertainment ($0.9 billion at December 31, 1991 and $1.2 billion at December 31, 1990), retail/wholesale ($0.6 billion at December 31, 1991 and $0.7 billion at December 31, 1990), and healthcare/hospitals ($0.5 billion at December 31, 1990). At the end of 1991 and 1990, there were three individual U.S. borrowers or groups with exposures (including loans, contingent liabilities, and unused commitments) over $200 million. Outstanding loans to these customers amounted to approximately $0.6 billion at the end of 1991 and $0.7 billion at the end of 1990.

In addition, there were unused commitments and contingent liabilities to U.S. leveraged finance customers of approximately $1.4 billion and $2.3 billion at the end of 1991 and 1990, respectively, a significant portion of which are anticipated to remain unused or be sold down to other financial institutions in the ordinary course of business. The amount of U.S. leveraged finance loans on a cash-basis status was $932 million and $952 million at December 31, 1991 and 1990, respectively.

Senior leveraged finance loans in the U.S. include $208 million and $142 million of loans which are also reflected in the U.S. commercial real estate portfolio at December 31, 1991 and 1990, respectively, of which $16 million and $53 million, respectively, were on a cash basis.

Citicorp also engages in similar leveraged finance activities outside the U.S., with outstanding loans of approximately $1.2 billion in six countries at the end of 1991, compared with approximately $2.2 billion in eight countries at the end of 1990. In addition, Citicorp was obligated under unused commitments and contingent liabilities overseas for $300 million at December 31, 1991, compared with approximately $600 million at December 31, 1990. Outstanding loans include approximately $600 million and $1.3 billion in the U.K. at December 31, 1991 and 1990, respectively, and approximately $400 million in Australia at the end of 1991 and $700 million at the end of 1990. Outstanding loans in the United Kingdom include $279 million of loans which are also reflected in the overseas commercial real estate portfolio at December 31, 1991 ($386 million in 1990), all of which were on a cash basis at year end 1991. At the end of 1991, there were three individual overseas borrowers with exposures over $200 million, compared with five at the end of 1990. Outstanding loans to these customers amounted to approximately $600 million at the end of 1991 and $1.5 billion at the end of 1990.

The amount of outstanding overseas leveraged finance loans on a cash-basis status was $477 million and $330 million at December 31, 1991 and 1990, respectively.

Citicorp also engages in leveraged finance activities through subordinated lending, and through equity and debt transactions in its venture capital activities. The amounts outstanding in these other activities increased to approximately $1.7 billion at the end of 1991 from $1.0 billion at the end of 1990 primarily as a result of the change in accounting for investments held by venture capital subsidiaries. The amount of subordinated debt on a cash-basis status was $36 million and $28 million at December 31, 1991 and 1990, respectively. Revenues from venture capital activities were significant during 1991 and 1990.

Fees and commissions recognized in income during 1991 and 1990 were approximately $54 million and $184 million, respectively. Approximately $85 million and $104 million of fees were deferred at the end of 1991 and 1990, respectively.

U.S. credit write-offs on leveraged finance senior and subordinated loans, net of recoveries, amounted to approximately $137 million and $162 million in 1991 and 1990, respectively, while overseas net write-offs were approximately $208 million and $34 million, respectively. Write-offs in 1991 included $14 million in the U.S. and $64 million overseas which are also included in commercial real estate write-offs.

Cash-Basis and Renegotiated Commercial Loans

Cash-basis loans are those loans on which, as a result of doubt as to collection of either principal or interest, income is recognized only to the extent that it is received in cash. Renegotiated loans are those on which the rate of interest has been reduced as a result of the borrower's inability to meet the original terms.

Loans are placed on cash basis when it is determined, as a result of evaluation procedures, that the payment of interest or principal on a commercial loan is doubtful of collection. When interest or principal is past due for 90 days or more, the loan is placed on a cash basis. Any interest accrued on a loan placed on a cash basis is reversed and charged against current earnings when the loan is transferred to cash basis. Interest on cash-basis loans is thereafter included in earnings only to the extent received in cash. Cash-basis loans are returned to accrual status only when such loans are current as to principal and interest payments and future payments are expected to be made on schedule.

Total cash-basis and renegotiated commercial loans at December 31, 1991 were $7,446 million, down $1,193 million from $8,639 million at the end of 1990. Cash-basis and renegotiated commercial loans in the refinancing portfolio at December 31, 1991 were $1,734 million, down $1,726 million from $3,460 million at the end of 1990, primarily as a result of write-offs of Brazilian outstandings and also reflecting loan sales and swaps activity.

Cash-basis and renegotiated commercial loans, excluding those in the refinancing portfolio, at December 31, 1991 were $5,712 million, up $533 million from $5,179 million at the end of 1990 as a result of increases in both the U.S. ($454 million) and certain overseas locations ($79 million). These net increases resulted from additional loans placed on cash-basis of $4.5 billion, partially offset by returns to accrual and payments of $1.2 billion, charge-offs of $1.4 billion, and transfers to OREO of $1.4 billion. A table describing the U.S. commercial real estate outstandings and cash-basis loans is included in the discussion of U.S. commercial real estate on page 41.

At December 31, 1991, approximately $1.8 billion of Citicorp's commercial cash-basis loans, excluding those in the refinancing portfolio, were either current or overdue by less than 90 days with regard to interest and principal. Included in this amount are $1.5 billion of real estate loans, which are less than 90 days past due and on which interest is not being recognized until received.

Total OREO, which is included in other assets on the consolidated balance sheet, was $2,947 million at December 31, 1991, compared with $1,801 million at the end of 1990. Commercial OREO, managed as part of the Global Finance business, was $2,283 million at the end of 1991, compared with $1,319 million a year ago. OREO included in the Global Consumer sector was $664 million and $482 million at the end of 1991 and 1990, respectively.

Due to the continued weak economic environment, both in the U.S. and in certain overseas locations, the level of cash-basis and renegotiated commercial loans and OREO are expected to remain high during 1992. Also see the discussion of commercial real estate and leveraged acquisition finance activities above.

See details of cash-basis and renegotiated commercial loans in the following table. Refer also to the table of cash-basis, renegotiated and past due loans on page 87.

Cash-Basis and Renegotiated Commercial Loans

In Millions of Dollars at Year End	1991	1990	1989	1988	1987
In U.S. Offices:					
Commercial and Industrial[1]	$1,345	$1,312	$ 808	$ 566	$ 629
Real Estate	2,933	2,512	1,165	548	251
In Overseas Offices[2]					
Refinancing Portfolio[2]	1,734	3,460	4,461	4,738	4,546
Other Overseas	1,434	1,355	748	479	620
Total[3]	$7,446	$8,639	$7,242	$6,331	$6,046
As a % of Commercial Loans	12.5	14.1	11.5	10.8	10.4

(1) Includes loans not otherwise separately categorized.
(2) Represents cross-border cash-basis loans and also includes cash-basis bank placements of $534 million in 1991, $1,201 million in 1990, $1,347 million in 1989, $1,132 million in 1988 and $1,127 million in 1987.
(3) Includes renegotiated loans of $54 million in 1991, $12 million in 1990, $64 million in 1989, $42 million in 1988, and $14 million in 1987.

THE MARKET RISK MANAGEMENT PROCESS

Citicorp assumes and manages market risk, which is a generic term for two closely linked risks—liquidity and price risk. Both are fundamental to the business of a financial intermediary. Liquidity risk is the risk that an entity will be unable to meet a financial commitment to a customer, creditor, or investor in any location, in any currency, when due. Price risk is the risk to earnings that arises from changes in interest rates, prices, foreign exchange rates, and market volatilities.

The Market Risk Policy Committee serves an oversight role in the management of all market risks. The committee is part of an ongoing effort to ensure that Citicorp's policies, processes, and technologies adapt to the changing nature of market risk in an efficient and timely manner and that market exposures are adequately and appropriately controlled. The Market Risk Policy Committee is a group of Citicorp's most senior market risk professionals that establishes and oversees corporate market risk policies and standards to serve as a check and balance to the business risk management process. The corporate oversight role of the committee with respect to market risk is similar to that of the Credit Policy Committee with respect to credit risk.

Within Citicorp, business and corporate oversight groups have well-defined market risk management responsibilities. Within each business, a process is in place to control market risk exposure. Management of this process begins with the professionals nearest to Citicorp's customers, products, and markets, and extends up to the senior executives who manage these businesses and to country Asset/Liability Management Committees. Market risk positions are controlled by limits based on the size and nature of a business. Risk limits are approved by the Finance Committee, which is comprised primarily of senior managers of Citicorp, and overseen by the Market Risk Policy Committee. Periodic independent reviews are conducted by Corporate Audit to insure compliance with institutional policies and procedures for the assessment, management, and control of market risk.

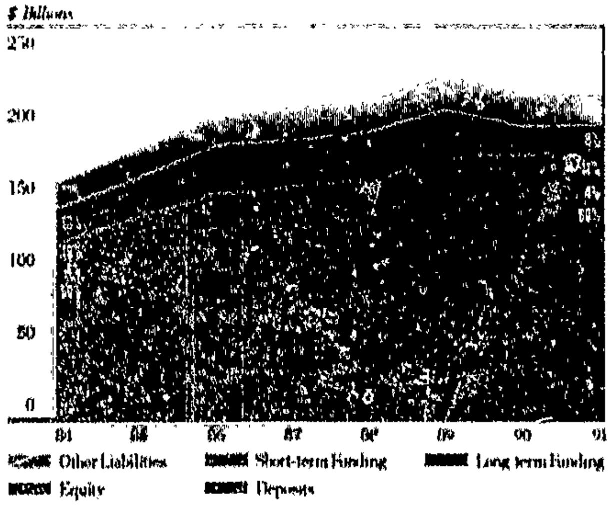
LIQUIDITY MANAGEMENT

Citicorp defines adequate liquidity as having funds available at all times to meet fully and promptly all maturing liabilities, including demand deposits and off-balance sheet commitments, in accordance with their terms. One economic function performed by financial intermediaries is to assume liquidity risk by intermediating markets and accepting deposits for terms different from those for which they lend funds. Thus, successful liquidity management is essential to the ability of a bank or bank holding company to fulfill one of its prime economic functions. Effective liquidity management is critical to maintaining market confidence, attaining the flexibility necessary to capitalize on opportunities for business expansion, and protecting a corporation's capital base.

Within Citicorp, the liquidity of each business and legal entity is managed through a well-defined process to ensure that all funding requirements will be met properly. This process includes liquidity exposure limits and global and local contingency funding plans.

Proactive and prudent liquidity management requires a stable and diversified funding structure. To this end, Citicorp's liquidity strategy is to source the greater part of its funding through customer relationships and to draw funds from all major markets worldwide. As illustrated in the accompanying chart, Citicorp has adhered to this strategy over the years and has attained a diversified and stable mix of funds.

Citicorp Liquidity and Funding Structure



Deposits are sourced globally from consumers, corporations, institutions, and professional investors. Deposits totaled $146.5 billion at year-end 1991, an increase of $4.0 billion, or 3%, since year-end 1990. They provided 68% of total funding at year-end 1991, versus 66% at the end of 1990.

The stability of Citicorp's funding is greatly enhanced by its consumer deposit base. Consumer deposits tend to be small in size, diversified across a large base of individuals, and are government insured to the extent permitted by law in each country. Citicorp sources consumer deposits through its retail branch systems and private bank network in countries around the world. Consumer deposits are the largest component in Citicorp's funding structure, accounting for 43% of total liabilities and equity.

The dollar value of Citicorp's consumer deposits declined from $97.9 billion at year-end 1990 to $93.4 billion at year-end 1991. The decline was largely attributable to falling interest rates and rising securities markets which motivated changes in consumers' asset allocations. Many of these consumers maintained their relationships with Citicorp by converting their deposits to investments such as money market funds and annuities managed by Citicorp affiliates.

Total Deposits

In Billions of Dollars at Year End	1991 U.S.	1991 Overseas	1991 Total	1990 U.S.	1990 Overseas	1990 Total
Global Consumer[1]	$59.6	$12.8	$93.4	$52.7	$15.2	$ 97.9
Global Finance[2]	10.8	42.3	53.1	11.9	32.7	44.6
Total	$61.4	$85.1	$146.5	$64.6	$77.9	$142.5

(1) Deposits accepted from consumers and small businesses, primarily through branch relationships.
(2) Deposits accepted primarily from corporate customers.

Citicorp's long-term debt is, by virtue of its maturity profile, also an important source of funding stability. Parent Company and subsidiary long-term debt outstanding at the end of 1991 (including subordinated capital notes and redeemable preferred stock) amounted to $23.4 billion, essentially unchanged from $23.2 billion at year-end 1990. Debt issuance in 1991 with a maturity of one year or longer totaled $4.8 billion. The long-term debt portfolio is diversified across markets, currencies, lenders, maturities, and instruments.

Citicorp also securitizes assets and sells loans to enhance liquidity and to provide access to new markets that are particularly important in supporting new business growth. Citicorp is a market leader in asset securitization. In 1991, asset securitization activity totaled $15.8 billion, including $8.9 billion of U.S. mortgages, $6.5 billion of credit card receivables, and $0.4 billion of automobile loans, overseas mortgages, and other assets. As securitization activities have increased over time, subsidiary reliance on Parent Company funding has declined.

With the long-term growth in deposits and securitization, Citicorp's dependence on short-term funding has been declining steadily over the past several years. In 1991, short-term funding declined approximately $1 billion to $17.4 billion, or 8% of total funding, versus 8.5% at year-end 1990. The most significant decline was in commercial paper outstandings, which fell from $3.2 billion at year-end 1990 to $0.9 billion at year-end 1991. At year-end, federal funds purchased were $4 billion, compared with $3.2 billion at year-end 1990.

Credit ratings assigned to certain obligations of Citicorp, Citibank, N.A. and other affiliates have been lowered, resulting in an increase in the marginal cost of certain newly issued obligations. However, long-term trends in the funding structure of Citicorp and its affiliates have reduced reliance on ratings sensitive markets. As a result of these trends and the broad diversification of the funding base, the rating changes have had a limited impact overall on funding access, cost, and strategy.

Citicorp's overall liquidity strategy relies primarily on the asset securitization and funding management programs set forth above. In addition, businesses within Citicorp are subject to limits on their liquidity exposures. Management also prepares a contingency funding plan which evaluates the ability of Citicorp and its subsidiaries to withstand reduced access to funding markets for extended periods.

Citicorp is a legal entity separate and distinct from Citibank, N.A. and its other subsidiaries and affiliates. The proceeds of Citicorp (Parent Company) debt and equity issuances are provided to subsidiaries both as equity investments and advances or are invested in liquid securities. Citicorp (Parent Company) derives revenues through interest payments and dividends on its subsidiary advances and investments and from earnings on its liquid asset portfolio. These revenues are used to defray the Parent Company's operating expenses, service its debt and pay dividends to holders of its preferred and common shares. Dividend payments on Citicorp's common stock were suspended by its Board of Directors on October 15, 1991.

There are various legal limitations on the extent to which Citicorp's banking subsidiaries may extend credit, pay dividends or otherwise supply funds to Citicorp. The approval of the Office of the Comptroller of the Currency is required if total dividends declared by a national bank in any calendar year exceed net profits (as defined) for that year combined with its retained net profits for the preceding two years. State-chartered bank subsidiaries are subject to dividend limitations imposed by applicable state law. Under the formulas that apply to Citicorp's national and state-chartered banking subsidiaries (which at December 31, 1991 had combined net assets of approximately $12.3 billion), such bank subsidiaries can declare dividends in 1992 without regulatory approval of approximately $900 million, adjusted by an amount equal to their net income (or net loss) for 1992 up to the date of any such dividend declaration. In determining whether, and to what extent, to pay dividends, each bank subsidiary also must consider the effect of applicable risk-based capital guidelines and leverage limitations. Citicorp's bank subsidiaries could currently pay substantially all of such dividends (i.e., approximately $875 million) with each contributing subsidiary remaining in compliance with final 1992 guidelines for Tier 1 and combined Tier 1 and Tier 2 capital ratios. Citicorp also derives dividends from its non-bank subsidiaries, including the holding company that owns many of Citicorp's domestic banks. These subsidiaries are generally not subject to regulatory restrictions on their payment of dividends to Citicorp.

MANAGEMENT OF PRICE RISK EXPOSURE

Price risk exposure is the sensitivity of earnings to changes in interest rates, foreign exchange rates, and market volatilities. This exposure arises in the normal course of business of a global financial intermediary.

Citicorp has established procedures for managing price risk within its business units worldwide. Decentralization is the essential organizational principle for managing price risk and is balanced by strong centralized controls exercised by corporate oversight bodies. The level of price risk assumed by a business is determined by its objectives and earnings, its capacity to manage risk, and by the sophistication of its local markets. The nature of the price risk assumed by a business varies according to the services it provides and the customers it serves. Limits are established for each major category of risk.

Historically, interest rate risk arising from lending, long-term investments, and related hedges was monitored through interest rate gap limits. The growth and evolution of the financial markets and Citicorp's franchises have increased the complexity of the price risk associated with these activities such that a gap system is an incomplete measure of exposure. To address the growing complexity of financial markets, Citicorp uses a risk management system that accommodates the diversity of exposures and exposure management systems of Citicorp's various businesses, while providing a meaningful measure of aggregate risk.

The measure of aggregate exposure monitored for non-trading activities is the earnings at risk resulting from interest rate movements. Earnings at risk expanded traditional gap analysis to recognize the price exposures associated with embedded options, pricing lags, and product volume sensitivities. Earnings at risk measures the potential earnings impact of specified interest rate changes applied to current investment positions. The Finance Committee has limited earnings at risk to a percentage of forecasted annual earnings. During 1991, measures of earnings at risk as a percentage of a rolling four quarter forecast of earnings ranged from 7% to 13%. In 1990, these measures ranged from 3% to 8%. This increase reflected positioning of the money market portfolios against an expected decline in interest rates and lower earnings.

Citicorp's trading portfolios are managed to support customer needs as well as to take advantage of short-term market opportunities. As part of the price risk management process, exposures in Citicorp's trading portfolios are revalued to market with gains and losses reflected in current earnings. Trading portfolios are subject to a well-defined series of exposure limits that trigger specific management actions to ensure that the potential impact on earnings, due to the many dimensions of price risk, is controlled within acceptable limits.

A portion of Citicorp's price risk results from activities denominated in currencies other than U.S. dollars, including Deutsche marks, Japanese yen, British pounds sterling, Australian dollars, Canadian dollars, and other currencies. When positions are not funded in the same currency, a foreign exchange risk results and earnings are exposed. This exposure is managed by the limit system described above.

CAPITAL ANALYSIS

Citicorp's common stockholders' equity was $7,349 million on December 31, 1991, compared with $8,190 million at year-end 1990. The decrease was primarily due to the net loss for the year of $457 million. Total assets declined $64 million to $216.9 billion at year-end 1991. The ratio of common stockholders' equity to total assets was 3.39%, compared with 3.77% at year-end 1990.

Total qualifying risk-based capital (under 1992 guidelines) at year-end 1991 was $17,080 million, compared with $15,998 million at year-end 1990. The $1,082 million increase was due primarily to the issuance of $1,250 million in convertible preferred stock. Asset sales, including the sale of the southern Italian branch system, 25% of Citicorp's holdings of the Saudi American Bank, and a 50.3% interest in AMBAC Inc., had the equivalent effect of adding $1.2 billion to Tier 1 capital. Net risk-adjusted assets declined 3% to $229.2 billion primarily due to the sale of a majority interest in AMBAC Inc., offset by the increase due to clarification and modification by the Federal Reserve Board of its rules pertaining to mortgages sold with recourse.

Ratios	Required	1991	1990
Common Stockholders' Equity		3.39%	3.77%
Leverage[1]	3%+	3.91%	3.62%
1990 Year-End Guidelines			
Tier 1	3.625%	4.38%	3.93%
Tier 1 + Tier 2	7.250%	8.45%	7.86%
1992 Year-End Guidelines			
Tier 1	4.00%	3.73%	3.26%
Tier 1 + Tier 2	8.00%	7.40%	6.52%

(1) For a discussion of the leverage ratio requirement, refer to page 49, paragraph 2

As of year-end 1991, the Tier 1 and combined Tier 1 and 2 capital ratios (under 1992 guidelines) were 3.73% and 7.40%, respectively. This compares with year-end 1990 ratios of 3.26% and 6.52%, respectively. The clarification and modification in August 1991 by the Federal Reserve Board of the rules for risk-based capital pertaining to mortgages sold with recourse, reduced the Tier 1 capital ratio by 20 basis points by year-end 1991. Future phasing in of the effect of the guidelines over the next 18 months could lower the ratio by an additional estimated 10-15 basis points. An increase in mortgage prepayments and refinancings would reduce the capital impact of the modified rules over time. Risk-based guidelines for banks and bank holding companies require the Tier 1 capital ratio to equal or exceed 4.0% and the combined Tier 1 and 2 capital ratio to equal or exceed 8.0% by year-end 1992; Citicorp expects to meet the year-end 1992 guidelines.

Under the less stringent interim guidelines currently in effect, Citicorp's Tier 1 and combined Tier 1 and 2 capital ratios exceed the required levels of 3.625% and 7.25%, respectively. As of year-end 1991, the Tier 1 and combined Tier 1 and 2 capital ratios (under current interim guidelines) were 4.38% and 8.45%, respectively. Capital ratios for year-end 1990 under these standards were 3.93% for Tier 1 and 7.86% for combined Tier 1 and 2.

Components of Capital Under Regulatory Guidelines at December 31, 1991

In Millions of Dollars	Current Guidelines	1992 Guidelines
Tier 1 Capital		
Common Equity	$ 7,349	$ 7,349
Qualifying Preferred Stock	2,140	2,140
Minority Interest	59	59
Supplementary Capital[1]	1,061	—
Less: Goodwill[2]	(120)	(595)
50% Investment in Certain Subsidiaries/ Affiliates[3]	(413)	(413)
Total Tier 1 Capital	$ 10,076	$ 8,540
Tier 2 Capital		
Allowance for Credit Losses[4]	3,308	2,883
Qualifying Preferred Stock	34	34
Qualifying Debt[5]	7,494	6,726
Less: 50% Investment in Certain Subsidiaries/ Affiliates[3]	(412)	(412)
Supplementary Capital[1]	(1,061)	—
Total Tier 2 Capital	9,363	9,231
Total Qualifying Tier 2 Capital[6]	9,363	8,540
Total Qualifying Capital	$ 19,439	$ 17,080
Net Risk-Adjusted Assets[2][4][7]	$230,120	$229,220

(1) Current guidelines permit 10% of Tier 1 capital to be comprised of Tier 2 components.
(2) Current guidelines permit goodwill in existence before March 12, 1988 to be grandfathered. All goodwill will be deducted under 1992 guidelines. Goodwill is deducted from risk-adjusted assets.
(3) Primarily Citicorp Securities Markets, Inc. and AMBAC, Inc.
(4) Current guidelines permit 1.50% of risk-adjusted assets to be included in Tier 2 capital; 1992 guidelines permit 1.25% of risk-adjusted assets. Any excess loan loss reserve is deducted from risk-adjusted assets.
(5) Qualifying subordinated and senior debt included in Tier 2 capital may not exceed 50% of Tier 1 capital.
(6) Qualifying Tier 2 capital cannot exceed Tier 1 capital.
(7) Risk-adjusted assets include certain off-balance-sheet activities and commitments such as letters of credit and derivative products.

From time to time the Federal Reserve Board and the Federal Financial Institutions Examination Council (FFIEC) issue proposals or interpretations to risk-based capital guidelines and reporting instructions, for example, with respect to recourse arrangements in general and the treatment of intangible assets. Such proposals or interpretations could, in the future, affect reported Tier 1 and Tier 2 capital ratios and risk-adjusted assets.

The risk-based capital guidelines are supplemented by a leverage ratio requirement. This requirement establishes a minimum leverage ratio of 3% for the highest rated banking organizations. Other banking organizations are expected to have ratios of at least 4–5% depending on their particular growth plans and condition (including diversification of risk, asset quality, earnings, and liquidity). The ratio is defined as Tier 1 capital (under 1992 guidelines) divided by adjusted average assets. At December 31, 1991 Citicorp had a leverage ratio of 3.94%, compared with 3.62% at year-end 1990. Citicorp has not been advised by the Federal Reserve Board or the FFIEC of a specific required leverage ratio applicable to it.

The Financial Accounting Standards Board has issued proposed accounting rules that would limit the circumstances in which unrealized gains and losses on certain financial instruments could be presented on a net basis, with implementation expected to be required in 1994. The implementation of this proposal will increase average assets since Citicorp currently reports these unrealized amounts on a net basis as is current industry practice. As a result, the leverage ratios (and common equity ratios) shown on page 48 could be reduced by as much as 10%, although the execution of legal netting agreements, with relevant counterparties, will likely minimize the effects of this proposal. This proposal will not affect the calculation of Tier 1 and Tier 2 capital ratios.

In 1991, the Federal Deposit Insurance Corporation Improvement Act of 1991 (FDICIA) was enacted. One of the provisions of the Act calls for depository institutions to be classified by capital. Refer to page 90 for a discussion of this Act.

As of year-end 1991, Citibank, N.A.'s Tier 1 and combined Tier 1 and 2 ratios (under current interim guidelines) were 5.22% and 8.14%, respectively, which exceeded the required levels of 3.625% and 7.25%, respectively. The Tier 1 and combined Tier 1 and 2 ratios (under 1992 guidelines) were 4.70% and 7.95%, respectively. Although Citibank, N.A.'s combined Tier 1 and 2 capital ratio (under 1992 guidelines) did not meet the prospective guideline of 8.00%, Citibank, N.A. expects to meet the 1992 guidelines by year-end 1992. As of December 31, 1991, the risk-based capital ratios of Citicorp's other domestic banks exceeded the 1992 guidelines.

SUMMARY OF FINANCIAL RESULTS

SELECTED FINANCIAL INFORMATION

Citicorp and Subsidiaries

In Millions of Dollars Except Per Share Amounts	1991 Amount	1991 % Change	1990 Amount	1990 % Change	1989 Amount	1989 % Change	1988 Amount	1988 % Change	1987 Amount	1987 % Change
Net Interest Revenue	$ 7,265	1	$ 7,185	(2)	$ 7,358	(3)	$ 7,605	20	$ 6,337	6
Fees, Commissions, and Other Revenue	7,485	1	7,402	16	6,394	18	5,413	(10)	6,016	40
Total Revenue	$ 14,750	1	$ 14,587	6	$ 13,752	6	$ 13,018	5	$ 12,353	20
Provision for Credit Losses	$ 3,890	46	$ 2,662	6	$ 2,521	90	$ 1,330	(70)	$ 4,410	N/M
Operating Expense	11,097	—	11,099	14	9,698	8	8,981	9	8,231	21
Income (Loss) Before Taxes, Extraordinary Item and Cumulative Effects of Accounting Changes	$ (237)	N/M	$ 826	(46)	$ 1,533	(43)	$ 2,707	N/M	$ (298)	N/M
Income Taxes	677	33	508	(51)	1,035	3	1,009	13	884	45
Income (Loss) Before Extraordinary Item and Cumulative Effects of Accounting Changes	$ (914)	N/M	$ 318	(36)	$ 498	(71)	$ 1,698	N/M	$ (1,182)	N/M
Extraordinary Item—Carryforward Tax Benefit	—	—	—	—	—	—	160	N/M	—	—
Cumulative Effects of Accounting Changes[1]: Venture Capital	457	N/M	—	—	—	—	—	—	—	—
Certain Derivative Products	—	—	140	N/M	—	—	—	—	—	—
Net Income (Loss)	$ (457)	N/M	$ 458	(8)	$ 498	(73)	$ 1,858	N/M	$ (1,182)	N/M
Per Share										
Earnings (Loss) Per Share[2]: Income (Loss) Before Extraordinary Item and Cumulative Effects of Accounting Changes	$ (3.22)	N/M	$ .57	(51)	$ 1.16	(76)	$ 4.87	N/M	$ (4.41)	N/M
Net Income (Loss)	(1.89)	N/M	.99	(15)	1.16	(78)	5.30	N/M	(4.41)	N/M
Dividends Declared Per Common Share[3]	$ 0.7500	(57)	$ 1.7400	10	$ 1.5850	9	$ 1.4175	10	$ 1.3200	43
Total Assets	$216,922	—	$216,986	(6)	$230,643	9	$211,657	2	$207,749	4
Debt[4]	$ 23,382	1	$ 23,226	(3)	$ 23,990	[illegible]	$ 23,993	(2)	$ 24,364	4

(1) See Note 20 to the Financial Statements. In addition to the cumulative effect adjustment, the venture capital accounting change had the effect of reducing the 1991 net loss by $125 million ($0.37 per share). Net income (loss) for 1990, 1989, 1988, and 1987 computed on a pro forma basis assuming retroactive application of the accounting change for venture capital would have been $332 million, $430 million, $2,107 million, and $(1,136) million, respectively. The related pro forma earnings (loss) per share amounts for 1990, 1989, 1988, and 1987 would have been $0.61, $0.98, $6.38, and $(4.25), respectively.
(2) On net income (loss) after deducting total preferred stock dividends of $192 million in 1991, $139 million in 1990, $125 million in 1989, $105 million in 1988 and $92 million in 1987, and adjusting for the alternative dividend equivalents on shares issuable under the executive incentive compensation plan.
(3) On October 15, 1991, Citicorp suspended the dividend on its common shares.
(4) Includes long-term debt, subordinated capital notes, and redeemable preferred stock.
N/M Not Meaningful

NET INTEREST REVENUE (TAXABLE EQUIVALENT BASIS)

Net interest revenue of $7.3 billion for 1991 was up $53 million from 1990, despite the securitization of credit card receivables which reduced net interest revenue by $1.6 billion in 1991, compared with $1.1 billion in 1990. Net interest revenue for 1991 included $196 million of cross-border interest revenue from Brazil, compared with none in 1990. Also, $64 million of revenue attributable to certain inflation-adjusted local returns in Brazil have been reclassified out of net interest revenue and offset against charges incurred as a result of related currency devaluation effects, compared with $141 million of such revenues reclassified in 1990.

Excluding the impact of credit card securitizations and cross-border interest payments by Brazil, net interest revenue increased $352 million in 1991 as a result of higher loan volumes in the international consumer and in the U.S. credit card businesses, together with lower funding costs on deposits and a lower volume and cost of purchased funds. Partially offsetting these improvements was a decline in the volume of commercial loans, funds sold and interest-bearing deposits and increased drag associated with cash-basis commercial loans.

Net Rate Spread

(Taxable Equivalent Basis)	1991	1990	1989
In U.S. Offices	3.99%	4.01%	3.94%
In Overseas Offices	3.38%	2.84%	3.49%
Total	3.72%	3.51%	3.77%

The net rate spread was 3.72% for 1991, compared with 3.51% in 1990 and 3.77% in 1989. Adjusting for credit card securitizations and cross-border interest payments by Brazil of $196 million in 1991, none in 1990, and $170 million in 1989, the net rate spread would have been 4.06% in 1991, 3.81% in 1990, and 3.80% in 1989. The net rate spread in U.S. offices reflects lower funding costs from deposits and purchased funds, as well as a decline in the volume of purchased funds, particularly commercial paper and the impact of higher levels of credit card securitization. In addition, the 1991 net rate spread reflected increased nonperforming commercial loans, particularly commercial real estate, which resulted in higher carrying costs.

The increase in the net rate spread in overseas offices in 1991 was the result of Brazilian interest payments, growth in consumer loans, lower borrowing costs, and a change in funding mix as purchased funds declined $1.9 billion and deposits grew $4.2 billion. The decline in commercial loan volume was primarily related to country write-offs of cash-basis loans in refinancing countries. The decline in the net rate spread in overseas offices in 1990 primarily reflects the lack of cross-border interest payments from Brazil and lower net interest revenue from local currency operations in Brazil.

Average earning assets of $196.1 billion in 1991 decreased $10.2 billion from last year, primarily due to mortgage sales and prepayments, lower mortgage originations, continuing credit card securitizations, and decreases in commercial loans, funds sold, and interest bearing deposits, partially offset by higher trading account assets. Average earning assets rose $8.7 billion in 1990, due to increases in both consumer and commercial loans.

FEES, COMMISSIONS, AND OTHER REVENUE

Fee and Commission Revenue

Fee and commission revenue of $4.8 billion decreased $209 million, or 4%, from $5.0 billion in 1990, primarily due to a slowdown in corporate financial services activities which affected JENA and Quotron. Following the deconsolidation of AMBAC Inc. as of June 30, 1991, revenues related to AMBAC Inc. were reported in other revenue rather than fees and commissions.

These decreases were partially offset by moderate increases in the Global Consumer business, particularly in the credit card and domestic consumer businesses.

In 1990, fees and commissions grew 15% over the $4.4 billion level in 1989, reflecting strong consumer business fees from the credit card business and the international consumer business in Europe and Asia.

Trading Account

Trading revenues of $457 million were at a record level, up $186 million, or 69%, from last year, reflecting increases in JENA as well as in the International Banking and Finance business, which benefited from strong results in trading refinancing country debt. In 1990, trading revenues of $271 million were up $15 million from 1989.

Foreign Exchange

Foreign exchange revenues, which include both customer transactions and interbank trading, were $709 million, up $52 million, or 8%, from last year, reflecting increases in both JENA and the International Banking and Finance sectors. Volatile rates and a high level of market activity, particularly in the first and fourth quarters, boosted revenues. In 1990, revenues were $657 million, up $180 million from 1989, reflecting increases in Europe, Asia, and Latin America, partially offset by decreases in North America.

Commencing in 1990, for units whose functional currency is the U.S. dollar, translation along with the related hedge effects is included in other revenue rather than in foreign exchange revenue. The impact for prior periods is not significant.

Investment Securities Transactions

Investment securities gains of $330 million were up $278 million from 1990 and up $150 million from 1989. The increase was primarily due to higher gains from the equity portfolio held at the corporate level. The gains in 1991 reflect gross realized gains of $443 million and gross realized losses of $113 million.

Sales of investment securities have not materially affected the yields on the investment portfolio. Gross unrealized gains and gross unrealized losses related to the investment portfolio at December 31, 1991 were $606 million and $124 million, respectively.

Other Revenue

In 1991, other revenue totaled $1,174 million, compared with $1,398 million in 1990 and $1,113 million in 1989. Net gains from mortgage pass-through sales were $158 million in 1991, down from $353 million in 1990 and $192 million in 1989. The decline in 1991 compared with 1990 reflects a weak U.S. housing market and an increase of $90 million in the reserve for credit recourse on mortgage pass-through sales. Other revenue also included $313 million from securitized credit card receivables (versus $331 million in 1990). The decline reflects higher net write-offs on the sold credit card portfolio (see discussion on the impact of credit card securitization on page 54).

Partially offsetting these declines was $231 million from venture capital gains, of which $134 million related to the effect on reported revenues resulting from the change in accounting practice as discussed in Note 20 to the financial statements. Since these investments are now carried at fair value, earnings volatility could result in the future, based on general market conditions as well as events and trends affecting specific venture capital investments. In 1990, venture capital gains totaled $206 million, as reported under the previous accounting practice. In addition, affiliate earnings increased $23 million from 1990, primarily due to the treatment of AMBAC Inc. as an affiliate following the sale of a 50.3% ownership interest in July 1991.

Net gains on the sale of assets in 1991 included a gain of $203 million from the sale of 25% of Citicorp's share holding of the Saudi American Bank, a gain of $29 million on the sale of Citibank Italia, a loss of $57 million on the sale of 50.3% of AMBAC Inc., as well as gains on the sale of certain equity holdings in Latin America, premises in Hong Kong, and Citicorp Information Resources Inc. Net gains on the sale of assets in 1990 included $121 million from the sale of an overseas real estate partnership and $58 million from the sale of the Diners Club franchise in Japan. In 1989, net gains on the sale of assets included $180 million from the sale of premises in Tokyo.

Other Revenue

In Millions of Dollars	1991	1990	1989
Affiliate Earnings	$ 142	$ 119	$ 171
Gains on Sale of Residual Value of Leased Equipment	44	15	67
Securitized Credit Card Receivables	313	331	149
Net Gains on Sale of Mortgage Pass-Throughs	158	353	192
Venture Capital[1]	231	206	233
Other Net Gains on the Sale/Disposition of Assets	277	189	189
Foreign Currency Translation Losses	(33)	(30)	—
Other Items	42	185	112
Total	$1,174	$1,398	$1,113

(1) See Note 20 to the Financial Statements

PROVISION FOR CREDIT LOSSES

In 1991, the provision for credit losses was $3,890 million, up from $2,662 million in 1990 and $2,521 million in 1989. The 1991 provision reflects additions to the allowance for credit losses in both the Global Consumer and Global Finance businesses and higher net write-offs. The 1989 provision included an increase to the cross-border portfolio allowance.

The total commercial loan loss provision, excluding the cross-border refinancing portfolio, was $1,939 million in 1991, including a $482 million additional provision above net write-offs. This brought Citicorp's total allowance for commercial loans to $1,650 million at year-end 1991, up 41% from $1,169 million a year earlier. Provisioning and write-off levels are expected to remain high in 1992 as weak economic conditions persist in the U.S. and certain overseas locations, particularly the U.K.

The cross-border refinancing portfolio provision includes a release of $150 million in the fourth quarter, reflecting management's view that the overall economic progress in Latin America is sustainable.

The consumer loan loss provision for 1991 was $2,108 million, up from $1,525 million in 1990. The 1991 provision covered net write-offs of $1,803 million with an additional provision of $305 million, reflecting the portfolio's generally higher levels of write-offs and delinquencies. Further increases in the delinquency ratios as a result of continuing weak economic conditions in 1992 could result in an increase in the consumer loan loss allowance.

Net Write-Offs and Provision for Credit Losses

In Millions of Dollars	1991	1990	1989
Net Write-Offs			
Global Consumer	$1,803	$1,360	$1,228
Global Finance			
JENA	1,433	567	148
International Banking and Finance	24	10	(9)
Cross-Border Refinancing Portfolio	1,674	926	577
Total	$4,934	$2,863	$1,944
Provision for Credit Losses			
Global Consumer	$2,108	$1,525	$1,337
Global Finance			
JENA	1,907	1,121	211
International Banking and Finance	32	20	(14)
Cross-Border Refinancing Portfolio	(157)	(7)	987
Total	$3,890	$2,662	$2,521

Net consumer write-offs totaled $1,803 million, up from $1,360 million in 1990, including net write-offs of $956 million, up from $807 million in 1990, relating to held credit card portfolios. The securitization of credit card receivables lowered the reported consumer credit losses by $1,137 million in 1991 and by $639 million in 1990. Net write-offs as a percentage of average loans were 1.97% for the year, compared with 1.43% in 1990. The increase reflects rising net credit losses for all loan products with the largest increases in the U.S. portfolios: mortgages, credit cards, unsecured revolving loans, and community banking. The allowance for credit losses in the Global Consumer business ended the year at 1.24% of year-end loans, up from 0.98% at year-end 1990.

Net commercial write-offs, excluding the cross-border refinancing portfolio, were $1,457 million, up sharply from $577 million in 1990 and $139 million in 1989. The Global Finance commercial net write-offs represent 2.67% of average non-refinancing commercial loans, compared with 1.03% in 1990 and 0.27% in 1989.

Net commercial write-offs in JENA were $1,433 million in 1991, compared with $567 million in 1990 and $148 million in 1989. The higher net write-offs in 1991 reflected a $171 million write-off of Citicorp's exposure to First Capital Holdings Inc., and increased write-offs related to commercial real estate in the U.S. and in certain overseas locations. Commercial real estate net write-offs in the U.S. were $511 million, up from $228 million in 1990 and $39 million in 1989. Leveraged acquisition finance net write-offs in the U.S. were $137 million in 1991, as compared with $162 million in 1990 and $101 million in 1989. Net write-offs in the overseas markets of JENA were $492 million in 1991, $135 million in 1990, and $26 million in 1989.

Net write-offs in the International Banking and Finance business were $24 million, compared with $10 million in 1990 and a net recovery of $9 million in 1989.

Net write-offs in the cross-border refinancing portfolio were $1,674 million, up from $926 million in 1990 and $577 million in 1989. The net write-offs in 1991 were primarily due to net country write-offs, including $1,381 million in Brazil and $53 million in Argentina, but also included write-offs associated with actions taken in the portfolio through the sale and swap of loans. The net write-offs in 1990 reflect country write-offs of $921 million, including $631 million of Brazilian and $192 million of Argentine exposure.

OTHER OPERATING EXPENSE

Total other operating expense for 1991 was $11.1 billion, flat with 1990 and up from $9.7 billion in 1989. Included in 1991 expenses were a $400 million restructuring charge taken in connection with Quotron and a reserve of $350 million for employee severance costs, premises write-downs, and other items related to further consolidations and restructurings. Restructuring charges in 1990 and 1989 were $300 million and $103 million, respectively. The actions taken in 1991 combined with cost reduction programs already in place and the potential sale of nonstrategic businesses are expected to meet management's goal to further reduce operating expenses in 1992.

Excluding restructuring costs, other operating expenses decreased $452 million in 1991, and year-to-year expenses declined 4%, following increases of 13% and 7% for 1990 and 1989, respectively. The decline during 1991 primarily reflects expense reductions due to asset sales and staff reductions in JENA, the U.S. and European consumer businesses, and Corporate Items.

Other operating expense in the Global Consumer business decreased $205 million, or 3% (4% excluding restructuring costs) in 1991, versus an 18% increase in 1990, primarily due to cost reduction programs in the mortgage bank, U.S. branch banking, and European consumer banking businesses, and asset sales in Europe, partially offset by an increase in restructuring expenses of $72 million. In Global Finance JENA, other operating expense decreased $36 million, or 1% ($273 million, or 9%, excluding OREO expenses), primarily due to asset sales and staff reductions largely offset by increased OREO costs.

Excluding restructuring and OREO costs, expenses in JENA decreased 9% in 1991, reflecting progress made in cost-containment efforts. In the International Banking and Finance business, other operating expenses (excluding an $8 million increase in restructuring charges) were up $6 million from last year. Included in 1990 was an $18 million asset assessment charge in Brazil. The increased expenses reflected selective franchise expansions in Eastern Europe and Latin America as well as broadened product offerings in many markets. The cross-border refinancing portfolio reduced other operating expenses by $17 million, or 23%. In Corporate Items other operating expenses excluding restructuring charges decreased $166 million, or 27%, reflecting cost management efforts at Quotron and lower corporate staff expenses. Restructuring charges in 1991 increased $408 million, primarily due to the $400 million charge associated with Quotron.

Staff expense was $4.8 billion in 1991, down 1% from 1990's level of $4.9 billion. The decrease reflects staff reductions across the corporation and reductions arising from asset sales.

Net premises and equipment expense was $1.8 billion in 1991, down from $1.9 billion in 1990, reflecting reduced equipment purchases and lower depreciation.

Other expenses of $3.7 billion in 1991 were $346 million lower, or 8%, below 1990. This decrease reflects asset sales and cost reductions spread across most expense categories and businesses.

INCOME TAXES

Income tax expense for 1991 was $677 million, compared with $508 million in 1990 and $1,035 million in 1989. The variations in income tax expense are attributable to the level and composition of the income base and the level of foreign taxes. Foreign income taxes increased from 1990 to 1991, due to higher foreign taxable income.

Accounting rules limit the extent to which future tax benefits can be recognized in the financial statements. Due to these limitations, approximately $340 million of U.S. Federal tax benefits generated during 1991 were not recognized in the financial statements, and approximately $1.1 billion (at current statutory rates) of tax benefits generated in prior years also remain unrecognized. The total of approximately $1.4 billion of unrecognized tax benefits are available to reduce U.S. Federal income taxes that would otherwise be provided in Citicorp's financial statements in future years.

The Financial Accounting Standards Board (FASB) has issued a new standard that will significantly change the accounting for income taxes. Refer to Note 21 to the financial statements for a discussion of the new standard.

IMPACT OF CREDIT CARD RECEIVABLES SECURITIZATION

The securitization of credit card receivables does not affect the earnings reported for each period. Gains on these sales are recorded monthly as realized over the term of each securitization transaction, the terms of which have ranged from three to eight years. Due to the revolving nature of the receivables sold and the monthly recognition of gains, the pattern of gain recognition is similar to the pattern that would be experienced if the receivables had not been sold. However, because securitization changes Citicorp's involvement from that of a lender to that of a loan servicer, there is a change in how the revenue is reported in the income statement. For securitized receivables, amounts that would previously have been reported as net interest revenue and as credit losses on loans are instead reported as fee and commission revenue (for servicing fees) and as other revenue (for the remaining cash flows to which Citicorp is entitled, net of credit losses). Because credit losses are a component of these cash flows, Citicorp's revenues over the terms of these transactions may vary depending upon the credit performance of the securitized receivables. However, Citicorp's exposure to credit losses on the securitized receivables is contractually limited to these cash flows.

During 1991, $6.5 billion of credit card receivables were sold, bringing the total sold to date, net of amortization, to $21.1 billion. The following table shows the impact of the securitization and sale of credit card receivables on the statement of operation line items, average assets, return on assets, and the consumer net credit loss ratio:

In Millions of Dollars	1991[1]	1990[1]	1989[1]
Net Interest Revenue	$(1,596)	$(1,101)	$(414)
Fee and Commission Revenue	128	131	59
Other Revenue	313	331	149
Provision for Credit Losses	(1,155)	(639)	(206)
Net Income Impact of Securitization	$ 0	$ 0	$ 0
Average Assets ($ Billions)	(18)	(12)	(4)
Return on Assets (%)	(.02)	.01	.01
Consumer Net Credit Losses (%)	2.69	1.86	1.53

(1) Increase (decrease) in the reported Consolidated Statement of Operations, Average Balance Sheet, and return on assets

GEOGRAPHIC DISTRIBUTION OF REVENUE, EARNINGS (LOSS), AND ASSETS

Citicorp attributes total revenue, income (loss) before taxes and cumulative effects of accounting changes, net income (loss), and average total assets to operations based on the domicile of the customer. United States possessions are included in their respective geographic areas. Refer to page 75 for further discussion of the principal adjustments and allocations that are made to present results on a geographic basis.

North American operations reported a net loss of $885 million compared with net income of $230 million in 1990. The 1991 results included the cumulative effect of an accounting change for venture capital subsidiaries and the 1990 results included $63 million related to the accounting change for certain derivative products. The net loss in 1991 reflected adverse economic conditions and a deteriorating credit environment in the United States, which affected revenues and led to sharply higher credit provisions. Additionally, the net loss for the year also reflected restructuring charges of $633 million.

Revenues in North America of $8,736 million were down $319 million from last year and flat to 1989. Consumer revenues in North America were down from last year reflecting slower revenue growth in Citicorp's credit card operations during 1991, which combined with increased credit card securitizations, resulted in reported revenue from the credit card business holding flat year-to-year. Consumer business revenues were also affected by lower net gains from mortgage pass-through sales. Global Finance revenues were down year-to-year due to slower corporate finance activity and a higher level of nonperforming assets. The U.S. recession also affected revenues at Quotron. These revenue declines and a $57 million loss on the sale of a 50.3% interest in AMBAC Inc. were partially offset by net gains from the sale of equity securities held in the corporate portfolio.

The provision for credit losses in North America increased substantially from 1990, reflecting increased net write-offs and additions to the allowance for loan losses in both the consumer and commercial portfolios. The increase in Global Finance provisions for credit losses was primarily related to higher write-offs in the U.S. commercial real estate portfolio, a $171 million write-off related to Citicorp's exposure to First Capital Holdings, Inc. and loan loss reserve increases. Increased provisions in the consumer portfolio primarily reflected higher delinquency ratios and loss rates across the loan portfolio, particularly in the credit card and mortgage businesses.

Operating expenses in North America included restructuring charges of $633 million ($384 million relating to Quotron) in 1991 and $232 million last year. Excluding restructuring charges and commercial OREO expenses, operating expenses were down 8% from 1990, indicating progress in management's cost control efforts.

Total North American average assets declined $6 billion, primarily due to lower consumer loans as mortgage originations slowed and asset securitization programs continued.

Earnings in overseas operations were $428 million in 1991, up $200 million from 1990. The 1991 results reflected significantly higher revenues, increased loan loss provisions, reduced operating expenses, and a higher effective tax rate. The 1990 results included $77 million from the accounting change for certain derivative products.

Revenues in overseas operations in 1991 were up $182 million to $6,014 million. The revenue increase was driven by strong consumer revenue growth in Asia and Latin America and strong trading results in the Global Finance business, partially offset by lower revenues from the local currency business in Brazil. Revenues in 1991 also include $196 million of Brazilian cross-border interest payments on medium- and long-term outstandings; a $203 million gain from the sale of 25% of Citicorp's shareholdings in the Saudi American Bank; and a $29 million gain from the sale of the southern Italian branch system. Revenues in 1990 included a $58 million gain from the sale of the Diners Club franchise in Japan and a $121 million gain from the sale of an overseas real estate partnership interest.

The provision for credit losses in overseas operations increased, primarily reflecting increased commercial write-offs in Australia and the U.K., reduced by a release of $150 million from the refinancing portfolio reserve.

Overseas operating expenses were marginally down from last year. Higher restructuring charges, commercial OREO expenses and incremental costs associated with business expansion in Asia, Latin America, and Eastern Europe were offset by expense reductions in the European consumer business as a result of asset sales and other actions. Excluding restructuring charges and commercial OREO expense, operating expense was down 4% from 1990.

Operations in Latin America resulted in net income of $317 million, up $426 million from 1990. The earnings increase reflected $196 million in cross-border interest payments from Brazil, the release of $150 million from the refinancing portfolio reserve, strong foreign exchange and trading revenues, and solid consumer earnings growth, reduced by weak earnings in the local corporate business in Brazil. Earnings in Europe, Middle East and Africa were down $80 million, primarily as a result of higher write-offs in the U.K., partially offset by improved results in Eastern Europe. The 1991 results for Europe, Middle East and Africa also included a $203 million gain from the sale of 25% of Citicorp's stake in the Saudi American Bank and a $29 million gain from the sale of the southern Italian branch system. Results for 1990 included a $121 million gain from the sale of an overseas real estate partnership interest. The decrease in Asia/Pacific earnings reflects higher commercial credit costs, principally in Australia, partially offset by strong foreign exchange and trading revenues and strong consumer business growth. Additionally, results were affected by significantly higher taxes principally due to the level and composition of the income base. In 1990, results included a $32 million gain on sale of the Diners Club franchise in Japan, as well as $53 million from the accounting change for certain derivative products.

Total overseas average assets were down $4 billion, as business sales, downsizings and asset reduction programs in Europe, offset asset growth in Asia.

Net Income (Loss)

In Millions of Dollars	1991	1990	1990
North America	$(885)	$ 230	$ 965
Caribbean, Central and South America	317	(109)	(712)
Europe, Middle East and Africa	132	212	(117)
Asia/Pacific	(21)	125	362
Total[1]	$(457)	$ 458	$ 498

(1) The 1991 and 1990 results include $157 million and $140 million, respectively, related to the cumulative effects of accounting changes.

FINANCIAL REPORTING RESPONSIBILITY

The management of Citicorp acknowledges its responsibility for the preparation of the financial statements and other financial information contained in this annual report. The accompanying financial statements have been prepared by the management of Citicorp in conformity with generally accepted accounting principles appropriate in the circumstances. Where amounts must be based on estimates and judgments, they represent the best estimates and judgments of management. The financial information appearing throughout this annual report is consistent with that in the financial statements.

The management of Citicorp is also responsible for establishing and maintaining a system of internal controls which we believe is adequate to provide reasonable assurance that the financial records are reliable for preparing financial statements and maintaining accountability for assets and that assets are safeguarded against loss from unauthorized use or disposition. The system in use at Citicorp provides such reasonable assurance, supported by the careful selection and training of staff, the establishment of organizational structures providing an appropriate and well-defined division of responsibilities, and the communication of policies and standards of business conduct throughout the institution.

The accounting policies and system of internal accounting controls are under the general oversight of the Citicorp and Citibank Boards of Directors, acting through the Audit Committee described on page 92. The committee is comprised entirely of directors who are not officers or employees of Citicorp. The Chief Auditor of Citicorp, who reports directly to the Board of Directors, conducts an extensive program of audits and business risk reviews worldwide, carried out by a staff of resident auditors and reviewers and traveling teams. In addition, KPMG Peat Marwick, independent auditors, are engaged to audit our financial statements.

KPMG Peat Marwick obtain and maintain an understanding of our accounting and financial controls and conduct such tests and other auditing procedures as they consider necessary in the circumstances to express the opinion in their report that follows. KPMG Peat Marwick have free access to the Audit Committee, with no members of management present, to discuss their audit and their findings as to the integrity of Citicorp's financial reporting and the adequacy of the system of internal accounting controls.

John S. Reed
Chairman

Thomas E. Jones
Executive Vice President

REPORT OF INDEPENDENT AUDITORS

KPMG Peat Marwick

Certified Public Accountants

The Board of Directors and Stockholders of Citicorp:

We have audited the accompanying consolidated balance sheets of Citicorp and subsidiaries as of December 31, 1991 and 1990, the related consolidated statements of operations, changes in stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 1991, and the related consolidated balance sheets of Citibank, N.A. and subsidiaries as of December 31, 1991 and 1990. These financial statements are the responsibility of Citicorp management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform these audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Citicorp and subsidiaries as of December 31, 1991 and 1990, the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 1991, and the financial position of Citibank, N.A. and subsidiaries as of December 31, 1991 and 1990 in conformity with generally accepted accounting principles.

As discussed in Note 20 to the consolidated financial statements, in 1991 Citicorp changed its accounting practice for investments of venture capital subsidiaries and in 1990 Citicorp changed its accounting practice for certain derivative products.

KPMG Peat Marwick

New York, New York
January 21, 1992

CONSOLIDATED STATEMENT OF OPERATIONS

Citicorp and Subsidiaries

In Millions of Dollars Except Per Share Amounts	1991	1990[1]	1989[1]
Interest Revenue			
Interest and Fees on Loans	$20,140	$24,526	$23,220
Interest on Deposits with Banks	886	1,474	1,533
Interest on Federal Funds Sold and Securities Purchased Under Resale Agreements	637	2,107	4,133
Interest and Dividends on Investment Securities (Note 1)	1,081	1,359	1,265
Interest on Trading Account Assets	1,310	1,517	1,425
	$24,354	$30,983	$31,576
Interest Expense			
Interest on Deposits	$11,116	$14,381	$12,736
Interest on Securities Sold, Not Yet Purchased	315	336	419
Interest on Other Borrowed Money (Note 7)	3,369	6,337	8,310
Interest on Long-Term Debt and Subordinated Capital Notes (Notes 8 and 9)	2,289	2,741	2,717
	$17,089	$23,798	$21,218
Net Interest Revenue	$ 7,265	$ 7,185	$ 7,358
Provision for Credit Losses (Note 4)	$ 3,890	$ 2,662	$ 2,521
Net Interest Revenue After Provision for Credit Losses	$ 3,375	$ 4,523	$ 4,837
Fees, Commissions, and Other Revenue			
Fees and Commissions (Note 13)	$ 4,815	$ 5,024	$ 4,374
Trading Account	457	271	256
Foreign Exchange	709	657	471
Investment Securities Transactions (Notes 1 and 15)	330	52	180
Other Revenue	1,174	1,398	1,113
	$ 7,485	$ 7,402	$ 6,394
Other Operating Expense			
Salaries	$ 3,873	$ 3,906	$ 3,602
Staff Benefits (Note 11)	938	954	834
Total Staff Expense	$ 4,811	$ 4,860	$ 4,436
Net Premises and Equipment Expense (Notes 5 and 19)	1,807	1,864	1,732
Restructuring Charges	750	300	103
Other Expense	3,729	4,075	3,427
	$11,097	$11,099	$ 9,698
Income (Loss) Before Taxes and Cumulative Effects of Accounting Changes	$ (237)	$ 826	$ 1,533
Income Taxes (Note 15)	677	508	1,035
Income (Loss) Before Cumulative Effects of Accounting Changes	$ (914)	$ 318	$ 498
Cumulative Effects of Accounting Changes			
Venture Capital	457	—	—
Certain Derivative Products	—	140	—
Net Income (Loss)	$ (457)	$ 458	$ 498
Income (Loss) Available for Common Stockholders	$ (649)	$ 319	$ 373
Earnings (Loss) Per Share (Note 16)			
Income (Loss) Before Cumulative Effects of Accounting Changes	$ (3.22)	$ .57	$ 1.16
Cumulative Effects of Accounting Changes[2]			
Venture Capital	$ 1.33	$ —	$ —
Certain Derivative Products	$ —	$ .42	$ —
Net Income (Loss)	$ (1.89)	$ .99	$ 1.16

Accounting policies and explanatory notes on pages 62-91 form an integral part of the financial statements.

(1) Reclassified to conform to current year's presentation.
(2) See footnote 20 for discussion of accounting changes. In addition to the cumulative effect adjustment, the venture capital accounting change had the effect of increasing the 1991 net loss by $125 million ($0.37 per share). Net income for 1990 and 1989, computed on a pro forma basis assuming retroactive application of the accounting change for venture capital, would have been $332 million ($0.63 per share) and $438 million ($[illegible] per share), respectively. Except for the cumulative effect adjustment, the accounting change for certain derivative products did not have a material impact on 1990 results or, if applied retroactively, on the results for 1989.

CONSOLIDATED BALANCE SHEET

Citicorp and Subsidiaries

In Millions of Dollars	December 31 1991	December 31 1990
Assets		
Cash and Due from Banks	$ 5,328	$ 7,098
Deposits at Interest with Banks	6,692	7,546
Investment Securities (Market value $15,195 in 1991 and $14,322 in 1990) (Note 1)	14,713	14,075
Trading Account Assets	12,064	7,518
Federal Funds Sold and Securities Purchased Under Resale Agreements	4,550	4,071
Loans, Net (Notes 2, 3 and 4)		
Consumer (Net of unearned income of $1,645 in 1991 and $1,974 in 1990)	$ 91,539	$ 95,136
Commercial (Net of unearned income of $218 in 1991 and $290 in 1990)	59,405	61,172
Loans, Net of Unearned Income	$150,944	$156,308
Allowance for Credit Losses	(3,308)	(4,451)
Total Loans, Net	$147,636	$151,857
Customers' Acceptance Liability	1,567	2,165
Premises and Equipment, Net (Note…)	3,659	4,010
Interest and Fees Receivable	2,917	3,801
Other Assets (Notes 6, 11, and 16)	17,796	14,845
Total	$216,922	$216,986
Liabilities		
Non-Interest-Bearing Deposits in U.S. Offices	$ 12,474	$ 11,482
Interest-Bearing Deposits in U.S. Offices	48,872	53,143
Non-Interest-Bearing Deposits in Overseas Offices	4,829	4,642
Interest-Bearing Deposits in Overseas Offices	80,300	73,185
Total Deposits	$146,475	$142,452
Securities Sold, Not Yet Purchased	1,732	2,694
Purchased Funds and Other Borrowings (Note 7)	17,442	18,479
Acceptances Outstanding	1,604	2,276
Accrued Taxes and Other Expenses	5,108	5,784
Other Liabilities	11,690	12,345
Long-Term Debt (Note 8)	20,095	19,938
Subordinated Capital Notes (Note 9)	3,250	3,249
Redeemable Preferred Stock (Note 10)	37	39
Stockholders' Equity		
Preferred Stock (Note 11)	$ 2,140	$ 1,540
Common Stock ($1.00 par value) (Note 12)	372	363
Issued Shares: 371,620,350 in 1991 and 363,089,068 in 1990		
Surplus	3,277	3,187
Retained Earnings	4,089	5,045
Common Stock in Treasury, at Cost	(389)	(405)
Shares: 25,369,934 in 1991 and 26,196,362 in 1990		
Total Stockholders' Equity	$ 9,489	$ 9,730
Total	$216,922	$216,986

Accompanying analyses and explanatory notes on pages 62–81 are an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

Citicorp and Subsidiaries

In Millions of Dollars	1991	1990	1989
Preferred Stock (Note 11)			
Balance at Beginning of Year	$1,540	$ 1,840	$ 1,590
Issuance of Stock	1,250	—	250
Redemption and Repurchase of Stock	(650)	(300)	—
Balance at End of Year	$2,140	$ 1,540	$ 1,840
Common Stock ($1.00 par value) (Note 12)			
Balance at Beginning of Year	$ 363	$ 352	$ 346
Shares: 363,009,068 in 1991, 352,266,463 in 1990, and 346,322,787 in 1989			
Issuance of Stock under Dividend Reinvestment and Common Stock Purchase Plan	5	9	—
Shares: 5,042,468 in 1991 and 9,239,158 in 1990			
Issuance of Stock under Stock Incentive, Savings Incentive, Stock Option, Stock Purchase, and Restricted Stock Plans and Conversion of Convertible Notes (Notes 8 and 14)	4	2	6
Shares: 3,568,814 in 1991, 1,503,417 in 1990, and 5,943,676 in 1989			
Shares: 371,620,350 in 1991, 363,009,068 in 1990, and 352,266,463 in 1989			
Balance at End of Year	$ 372	$ 363	$ 352
Surplus			
Balance at Beginning of Year	$3,187	$ 3,016	$ 2,901
Issuance of Stock under Dividend Reinvestment and Common Stock Purchase Plan	67	149	—
Issuance of Stock under Stock Incentive, Savings Incentive, Stock Option, Stock Purchase, Executive Incentive Compensation, and Restricted Stock Plans and Conversion of Convertible Notes (Notes 8 and 14)	36	33	120
Common Stock Issuable Under Executive Incentive Compensation and Stock Incentive Plans (Note 14)[1]	28	—	—
Preferred Stock Issuance Cost	(28)	—	(6)
Restricted Stock Grants, Net of Amortization (Note 14)	(13)	(11)	1
Balance at End of Year	$3,277	$ 3,187	$ 3,016
Retained Earnings			
Balance at Beginning of Year	$5,015	$ 5,289	$ 5,451
Net Income (Loss)	(457)	458	498
Cash Dividends Declared			
Preferred (Notes 10 and 11)	(179)	(139)	(125)
Common	(256)	(572)	(510)
Foreign Currency Translation (Accumulated amount of $(225) at December 31, 1991)	(66)	9	(25)
Other	2	—	—
Balance at End of Year	$1,089	$ 5,015	$ 5,289
Common Stock in Treasury, at Cost			
Balance at Beginning of Year	$ (405)	$ (421)	$ (424)
Shares: 26,496,362 in 1991, 27,523,680 in 1990, and 27,260,266 in 1989			
Treasury Stock Transactions, at Cost	16	16	3
Shares: (1,126,428) in 1991, (1,027,318) in 1990, and 263,414 in 1989			
Shares: 25,369,934 in 1991, 26,496,362 in 1990, and 27,523,680 in 1989			
Balance at End of Year	$ (389)	$ (405)	$ (421)
Total Stockholders' Equity			
Balance at Beginning of Year	$9,730	$10,076	$ 9,864
Changes During the Year, Net	(241)	(346)	212
Balance at End of Year	$9,489	$ 9,730	$10,076

Accounting policies and explanatory notes on pages 62-81 form an integral part of the financial statements.

[1] In December 1991, $22 million of shares issuable under the Executive Incentive Compensation Plan were reclassified from Other Liabilities to Surplus. Prior periods were not restated due to immateriality.

CONSOLIDATED STATEMENT OF CASH FLOWS

Citicorp and Subsidiaries

In Millions of Dollars	1991	1990 (1)	1989 (1)
Cash Flows from Operating Activities			
Net Income (Loss)	$ (457)	$ 458	$ 498
Adjustments to Reconcile Net Income (Loss) to Net Cash Provided by (Used In) Operating Activities:			
Provision for Credit Losses	$ 3,890	$ 2,662	$ 2,521
Depreciation and Amortization of Premises and Equipment	652	673	614
Amortization of Goodwill	72	95	100
Provision for Deferred Taxes	199	286	41
Cumulative Effects of Accounting Changes (Note 20)	(457)	(140)	—
Net Unrealized Gain on Investments held by Venture Capital Subsidiaries	(131)	—	—
Restructuring Charges	750	300	103
Net (Gains) on the Sale of Subsidiaries and Affiliate	(168)	(58)	—
Changes in Accruals and Other, Net	(2,768)	(664)	617
Net (Increase) Decrease in Trading Account Assets	(4,546)	1,500	(1,103)
Net (Decrease) in Securities Sold, Not Yet Purchased	(962)	(872)	(425)
Total Adjustments	$ (3,472)	$ 3,782	$ 2,468
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	$ (3,929)	$ 4,240	$ 2,966
Cash Flows from Investing Activities			
Net (Increase) Decrease in Deposits at Interest with Banks	$ 854	$ 6,267	$ (3,107)
Purchases of Investment Securities	(38,861)	(13,741)	(19,655)
Proceeds from Sales of Investment Securities (Note 1)	8,437	6,258	8,200
Maturities of Investment Securities (Note 1)	29,122	8,954	11,948
Net (Increase) Decrease in Federal Funds Sold and Securities Purchased Under Resale Agreements	(479)	3,588	(1,218)
Net (Increase) in Loans	(93,758)	(105,220)	(123,340)
Proceeds from Sales of Loans and Credit Card Receivables	92,519	104,643	109,691
Capital Expenditures on Premises and Equipment	(929)	(1,458)	(874)
Proceeds from Sale of Premises and Equipment	394	205	457
Proceeds from Sale of Subsidiaries and Affiliate	926	60	—
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	$ (1,755)	$ 9,556	$ (17,898)
Cash Flows from Financing Activities			
Net Increase in Deposits	$ 4,023	$ 4,530	$ 13,850
Net Increase (Decrease) in Federal Funds Purchased and Securities Sold Under Repurchase Agreements	136	(7,809)	6,381
Proceeds from Issuance of Commercial Paper and Funds Borrowed with Original Maturities of Less Than One Year	424,475	471,808	731,430
Repayment of Commercial Paper and Funds Borrowed with Original Maturities of Less Than One Year	(424,626)	(479,274)	(734,629)
Proceeds from Issuance of Long-Term Debt	4,783	4,309	4,752
Repayment of Long-Term Debt and Retirement of Redeemable Preferred Stock	(4,703)	(5,336)	(4,471)
Proceeds from Issuance of Preferred Stock	1,222	—	214
Redemption and Repurchase of Preferred Stock	(650)	(300)	—
Proceeds from Issuance of Common Stock	81	176	115
Dividends Paid	(435)	(714)	(631)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	$ 4,306	$ (12,610)	$ 17,041
Effect of Exchange Rate Changes on Cash and Due from Banks	$ (392)	$ (420)	$ (595)
Net Increase (Decrease) in Cash and Due from Banks	$ (1,770)	$ 766	$ 1,514
Cash and Due from Banks at Beginning of Year	7,098	6,332	4,818
CASH AND DUE FROM BANKS AT END OF YEAR	$ 5,328	$ 7,098	$ 6,332
Supplemental Disclosure of Cash Flow Information			
Cash Paid During the Year for:			
Interest	$ 15,379	$ 20,7[illegible]	$ 23,014
Income Taxes	$ 481	$ 695	$ 668
Non-Cash Investing Activities			
Transfers from Loans to Other Real Estate Owned (OREO)	$ 2,039	$ 1,510	$ 541

Accounting policies and explanatory notes on pages 62-81 form an integral part of the financial statements.

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

CONSOLIDATED BALANCE SHEET

In Millions of Dollars	*Citibank, N.A. and Subsidiaries* December 31 1991	December 31 1990
Assets		
Cash and Due from Banks	$ 4,107	$ 5,887
Deposits at Interest with Banks	6,499	7,233
Investment Securities (Market value $10,714 in 1991 and $10,067 in 1990)	10,600	9,877
Trading Account Assets	10,359	5,511
Federal Funds Sold and Securities Purchased Under Resale Agreements	2,836	3,314
Loans (Net of unearned income of $1,725 in 1991 and $1,933 in 1990)	$108,544	$107,803
Less: Allowance for Credit Losses	(2,445)	(3,514)
Loans, Net	$106,099	$104,289
Customers' Acceptance Liability	1,568	2,427
Premises and Equipment, Net	2,635	2,750
Interest and Fees Receivable	2,063	2,613
Other Assets (Note 6)	12,230	9,429
Total	$158,996	$153,330
Liabilities		
Non-Interest-Bearing Deposits in U.S. Offices	$ 9,845	$ 9,273
Interest-Bearing Deposits in U.S. Offices	27,435	31,763
Non-Interest-Bearing Deposits in Overseas Offices	4,717	4,679
Interest-Bearing Deposits in Overseas Offices	74,493	63,305
Total Deposits	$116,490	$109,020
Securities Sold, Not Yet Purchased	924	1,345
Purchased Funds and Other Borrowings	13,598	11,472
Acceptances Outstanding	1,604	2,538
Accrued Taxes and Other Expenses	3,033	3,735
Other Liabilities	7,524	8,630
Long-Term Debt	4,378	4,827
Subordinated Notes	3,500	3,500
Stockholder's Equity (Note 22)		
Capital Stock ($20.00 par value)	$ 751	$ 751
Outstanding Shares: 37,534,553 in 1991 and 1990		
Surplus	4,077	3,978
Retained Earnings	3,117	3,534
Total Stockholder's Equity	$ 7,945	$ 8,263
Total	$158,996	$153,330

Accounting policies and explanatory notes on pages 62–73 form an integral part of the financial statements

BASIS OF PRESENTATION

The consolidated financial statements include the accounts of Citicorp, its wholly owned subsidiary, Citibank, N.A., and their majority-owned subsidiaries, after the elimination of all material intercompany transactions.

20% to 50% owned affiliates, other than venture capital investments, are carried under the equity method of accounting and the pro rata share of their income (loss) is included in other revenue. Income from investments in less than 20%-owned companies is recognized when dividends are received.

During the third quarter 1991 Citicorp changed, effective January 1, 1991, its accounting practice for investments of its venture capital subsidiaries (See Note 20). Under the new accounting practice, venture capital investments are carried at fair value, with changes in fair value recognized in earnings. Previously, these investments were carried at the lower of aggregate cost or fair value. Venture capital investments are reported as investment securities, with gains and losses recorded in other revenue.

Gains and losses on disposition of branches, subsidiaries, affiliates, and other equity investments and charges for management's estimate of impairment in value that is other than temporary are included in other revenue.

Foreign currency translation, which represents the effects of translating into U.S. dollars, at current exchange rates, financial statements of overseas operations with a functional currency other than the U.S. dollar, is included in retained earnings in the accompanying consolidated balance sheet, along with related hedge and tax effects.

The effects of translating foreign currency financial statements of those overseas operations with the U.S. dollar as the functional currency, including those operating in a highly inflationary environment, are included in other revenue, along with related hedge effects.

INVESTMENT SECURITIES AND TRADING ACCOUNT ACTIVITIES

Debt and equity securities are held in both the investment and trading account portfolios. The distinction between the two is primarily based on the intent of management at the time the securities are purchased. Trading account assets are held in anticipation of short-term market movements and are held for resale to customers. In contrast, investment securities are purchased as long-term investments. It is Citicorp's policy not to mal ns- fers between investment securities and the trading acc

Outside of Citicorp's venture capital subsidiaries, del curities held for investment are carried at cost, adjusted for amortization of premiums to the earliest call date and accretion of discounts to maturity. Marketable equity securities held for investment are carried at the lower of aggregate cost or market. Gains and losses on sales of investment securities are computed on a specific identified cost basis.

Trading account assets, consisting of se rities and money market instruments, are valued at market. Gains and losses, both realized and unrealized, are included in trading account revenue. Interest on trading account assets is included in interest revenue.

Obligations to deliver securities sold but not yet purchased are also valued at market and recorded on the balance sheet as securities sold, not yet purchased, with the related interest expense presented as interest expense on securities sold, not yet purchased.

Financial futures and forward contracts, interest rate swaps, options and similar derivative products are valued at market, with both realized and unrealized gains and losses included in trading account revenue, except for those designated as hedges. Gains and losses related to such positions that are designated as hedges are deferred and reflected as adjustments to the bases of the related assets and liabilities. Foreign exchange trading positions, including spot and forward contracts, are valued monthly at prevailing market rates on a net present value basis, and the resulting gains and losses are included in foreign exchange revenue.

During the fourth quarter 1990, Citicorp changed, effective January 1, 1990, its accounting practice for certain interest rate and foreign exchange related derivative products (See Note 20). Under the new practice, Citicorp defers, at the inception of each contract, the portion of the initial market value attributable to ongoing servicing and operational costs and amortizes this amount into trading account or foreign exchange revenue over the life of the contract. Previously, the full trading spread included within the initial market valuation was deferred and amortized over the life of the contract.

CONSUMER LOANS

The consumer loan category represents loans managed by Citicorp's Global Consumer business.

Consumer loans are generally written off not later than a predetermined number of days past due on a contractual basis. The number of days is set at an appropriate level by loan product and by country. The policy for suspending accruals of interest on consumer loans varies depending on the terms, security, loan loss experience characteristics of each product, and in consideration of write-off criteria in place.

COMMERCIAL LOANS

When it is determined as a result of evaluation procedures that the payment of interest or principal on a commercial loan is doubtful of collection, the loan is placed on a cash (non-accrual) basis. Where interest or principal is past due for 90 days or more, the loan is placed on a cash basis. Any interest accrued on a loan placed on a cash basis is reversed and charged against current earnings. Interest on cash-basis loans is thereafter included in earnings only to the extent actually received in cash. Cash-basis loans are returned to an accrual status when such loans are current as to principal and interest payments and future payments are expected to be made on schedule.

LEASE FINANCING

Lease financing, included in loans in the consolidated balance sheet, represents Citicorp's share of aggregate rentals on lease financing transactions and residual values net of related unearned income.

Lease financing transactions substantially represent direct financing leases and also include leveraged leases. Unearned income is amortized under a method which substantially results in an approximate level rate of return when related to the unrecovered lease investment.

Gains and losses from sales of residual values of leased equipment are included in other revenue.

ALLOWANCE FOR CREDIT LOSSES

Additions to the allowance are made by means of the provision for credit losses charged to expense. Credit losses are deducted from the allowance, and subsequent recoveries are added. The level of net credit losses for the year is a significant factor in determining the appropriate level for the provision for credit losses. Based on management's judgment as to the appropriate level of the allowance for credit losses, the amount actually provided may be greater or less than the net credit losses for the year. The determination of the amount by which the provision should exceed or be less than net credit losses is based on management's current evaluation of the anticipated impact of U.S. and international economic conditions, changes in the character and performance of the portfolios, including non-funds related financial products such as commitments, guarantees, swaps, options, futures and forward agreements, past experience, and other pertinent indicators. This evaluation includes an assessment of the ability of borrowers with foreign currency obligations to obtain the foreign exchange necessary for orderly debt servicing.

In addition to the allowance for credit losses, Citicorp maintains separate reserves for anticipated losses on portfolios of consumer receivables that have been sold with recourse.

OTHER REAL ESTATE OWNED (OREO)

Upon actual or in-substance repossession, loans are written down to the estimated fair value of the underlying collateral and transferred to Other Real Estate Owned (OREO). OREO properties are reported in Other Assets at the lower of the transferred cost or estimated fair value.

STAFF BENEFITS

Staff benefits expense includes prior and current service costs of pension plans, which are accrued on a current basis, contributions under the Savings Incentive Plan, the amortization of restricted stock awards under the Stock Incentive Plan, awards under the Executive Incentive Compensation Plan, awards under the Annual Performance Plan, and costs of other staff benefits. No charges are reflected in earnings due to the granting or exercise of options under the Stock Incentive and the Stock Option Plans or the subscription for or purchase of stock under the Stock Purchase Plan.

Upon issuance of shares under the Savings Incentive, Stock Option, Stock Incentive and Stock Purchase Plans, proceeds received in excess of par value are credited to surplus. Upon issuance of treasury shares under the Executive Incentive Compensation and Stock Incentive Plans, the excess of the amount of the awards over the average cost of treasury shares is credited to surplus.

EARNINGS (LOSS) PER SHARE

Earnings per share is computed on common and common equivalent shares, based on net income or loss after deducting total preferred stock dividends, and reflects the dilutive effects of stock options, stock purchase agreements, and shares issuable under the Stock Incentive Plan and the Executive Incentive Compensation Plan. Loss per share computations do not include securities that would be anti-dilutive.

The dilutive effects of shares issuable under options granted pursuant to the Stock Incentive Plan and purchase agreements entered into under the Stock Purchase Plan are computed using the treasury stock method and included in the computation as common equivalent shares.

Options were also granted under the former Stock Option Plans, including tandem options granted prior to January 1, 1988, giving the staff member the alternative to purchase either market value or book value shares up to the expiration date at exercise prices fixed at the date of grant. Market value stock available under these options is Citicorp common stock that is not restricted by Citicorp as to resale and can be sold by the staff member in the market. Book value stock is Citicorp common stock that is issued at a price equal to book value per share and can only be exchanged for market value shares of equivalent value at the time of exchange, but which has the same voting, dividend, and liquidation rights as market value shares. Effective January 1, 1988, no further options are granted for the purchase of book value shares.

If circumstances are such that purchase of market value shares clearly represents the economically preferable alternative to the staff member under these tandem options, the earnings per share computation includes common equivalent shares representing the dilutive effect calculated using the treasury stock method. If circumstances indicate that purchase of book value shares is the economically preferable alternative, the book value shares under option enter into the earnings per share computation using the two-class method. Under the two-class method, book value shares issuable under the options are added to the number of shares used to compute earnings per share, but only as to the undistributed portion of earnings.

Shares issuable under the Executive Incentive Compensation Plan are included in the computation as common equivalent shares if market value shares and under the two-class method if book value shares, and the amount of after-tax dividend equivalents on shares issuable is added back to income available for common stockholders for purposes of the computation.

INCOME TAXES

Provision for deferred taxes is made for items of revenue and expense reported in the financial statements in different years than for tax purposes, including an appropriate provision for taxes on undistributed income of subsidiaries and affiliates.

Investment tax credits on leased equipment are recognized over a period of time related to the recovery of the lease investment which gives rise to such credits.

CASH FLOWS

Cash flows from hedging activities are classified in the same category as the item being hedged. Cash equivalents are defined for purposes of the Statement of Cash Flows as those amounts included in cash and due from banks.

1. INVESTMENT SECURITIES

In Millions of Dollars at Year End	1991 Carrying Value	1991 Gross Unrealized Gains	1991 Gross Unrealized Losses	1991 Market Value	1990 Carrying Value	1990 Gross Unrealized Gains	1990 Gross Unrealized Losses	1990 Market Value
U.S. Treasury and Federal Agency	$ 4,888	$155	$ —	$ 5,043	$ 3,011	$ 89	$ [illegible]	$ [illegible]
State and Municipal	214	6	—	220	684	13	4	693
Foreign Government	5,140	63	61	5,142	4,896	11	183	4,724
U.S. Corporate	464	4	—	468	1,004	2	12	994
Other Debt Securities	901	3	26	878	1,351	2	59	1,294
Total Debt Securities	$11,607	$231	$ 87	$11,751	$10,946	$117	$269	$10,794
Equity Securities	1,529	375	37	1,867[1]	2,270	190	174	2,295[1]
Investments held by Venture Capital Subsidiaries	1,577	—	—	1,577	[illegible]	630	67	1,433[2]
Total	$14,713	$606	$124	$15,195	$14,075	$957	$516	$[illegible]

(1) Equity securities not traded on a recognized exchange are included at their carrying value and totaled $851 million at December 31, 1991 and $[illegible] million at December 31, 1990
(2) Restated to reflect the fair values of both public and non-public investments.

During the third quarter of 1991 Citicorp changed, effective January 1, 1991, its accounting for investments of its venture capital subsidiaries (See Note 20). Under the new accounting practice, these investments are carried at fair value, with changes in fair value recognized in earnings. At December 31, 1991 gross unrealized gains and gross unrealized losses recognized on investment securities held by venture capital subsidiaries totaled $839 million and $94 million, respectively.

Cash proceeds from sales and maturities of investment securities totaled $37.6 billion in 1991 and $15.2 billion in 1990. Of these amounts, sales of debt securities totaled $6.8 billion during 1991 and $[illegible] billion during 1990. During 1991, gross realized gains and gross realized losses on sales of investment securities totaled $443 million and $113 million, respectively, of which $47 million and $17 million related to debt securities. During 1990, gross realized gains and gross realized losses on sales of investment securities totaled $128 million and $76 million, respectively, of which $63 million and $42 million related to debt securities.

Interest and Dividends on Investment Securities

In Millions of Dollars	1991	1990	1989
U.S. Treasury and Federal Agency	$ 294	$ 294	$ 274
State and Municipal (Substantially all exempt from federal income tax)	29	86	113
All Other Debt Securities	661	848	696
Total Debt Securities	$ 984	$1,228	$1,083
Equity Securities	84	104	117
Investments held by Venture Capital Subsidiaries	13	27	65
Total	$1,081	$1,359	$1,265

Carrying Value, Market Value, and Yield of Debt Securities by Contractual Maturity Date as of December 31, 1991[3]

In Millions of Dollars at Year End	U.S. Treasury and Federal Agency Carrying Value	U.S. Treasury and Federal Agency Market Value	U.S. Treasury and Federal Agency Yield[5]	State and Municipal Carrying Value	State and Municipal Market Value	State and Municipal Yield[5]	All Other Debt Securities[4] Carrying Value	All Other Debt Securities[4] Market Value
Due Within 1 Year	$2,923	$2,929	4.81%	$ 38	$ 38	7.23%	$3,088	$3,088
After 1 but Within 5 Years	605	633	7.52%	82	85	7.21%	1,963	1,930
After 5 but Within 10 Years	243	245	9.83%	60	62	6.99%	1,125	1,136
After 10 Years	1,117	1,236	9.05%	34	35	8.03%	329	334
Total	$4,888	$5,043	6.39%	$ 214	$ 220	7.28%	$6,505	$6,488
As of December 31, 1990	$3,011	$3,089	9.04%	$ 684	$ 693	7.28%	$7,251	$7,012
As of December 31, 1989	$3,113	$3,225	9.29%	$1,620	$1,626	7.19%	$7,205	$7,104

(3) Excludes equity securities, substantially all of which have no contractual maturity, and investments held by venture capital subsidiaries
(4) Yield information was not readily available.
(5) Computed by dividing annualized interest (net of amortization of premium or accretion of discount) by the carrying value of the respective investment securities

2. CONSUMER LOANS

The consumer loan category represents loans managed by Citicorp's Global Consumer business. This is generally defined as including loans to individual consumers throughout the world to meet their borrowing requirements for housing, automobiles, and other personal and family purposes. The consumer category also includes indirect types of consumer finance, such as dealer floor-plan lending, and loans generated through the community banking and private banking activities of the Global Consumer business.

Consumer Loans Outstanding

In Millions of Dollars at Year End	1991	1990
In U.S. Offices		
Mortgage and Real Estate[1,2]	$30,833	$32,824
Installment, Revolving Credit and Other Consumer Loans	26,743	29,984
Lease Financing	576	806
	$58,152	$63,614
In Overseas Offices		
Mortgage and Real Estate[1]	$13,124	$12,412
Installment, Revolving Credit and Other Consumer Loans	21,018	19,919
Lease Financing	890	1,164
	$35,032	$33,495
	$93,184	$97,109
Unearned Income	(1,645)	(1,973)
Consumer Loans—Net	$91,539	$95,136

(1) Loans secured primarily by real estate.
(2) Includes $4.7 billion and $4.2 billion of commercial real estate loans related to community banking and private banking activities in 1991 and 1990, respectively.

Citicorp's policy for suspending accrual of interest on consumer loans varies depending on the terms, security, and credit loss experience characteristics of each product, and in consideration of write-off criteria in place. The amount of interest revenue that would have been accrued under contractual terms for consumer loans on which accrual of interest has been suspended was $362 million in 1991 of which $122 million was received and recognized as interest income.

3. COMMERCIAL LOANS

Commercial Loans Outstanding

In Millions of Dollars at Year End	1991	1990
In U.S. Offices		
Commercial and Industrial[1]	$11,792	$12,831
Mortgage and Real Estate[2]	11,452	13,103
Loans to Financial Institutions	528	414
Lease Financing	3,554	3,183
	$27,326	$29,531
In Overseas Offices		
Commercial and Industrial[1]	$19,015	$19,125
Mortgage and Real Estate[2]	4,234	4,350
Loans to Financial Institutions	3,047	2,617
Governments and Official Institutions	4,881	4,586
Lease Financing	1,150	1,253
	$32,327	$31,931
	$59,653	$61,462
Unearned Income	(548)	(290)
Commercial Loans—Net	$59,105	$61,172

(1) Includes loans not otherwise separately categorized.
(2) Loans secured primarily by real estate.

Citicorp's cash-basis and renegotiated commercial loans amounted to $7,446 million, $8,639 million, and $7,242 million at December 31, 1991, 1990, and 1989, respectively. Renegotiated loans are those commercial loans on which the rate of interest has been reduced as a result of the inability of the borrower to meet the original terms of the loan. Foregone revenue from cash-basis and renegotiated commercial loans was as follows:

In Millions of Dollars	1991	1990[3]	1989
Interest Income that Would Have Been Accrued at Original Contractual Rates[4]	$907	$1,085	$1,090
Amount Recognized as Interest Income[5]	489[6]	249	478
Foregone Revenue	$418	$ 836	$ 612

(3) Restated to conform to current year's presentation.
(4) Includes $496 million, $344 million, and $270 million in U.S. offices, and $411 million, $741 million, and $820 million in overseas offices in 1991, 1990, and 1989, respectively.
(5) Represents interest collected on cash-basis loans and interest accrued at reduced rates on renegotiated loans: $138 million, $96 million, and $141 million in U.S. offices and $351 million, $153 million, and $337 million, in overseas offices in 1991, 1990, and 1989, respectively.
(6) Includes approximately $196 million of interest on Brazilian medium- and long-term outstandings, of which $116 million relates to prior years.

4. CHANGES IN THE ALLOWANCE FOR CREDIT LOSSES

In Millions of Dollars	1991	1990	1989
Balance at Beginning of Year	$1,451	$1,729	$1,205
Additions			
Provision for Credit Losses	$3,890	$2,662	$2,521
Deductions			
Consumer Credit Losses	$2,130	$1,678	$1,502
Consumer Credit Recoveries	(327)	(318)	(274)
Net Consumer Credit Losses	$1,803	$1,360	$1,228
Commercial Credit Losses	$3,233	$1,662	$ 841
Commercial Credit Recoveries	(102)	(159)	(125)
Net Commercial Credit Losses	$3,131	$1,503	$ 716
Other–Net	(99)[1]	(77)[1]	(53)[1]
Balance at End of Year	$3,308	$1,451	$1,729

(1) Principally relates to securitized credit card transactions for which an appropriate portion of the allowance has been transferred to other liabilities for the duration of the transactions.

5. PREMISES AND EQUIPMENT

Premises and equipment are stated at cost less accumulated depreciation and amortization. Generally, depreciation and amortization are computed on the straight-line basis over the estimated useful life of the asset or the lease term. Depreciation and amortization expense was $652 million in 1991, $673 million in 1990, and $614 million in 1989.

6. OTHER ASSETS

Goodwill

Other assets include goodwill, which represents the excess of purchase price over the estimated fair value of net assets acquired, accounted for under the purchase method of accounting. At December 31, 1991 and 1990, goodwill amounted to $595 million and $910 million, respectively. The decrease in goodwill represents 1991 amortization, the write off of goodwill as a result of the restructuring of Citicorp's information subsidiary, the sale of its southern Italian branch system, and the sale of a portion of its investment in AMBAC Inc. Goodwill is being amortized, primarily using the straight-line method, over the periods estimated to be benefited. The remaining period of amortization, on a weighted-average basis, approximated 15 years as of December 31, 1991.

Other Real Estate Owned (OREO)

Included in other assets is OREO which at December 31, 1991 and 1990 totaled $2,947 million and $1,801 million, respectively. Citibank, N.A. held $2,614 million and $1,503 million of OREO at December 31, 1991 and 1990, respectively. Net OREO costs, which include gains and losses on the sale or disposition of OREO, writedowns, and operating revenues and expenses, of $346 million, $91 million and $19 million for the years ended December 31, 1991, 1990, and 1989, respectively, are included in other expense.

Investments in Minority-Owned Affiliates

Included in other assets are investments in minority-owned affiliates totaling $904 million and $591 million as of December 31, 1991 and 1990, respectively. Citicorp's share of minority-owned affiliate earnings was $142 million, $119 million, and $171 million for 1991, 1990, and 1989, respectively.

Summary combined financial information for substantially all of Citicorp's minority-owned affiliates (100% basis) is as follows:

Balance Sheet Information (Unaudited)[1]

In Millions of Dollars at Year End	1991	1990
Assets:		
Loans	$ 4,025	$ 3,431
Investment Securities	4,939	3,588
Other Assets	4,431	4,529
Total Assets	$13,395	$11,548
Liabilities and Equity:		
Deposits	$ 8,272	$ 6,993
Other Liabilities	3,272	2,799
	$11,544	$ 9,792
Equity	1,851	1,756
Total Liabilities and Equity	$13,395	$11,548

Statement of Operations Information (Unaudited)[1]

In Millions of Dollars	1991	1990	1989
Net Interest Revenue	$ 571	$ 588	$ 713
Provision for Credit Losses	(64)	(70)	(35)
Other–Net	160	9	(70)
Income Taxes	(205)	(128)	(120)
Net Income	$ 462	$ 399	$ 488

(1) Includes financial information for AMBAC Inc. on a 100% basis for all periods presented.

7. PURCHASED FUNDS AND OTHER BORROWINGS

Original Maturities of Less Than One Year

In Millions of Dollars	1991	1990	1989
Federal Funds Purchased and Securities Sold Under Repurchase Agreements[1]			
Amount Outstanding at Year End	$ 8,428	$ 8,292	$16,101
Average Outstanding During the Year	14,019	17,189	16,054
Maximum Outstanding at Any Month End	16,635	18,259	16,834
Commercial Paper[2]			
Amount Outstanding at Year End	$ 906	$ 3,240	$ 7,116
Average Outstanding During the Year	1,626	5,413	9,169
Maximum Outstanding at Any Month End	3,098	7,060	10,482
Other Funds Borrowed[3]			
Amount Outstanding at Year End	$ 8,108	$ 6,917	$11,716
Average Outstanding During the Year	7,938	8,929	11,723
Maximum Outstanding at Any Month End	9,886	11,339	13,098

(1) Weighted average interest rate was 7.42% during 1991, 17.96% during 1990, and 31.41% during 1989; 5.20% at year-end 1991, 49.73% at year-end 1990, and 31.10% at year-end 1989. Reported rates reflect the impact of the local interest rates prevailing in certain Latin American countries.
(2) Weighted average interest rate was 6.21% during 1991, 7.94% during 1990, and 9.16% during 1989; 4.97% at year-end 1991, 7.64% at year-end 1990, and 8.62% at year-end 1989.
(3) Weighted average interest rate was 28.07% during 1991, 30.41% during 1990, and 10.81% during 1989; 68.78% at year-end 1991 and 61.36% at year-end 1990. Year-end yield information for 1989 was not readily available. Reported rates reflect the impact of the local interest rates prevailing in certain Latin American countries.

8. LONG-TERM DEBT

Original Maturities of One Year or More[1]

In Millions of Dollars at Year End	1991 Various Fixed-Rate Debt Obligations	1991 Various Floating-Rate Debt Obligations	1991 Total	1990 Total
Parent Company				
Due in 1991	$ —	$ —	$ —	$ 3,136
Due in 1992	1,680	709	2,389	2,133
Due in 1993	3,160	291	3,451	2,554
Due in 1994	1,216	256	1,472	809
Due in 1995	749	49	798	608
Due in 1996	1,243	49	1,292	913
Due in 1997-2001	813	1,225	2,038	2,076
Due in 2002-2006	407	454	861	850
Due in 2007 and Thereafter	500	455	955	955
	$ 9,768	$3,488	$13,256	$14,034
Subsidiaries				
Due in 1991	$ —	$ —	$ —	$ 989
Due in 1992	1,449	286	1,735	1,021
Due in 1993	1,080	253	1,333	1,008
Due in 1994	319	654	973	845
Due in 1995	187	530	717	451
Due in 1996	265	866	1,131	696
Due in 1997-2001	405	428	833	596
Due in 2002-2006	64	18	82	295
Due in 2007 and Thereafter	—	35	35	—
	$ 3,769	$3,070	$ 6,839	$ 5,901
Total	$13,537	$6,558	$20,095	$19,938

(1) Maturity distribution is based upon contractual maturities or earlier dates at which debt is repayable at the option of the holder, due to required mandatory sinking fund payments or due to call notices issued.

Citicorp issues long-term debt denominated in various currencies with both fixed and floating interest rates. A portion of this debt has been issued in local currencies in emerging economies where prevailing rates are extraordinarily high relative to those in OECD countries.

Citicorp's fixed-rate long-term debt of $13,537 million matures over the period to 2017. The interest rates on fixed-rate debt issues ranged from 4.30% to 37.00% at December 31, 1991 and 4.30% to 33.00% at December 31, 1990, representing rates on issues denominated in U.S. dollars and various other currencies. The weighted-average interest rates were 9.28% and 9.36% at December 31, 1991 and 1990, respectively.

Citicorp's floating-rate long-term debt of $6,558 million matures over the period to 2035. The interest rates are determined periodically by formulas based on certain money market rates or, in certain instances, by minimum interest rates as specified in the agreements governing the respective issues. The interest rates on floating-rate debt issues ranged from 4.30% to 3,899.98% at December 31, 1991, and 6.85% to 950.38% at December 31, 1990, representing rates on issues denominated in U.S. dollars and various other currencies. The weighted-average interest rates were 16.03% and 13.53% at December 31, 1991 and 1990, respectively.

The weighted-average interest rates on subsidiary long-term debt were 18.38% at December 31, 1991 and 15.97% at December 31, 1990. At December 31, 1991 and 1990, approximately 18% and 22%, respectively, of subsidiary long-term debt was guaranteed by Citicorp. Of the debt not guaranteed by Citicorp, approximately 36% and 34% was secured by the assets of the subsidiary as of December 31, 1991 and 1990, respectively.

At December 31, 1991 and 1990, outstanding 5¾% convertible subordinated notes due in 2000 were $2.6 million. Noteholders did not convert convertible notes into common stock in 1991 and converted $0.3 million of convertible notes into 10,041 shares of common stock in 1990. The notes are convertible at the option of the holder into Citicorp common stock at a conversion price of $20.59 per share subject to adjustment in certain events.

Certain of the agreements under which long-term debt obligations were issued prohibit Citicorp, under certain conditions, from paying dividends in shares of its voting capital stock and from creating encumbrances on such shares.

Citicorp has debt denominated in foreign currencies, primarily in Italian lire, Australian dollars, Japanese yen, French francs, British pounds sterling, Deutsche marks, and ECU's, equal to approximately 24% of total long-term debt.

9. SUBORDINATED CAPITAL NOTES

In Millions of Dollars at Year End	1991	1990
Parent Company		
Floating-Rate Subordinated Capital Notes Due 1996	$ 500	$ 500
9% Subordinated Capital Notes Due 1999	300	300
9¾% Subordinated Capital Notes Due 1999	300	300
Floating-Rate Subordinated Capital Notes with No Stated Maturity	500	500
	$1,600	$1,600
Subsidiaries		
12½% Subordinated Capital Notes Due 1996	$ 350	$ 350
Floating-Rate Subordinated Capital Notes Due 1996	550	550
Floating-Rate Subordinated Capital Notes Due 1997	500	500
8⅛% Subordinated Capital Notes Due 1998	250	249
	$1,650	$1,649
Total	$3,250	$3,249

Subordinated capital notes of subsidiaries are unconditionally guaranteed on a subordinated basis by Citicorp.

The interest rates on the floating-rate issues are determined periodically by formulas based on certain money-market rates or, in certain instances, by minimum interest rates, as specified in the agreements governing the respective issues. Citicorp may defer payment of interest on the subordinated capital notes with no stated maturity if no dividends have been declared on common stock or preferred stock of Citicorp in the preceding six months. The interest rates on floating-rate issues ranged from

5.03% to 5.63% at December 31, 1991, and 7.94% to 8.44% at December 31, 1990. The weighted-average interest rates were 5.26% and 8.06% during 1991 and 1990, respectively.

Subordinated capital notes with stated maturities can be exchanged prior to maturity at the option of Citicorp or the Citicorp subsidiary that issued the notes (except for the 9% and 9¾% subordinated capital notes, due in 1999, which will be exchanged at maturity) for a security of Citicorp that qualifies as Tier 1 Capital, as defined. The floating-rate subordinated capital notes with no stated maturity can be exchanged at the election of the holder commencing in 2016, or at the election of Citicorp commencing in 1991, for a security of Citicorp that qualifies as Tier 1 capital, as defined.

The subordinated capital notes will be exchanged for capital that will have a market value equal to the principal amounts of the notes. At the option of the issuer, the exchange may be for common stock, non-redeemable preferred stock, or other marketable capital securities of Citicorp. Under certain circumstances, some issues of subordinated capital notes may be redeemed for cash. Alternatively, the issuer will unconditionally undertake to sell capital securities on behalf of the holders who elect to receive cash for capital securities upon an exchange of the notes, in an amount sufficient to pay the principal of such notes. Because the type of securities to be issued at maturity will be at the option of Citicorp or the Citicorp subsidiary that issued the notes, and because the amount of securities to be issued will depend on their future market values, the amount and type of securities to be issued at maturity or redemption of the notes cannot be determined. If common stock is issued, some dilution of earnings per share may occur.

If Citicorp's consolidated retained earnings and surplus accounts become negative, the subordinated capital notes with no stated maturity must be exchanged for marketable capital securities of Citicorp, as discussed above.

The agreements under which the notes are issued prohibit Citicorp, under certain conditions, from paying dividends in shares of Citibank capital stock.

10. REDEEMABLE PREFERRED STOCK

At December 31, 1991 and 1990, 370,000 and 390,000 shares, respectively, of non-voting redeemable preferred stock were issued and outstanding, subject to redemption at a pri[illegible] 90 per share through a mandatory sinking fund. During [illegible] Citicorp redeemed $1 million of the Adjustable Rate Cumulative Preferred Stock, Seventh Series, as scheduled. From 1992 to 2005, $1 million must be retired each year, and from 2006 to 2013, $3 million must be retired each year. In addition, Citicorp may at its option redeem in any one year up to 80,000 shares of the Adjustable Rate Cumulative Preferred Stock, Seventh Series at $100 per share. During 1991, Citicorp redeemed $1 million under this optional redemption right.

Total dividends declared on redeemable preferred stock were $4 million in 1991, 1990, and 1989. Dividends, which are cumulative, are payable semiannually. The dividend rate was adjusted on November 1, 19[illegible] and will be determined every three years on November 1 until 2009 by a formula based on certain money market rates. The dividend rate established in 2009 will be applicable until 2013. The weighted-average dividend rate per share was $9.00 for each of the years ended December 31, 1991, 1990, and 1989, respectively.

11. PREFERRED STOCK

In Millions of Dollars at Year End	1991	1990
Adjustable Rate and Fixed Rate Perpetual Preferred Stock		
Adjustable Rate Preferred Stock		
Second Series, 3,900,000 Shares	$ 390	$ 390
Third Series, 1,500,000 Shares	150	150
Price Adjusted Rate Preferred Stock		
Fourth Series, 1,000,000 Shares	100	100
Graduated Rate Cumulative Preferred Stock Series 8A and 8B, 1,250,000 Shares	125	125
9.12% Preferred Stock		
Series 9, 5,000,000 Shares	125	125
	$ 890	$ 890
Convertible Preferred Stock		
Series 12, 5,900 shares	$ 590	$ —
Series 13, 6,600 shares	660	—
	$1,250	$ —
Auction Rate Preferred Stock		
Money Market Cumulative Preferred Stock		
Series 5C, 5D, and 5E, 2,250 Shares	$ —	$ 225
Series 6A, 750 Shares	—	75
Series 10G, 750 Shares	—	75
Series 11B, 750 Shares	—	75
Remarketed Preferred Stock		
Series 11C, 2,000 Shares	—	200
	$ —	$ 650
Total	$2,140	$1,540

Total dividends declared on non-redeemable preferred stock were $175 million in 1991, $135 million in 1990, and $121 million in 1989.

Dividends on the Second, Third, and Fourth Series of preferred stock are cumulative and payable quarterly at rates determined quarterly by formulas based on interest rates of certain U.S. Treasury obligations. Dividends on the Second and Third Series of preferred stock are subject to certain minimum and maximum rates as specified in the certificates of designation. The weighted-average dividend rates on the Second, Third, and Fourth Series were 6.000%, 7.000%, and 10.795%, respectively, for 1991.

Citicorp may, at its option, redeem the Second Series until February 28, 1993 at $103 per share, and at $100 per share thereafter; may, at its option redeem the Third Series at $102.50 per share and at amounts declining to $100 per share beginning September 1, 1992; and may, at its option redeem the Fourth Series at any time at $100 per share.

Dividends on Graduated Rate Cumulative Preferred Stock, Series 8A and 8B, and 9.12% Preferred Stock are cumulative. The Graduated Rate Cumulative Preferred Stock, Series 8A dividends are payable on a quarterly basis, initially at 8.5% per annum through August 15, 1992. After August 15, 1992, and prior to August 15, 1995, the dividend will be declared at a rate equal to the Three Year Treasury Rate plus 1.25% per annum. Every three years, the amount added to the Three Year Treasury Rate increases by ½ of 1% to a maximum of 3% per annum for all dividend periods ending after August 15, 2004.

The Graduated Rate Cumulative Preferred Stock, Series 8B dividends are payable on a quarterly basis, initially at 8.75% per annum through August 15, 1994. After August 15, 1994, and prior to August 15, 1999, the dividend will be declared at a rate equal to the Five Year Treasury Rate plus 1.50% per annum. Every five years, the amount added to the Five Year Treasury Rate increases by ¾ of 1% to a maximum of 3% per annum for all dividend periods ending after August 15, 2004. For both Series 8A and 8B, the dividend rate for any quarterly dividend period ending on or prior to August 15, 2004 cannot be less than 7% per annum nor greater than 14% per annum, and for quarterly dividend periods ending after August 15, 2004 cannot be less than 8% per annum or greater than 16% per annum. The 9.12% Preferred Stock dividends are payable on a quarterly basis.

Citicorp may, at its option, redeem in whole but not in part the Graduated Rate Cumulative Preferred Stock, Series 8A and 8B, on any of the dividend repricing dates through August 15, 2004 for $100 per share plus accrued dividends. After August 15, 2004, Citicorp may redeem in whole or in part the Series 8A and 8B shares from time to time.

Citicorp may, at its option, redeem in whole or in part the 9.12% Preferred Stock on any date after November 15, 1994 for $25 per share plus accrued dividends.

In February of 1991, Citicorp issued 5,900 shares of Convertible Preferred Stock, Series 12. The Series 12 Preferred Stock carries an 11% annual cumulative dividend payable quarterly, is convertible into 36,875,000 shares of Citicorp common stock at a conversion price of $16 per share plus accrued dividends and entitles the holder to a liquidation preference of $100,000 per share plus accrued dividends. The conversion price is subject to adjustment under certain circumstances. The Series 12 Preferred Stock is not redeemable prior to February 15, 1996 and thereafter may be redeemed at the option of Citicorp at a price equal to $100,000 per share (plus accrued dividends) plus a premium that decreases over five years from 5.5% to zero.

In March of 1991, Citicorp issued 6,600 shares of Convertible Preferred Stock, Series 13. The Series 13 Preferred Stock carries a 10¾% annual cumulative dividend payable quarterly, is convertible into 36,164,383 shares of Citicorp common stock at a conversion price of $18.25 per share plus accrued dividends and entitles the holder to a liquidation preference of $100,000 per share plus accrued dividends. The conversion price is subject to adjustment under certain circumstances. The Series 13 Preferred Stock is not redeemable prior to February 15, 1996 and thereafter may be redeemed at the option of Citicorp at a price equal to $100,000 per share (plus accrued dividends) plus a premium that decreases over five years from 5.375% to zero.

During 1991, Citicorp redeemed all of the outstanding shares of Money Market Cumulative Preferred Stock and Remarketed Preferred Stock for $100,000 per share, plus accrued dividends. The weighted-average dividend rates on Money Market Cumulative Preferred Stock, Series 5C, 5D (which was exchanged for Series 10D during 1991), 5E, 6A, 10D, 10G, and 11B, and Remarketed Preferred Stock, Series 11C were 8.250%, 10.450%, 7.950%, 8.600%, 8.544%, 9.530%, 10.208%, and 9.441%, respectively, for 1991.

Authorized preferred stock (issuable as either redeemable or non-redeemable) was 50 million shares at December 31, 1991 and 1990. Total shares of non-redeemable preferred stock issued and outstanding were 12,662,500 and 12,650,500 at December 31, 1991 and 1990, respectively. At December 31, 1991 and 1990, 370,000 and 390,000 shares, respectively, of redeemable preferred stock were issued and outstanding. (See Note 10.)

12. COMMON STOCK

At December 31, 1991 and 1990, authorized common stock was 600 million shares. Additionally, Citicorp has authorized, but not issued, 20 million shares of Class B common stock with a par value of $1.00 and one vote per share. Outstanding shares of common stock at December 31, 1991 and 1990 include 1.5 million book value shares issued in connection with certain staff benefit plans. Under the terms of the plans, book value shares sold back to Citicorp are settled in market value shares.

Under Citicorp's Dividend Reinvestment and Common Stock Purchase Plan, stockholders of record, without payment of brokerage fees, commissions, or service charges, may reinvest all or part of their quarterly dividends in shares of common stock and make optional cash purchases of such shares. The shares are sold at a discount of 3% below current market prices (as defined in the plan) when purchased through reinvestment of dividends. Optional cash purchases of up to $20,000 per month may also be made to acquire additional common shares at current market prices (without discount).

At December 31, 1991, shares were reserved for issuance as follows: on conversion of convertible notes, 0.1 million shares; on conversion of convertible preferred stock, 73.0 million shares; under the Savings Incentive Plan, 4.1 million market value shares and 4.6 million book value shares; under the 1973 Stock Option Plan (under which options have been granted in tandem), a maximum of 0.3 million shares if issued at market value, and a maximum of 0.6 million shares if issued at book value; under the 1983 Stock Option Plan (under which options have been granted in tandem), a maximum of 12.3 million shares, if issued at market value, and a maximum of 13.8 million shares, if issued at book value; under the 1988 Stock Purchase Plan, 23.7 million shares; under the Stock Incentive Plan, 46.4 million shares; under the Dividend Reinvestment and Common Stock Purchase Plan, 10.7 million shares; and under the Executive Incentive Compensation Plan (under which treasury shares have been reserved primarily in tandem), a maximum of 1.0 million shares, if issued at market value, and a maximum of 0.6 million shares, if issued at book value.

On October 15, 1991, the Board of Directors, on the recommendation of management, suspended the dividend on Citicorp's common stock.

13. FEES AND COMMISSIONS

Trust, agency, and custodial fees included in fees and commissions were $551 million in 1991, $513 million in 1990, and $477 million in 1989.

14. STAFF BENEFITS

Following are descriptions of Citicorp's principal staff benefit plans. Certain of these plans permit options or subscriptions to purchase, or elections to invest in, either market value or book value shares of Citicorp. Subsequent to December 31, 1987, no further options are granted, subscription agreements entered into, or new investment elections permitted for the purchase of book value shares.

U.S. Pension Plans

There are a number of non-contributory defined benefit pension plans covering substantially all U.S. staff members. During 1991, Citicorp merged its two significant U.S. plans. Prior years disclosures have been restated to include all current U.S. pension plans. Retirement benefits for the U.S. plans are based on years of credited service, the highest average compensation (as defined), and the primary social security benefit. Citicorp's funding strategy for its qualified U.S. plans has been to maintain plan assets sufficient to provide for at least the currently accrued benefit. As a result of adequate funding of the qualified U.S. plans, the amounts contributed are the minimum, if any, required by law. Non-qualified U.S. plans are not funded since contributions to these plans are not tax-deductible.

During 1991, Citicorp recognized curtailment gains of $44 million for the impact on its principal U.S. plan of employee terminations resulting from restructurings and sales of businesses. The curtailment gains represent a decrease in the projected benefit obligation, net of the related recognition of certain previously deferred items, and have been recorded as a separate component of net pension expense.

The following table provides a breakdown of components of net pension (income) expense recognized in Citicorp's consolidated statement of operations for its U.S. pension plans.

In Millions of Dollars	1991	1990(1)	1989(1)
Service Cost - Benefits Earned During the Year	$ 83	$ 83	$ 70
Interest Cost on Projected Benefit Obligation	102	92	80
Assumed Return on Plan Assets (Actual return was $481 in 1991, $21 in 1990, and $280 in 1989)	(149)	(121)	(110)
Net Amortization	(15)	(16)	(6)
Curtailment Gains	(44)	—	—
Net Pension (Income) Expense	**$ (23)**	**$ 38**	**$ 34**

(1) Restated to include all current U.S. pension plans.

The assumed long-term rate of return on assets used in determining net pension (income) expense was 10.25% in 1991, 10.25% in 1990 and 10.40% in 1989. The transition net asset is being amortized over a 14-year period, with 8 years remaining at December 31, 1991.

The following table provides the funded status and amounts recognized in Citicorp's consolidated balance sheet at December 31, 1991 and 1990 for its U.S. pension plans.

In Millions of Dollars at Year End	1991	1990(1)
Plan Assets at Fair Value, Primarily Listed Stocks, Commingled Funds and Fixed Income Securities	$1,858	$1,401
Actuarial Present Value of Benefits for Service Rendered to Date,		
Accumulated Benefits Based on Salaries to Date, Including Vested Benefits of $722 in 1991, and $579 in 1990	$ 851	$ 681
Additional Benefits Based on Estimated Future Salary Levels	421	539
Projected Benefit Obligation(2)	$1,272	$1,220
Plan Assets in Excess of Projected Benefit Obligation	$ 586	$ 181
Unrecognized Net Actuarial (Gain) Loss	(119)	253
Unamortized Transition Net Asset	(149)	(169)
Prepaid Pension Cost Included In Other Assets	**$ 318**	**$ 265**

(1) Restated to include all current U.S. pension plans.
(2) Includes the projected benefit obligation for the non-qualified U.S. pension plans, which are not funded, of $78 million at year-end 1991 and $87 million at year-end 1990. Balances related to these plans are included in other liabilities in Citicorp's consolidated balance sheet.

The weighted-average discount rate used in determining the actuarial present value of the projected benefit obligation was 8.5% at year-end 1991 and 8.75% at year-end 1990. The assumed rate of increase in future compensation levels was 6.0% at year-end 1991 and 6.5% at year-end 1990.

Overseas Pension Plans

There are various local defined benefit pension and termination indemnity plans covering overseas staff members. The benefit formulas and funding strategies vary reflecting local practices and legal requirements.

The following table provides a breakdown of the components of net pension expense recognized in Citicorp's consolidated statement of operations for its significant overseas pension plans.

In Millions of Dollars	1991	1990	1989
Service Cost-Benefits Earned During The Year	$ 47	$ 41	$ 35
Interest Cost on Projected Benefit Obligation	41	38	29
Assumed Return on Plan Assets (Actual Return was $39 in 1991, $(10) in 1990, and $33 in 1989)	(21)	(24)	(16)
Net Amortization	6	5	5
Net Gain from Settlement and Curtailment	(2)	—	—
Net Pension Expense	**$ 68**	**$ 60**	**$ 53**

For funded overseas pension plans, the assumed long-term rate of return on assets used in determining net pension expense ranged from 6.0% to 11.0% in 1991, 1990 and 1989. Excluded from these ranges are the assumed long-term rates of return on assets for plans in highly inflationary countries.

The following table provides the funded status and amounts recognized in Citicorp's consolidated balance sheet at December 31, 1991 and 1990 for its significant overseas pension plans.

In Millions of Dollars at Year End	December 31, 1991 Assets Exceed Accumulated Benefits	December 31, 1991 Accumulated Benefits Exceed Assets	December 31, 1990 Assets Exceed Accumulated Benefits	December 31, 1990 Accumulated Benefits Exceed Assets
Plan Assets at Fair Value	$281	$ 20	$250	$ 22
Actuarial Present Value of Benefits for Service Rendered To Date:				
Vested Benefits Based on Salaries To Date	$190	$ 134	$181	$ 146
Additional Benefits for Unvested Participants	29	23	18	31
Accumulated Benefits Based on Salaries To Date	$219	$ 157	$199	$ 177
Additional Benefits Based on Estimated Future Salary Levels	76	51	113	62
Projected Benefit Obligation	$295	$ 208	$312	$ 239
Projected Benefit Obligation in Excess of Plan Assets	$ (14)	$(188)	$ (62)	$(217)
Unrecognized Net Actuarial (Gain) or Loss	7	(1)	40	—
Unamortized Transition Net Obligation	18	48	31	56
Adjustment Required to Recognize Minimum Liability	—	(11)	—	(9)
Prepaid Pension Cost (Pension Liability) Included In Consolidated Balance Sheet	$ 11	$(152)	$ 9	$(170)

For overseas pension plans, the discount rates used in determining the actuarial present value of the projected benefit obligation ranged from 4.25% to 11.0% at year-end 1991, and 4.25% to 11.5% at year-end 1990. The assumed rate of increase in future compensation levels ranged from 3.5% to 9.0% at year-end 1991 and 1990. Excluded from these ranges are the assumed discount rates and rates of increase in future compensation for plans in highly inflationary countries.

Postretirement Health Care and Life Insurance Benefits

Citicorp currently offers postretirement health care and life insurance benefits to all U.S. retired employees and certain retired employees overseas. Costs incurred to provide these benefits are charged to expense when paid. Postretirement health care and life insurance expense was $17 million in 1991, $14 million in 1990, and $11 million in 1989. Refer to Note 21 to the financial statements for a discussion of Statement of Financial Accounting Standards No. 106, "Employer's Accounting for Postretirement Benefits Other Than Pensions."

Savings Incentive Plan

Under the Savings Incentive Plan, eligible staff members receive awards equal to 3% of their covered salary. Staff members have the option of receiving their award in cash or deferring some or all of it in various investment funds. Citicorp grants an additional award equal to the amount deferred by the employee. Several investment options are available, including Citicorp market value shares. The expense associated with the plan amounted to $88 million in 1991, $92 million in 1990, and $87 million in 1989.

Stock Incentive Plan

The 1988 Stock Incentive Plan (the "1988 Plan") provides for the issuance of options to purchase shares of Citicorp common stock or shares of Class B common stock at prices not less than 50% of the market value at the date of grant, incentive stock options, stock appreciation rights, restricted stock, or performance unit awards, any of which may be granted singly, in combination or in tandem.

Pursuant to the 1988 Plan, 1,479,594 shares of restricted stock and 477,040 restricted stock units, with an aggregate market value of approximately $27 million at the date of grant, were awarded during 1991 in lieu of cash compensation. Restricted stock units are a type of performance unit award granted pursuant to the 1988 Plan. These shares and units were awarded to a broad group of management employees contingent upon continued employment over periods of up to two years. In addition, 501,820 shares of unrestricted stock, which were not covered by the terms of the 1988 Plan, with an aggregate market value of approximately $7 million at the date of grant, were awarded to a broad group of management employees during 1991. These unrestricted shares were issued out of treasury stock and were recognized as expense on the date of grant.

In addition, pursuant to the 1988 Plan, 620,000 shares of restricted stock, with an aggregate market value of approximately $9 million at the date of grant, were awarded in 1991; 604,000 shares of restricted stock, with an aggregate market value of approximately $16 million at the date of grant, were awarded in 1990; and 85,000 shares of restricted stock, with an aggregate market value of approximately $2.4 million at the date of grant, were awarded in 1989. These shares were awarded to key executives contingent upon their continued employment over periods of up to nine years.

Neither the Chairman nor the President of Citicorp received a salary increase, bonus, or restricted stock grant based on 1991 or 1990 performance. However, in January 1992, the Chairman and President were granted 300,000 and 175,000 options, respectively, and two other Management Directors were granted a total of 350,000 options. The options, which were granted pursuant to the 1988 Plan, have a term of ten years and may be used to purchase market value shares at an exercise price of $14.25 per share. Half of each executive's options are exercisable three years after the date of grant, with the remainder exercisable four years after the date of grant.

The value of the restricted shares at the date of grant is recorded as a reduction of surplus and amortized to expense over the restriction period. The value of restricted stock units at the date of grant is accreted to surplus, with a corresponding charge to expense, over the restriction period and recorded as common stock at the end of the restriction period. The expense recognized for all awards amounted to $15.9 million in 1991, $3.3 million in 1990, and $1.2 million in 1989.

Under the 1988 Plan and the two predecessor plans — the 1983 Stock Option Plan (the "1983 Plan") and the 1973 Stock Option Plan, as extended and amended (the "1973 Plan") — options have been granted to key staff members for terms up to 10 years to purchase common stock at not less than the fair market value of the shares at the date of grant. Options previously granted under the 1983 Plan and the 1973 Plan do not fully expire until 1997 and 1992, respectively. No further options may be granted under these plans. Based on the terms of the options granted under the 1988 Plan, the 1983 Plan, and the 1973 Plan, 50% of the options granted are exercisable beginning on the first anniversary and 50% beginning on the second anniversary of the date of grant.

In addition, the 1983 Plan and 1973 Plan provided for the granting in tandem of options to purchase market value shares at not less than the market value at the date of grant or a proportionate number of book value shares at not less than the book value per share at the date of grant. Such a proportionate number of book value shares was determined based on the ratio of market value to book value per share at the date of grant.

In the captions "shares under option" and "options granted" in the accompanying table, options granted in tandem are included on the basis that represents the economically preferable alternative to the staff member.

At December 31, 1991 and 1990, options to purchase 21,997,513, and 19,776,508 shares, respectively, were exercisable, options to purchase 7,666,030 and 8,427,538 shares, respectively, were granted but not yet exercisable and 4,245,621, and 9,611,847 authorized but not issued shares, respectively, were available for the granting of options to purchase market value shares or for other forms of stock-related awards.

Additional shares may become available for grant under the 1988 Plan to the extent that presently outstanding options under the 1983 Plan and the 1973 Plan terminate or expire unexercised.

Changes in Options and Shares Under Option

Changes in Options and Shares Under Option	Number of Shares	Option Price per Share
Shares Under Option at		
December 31, 1991	29,663,543	$ 9 to $33
December 31, 1990	28,203,046	$14 to $33
Options Granted		
1991	5,364,700	$ 9 to $17
1990	5,750,500	$14 to $27
1989	6,506,585	$26 to $33
Options Exercised		
1991	619,234	$13 to $24
1990	945,110	$ 9 to $29
1989	4,661,264	$ 9 to $30
Options Expired or Terminated		
1991	2,379,940	$12 to $32
1990	820,575	$ 9 to $32
1989	599,826	$ 9 to $32

Stock Purchase Plan

The 1986 Stock Purchase Plan provides for two types of offerings: fixed-price offerings and periodic purchase offerings. On November 29, 1991, a fixed-price offering was made, in which all eligible staff members were permitted to enter into subscription agreements to purchase shares at the fair market value on the date of the agreements. Such shares can be purchased from time to time through December 31, 1993.

Agreements aggregating $221 million were entered into on November 29, 1991. Outstanding subscriptions, which aggregated $221 million at December 31, 1991, may be used for the purchase of shares at $10.625 per share. These subscription agreements, which expire on December 31, 1993, were not used to purchase any shares during 1991.

Agreements aggregating $178 million were entered into pursuant to a prior fixed-price offering on June 30, 1990. Outstanding subscriptions, which aggregated $45 million at December 31, 1991, may be used for the purchase of shares at $22.875 per share. Under these subscription agreements, which expire on March 31, 1992, no shares were purchased in 1991 and 2 shares were purchased in 1990.

Agreements for the purchase of shares at $24.75 per share were entered into pursuant to a prior fixed-price offering on June 30, 1988. Under the terms of the June 30, 1988 agreements, 113,047 shares were purchased in 1990, 1,221,479 shares were purchased in 1989, and 21,562 shares were purchased in 1988. These agreements expired on March 31, 1990.

Annual Performance Plan

Effective January 1, 1991, Citicorp's Board of Directors approved a new Annual Performance Plan, pursuant to which cash awards may be granted to key staff members who have a significant impact on the success of Citicorp. Such cash awards may be paid either in one installment or on a deferred basis. The aggregate expense recognized for awards was approximately $2 million in 1991.

Executive Incentive Compensation Plan

Under the Executive Incentive Compensation Plan, awards in cash or in market value shares were made to key staff members, payable at the election of the participants, in one installment or on a deferred basis.

Under the Executive Incentive Compensation Plan, no awards have been made since 1989. For 1989, the aggregate amount of the awards was approximately $25 million.

Restricted Stock Plan

Under the Restricted Stock Plan, awards of market value shares are granted to key executives, contingent upon their continued employment, over a restriction period not to exceed ten years. The value of shares at the date of grant is amortized to expense over the restriction period. No shares have been awarded since 1988 and on December 31, 1990 the Restricted Stock Plan was terminated. The expense recognized for the amortization of prior awards was $0.7 million in 1991, $0.9 million in 1990, and $0.9 million in 1989.

15. INCOME TAXES

In Millions of Dollars	1991	1990	1989
Provision for Taxes on Income	$677	$508	$1,035
Income Tax Expense (Benefits) Related to Foreign Currency Translation Reported in Stockholders' Equity	15	18	(4)
	$692	$526	$1,031
Tax Effects Attributable to Cumulative Effects of Accounting Changes (Note 20)	14	10	—
Total Income Taxes	$706	$536	$1,031

Accounting rules limit the extent to which future tax benefits can be recognized in the financial statements. Due to these limitations, $340 million of U.S. Federal tax benefits generated during 1991 were not recognized in the financial statements, and approximately $1.1 billion (at current statutory rates) of tax benefits generated in prior years also remain unrecognized. The total of approximately $1.4 billion of unrecognized tax benefits are available to offset U.S. Federal income taxes that would otherwise be provided in Citicorp's financial statements in future years.

For tax return purposes, Citicorp has approximately $330 million of foreign tax credit carryforwards which, if unused, would expire in 1996. In addition, Citicorp has approximately $100 million of minimum tax credit carryforwards which may be carried forward indefinitely.

Components of Total Income Taxes

In Millions of Dollars	1991	1990	1989
U.S.			
Current			
U.S. Federal	$ (60)	$(140)	$ 128
State and Local	56	47	71
	$ (4)	$ (93)	$ 199
Deferred			
U.S. Federal	$177	$ 247	$ 21
State and Local	22	39	20
	$199	$ 286	$ 41
Total U.S.	$195	$ 193	$ 240
Foreign (Substantially current)	497	333	791
	$692	$ 526	$1,031
Tax Effects Attributable to Cumulative Effects of Accounting Changes (Note 20)	14	10	—
Total Income Taxes	$706	$ 536	$1,031

Although not affecting total income taxes, current income tax payments may differ from the amounts shown as current as a result of the final determination as to the timing of certain deductions and credits. Reclassifications have been made between current and deferred tax expense for 1990 and 1989 to reflect the tax returns as filed.

Within the total provision, the tax effect of investment securities transactions amounted to a provision of $112 million in 1991, $20 million in 1990, and $62 million in 1989.

As a U.S. corporation, Citicorp is subject to U.S. taxation currently on all of its foreign pre-tax earnings if earned by a foreign branch or when earnings are effectively repatriated if earned by a foreign subsidiary or affiliate. In addition, certain of Citicorp's U.S. income is subject to foreign income tax where the payor of such income is domiciled overseas. For purposes of disclosure under rules of the Securities and Exchange Commission, foreign pre-tax earnings approximated $1,107 million in 1991, $908 million in 1990, and $427 million in 1989.

Deferred taxes result from differences in the timing of the recognition of revenue and expense for tax and financial accounting purposes. The following table presents the components of deferred taxes by type of timing difference:

Components of Deferred Taxes

In Millions of Dollars	1991	1990	1989
Lease Financing Transactions	$ 98	$136	$ 98
Credit Loss Deduction	315	1	(226)
Interest Income	(142)	(62)	(18)
U.S. Taxes on Overseas Income	(543)	140	(225)
Mortgage Pass-Through Sales	26	83	47
Derivative Products	236	(67)	28
Minimum Tax Credit	(100)	—	—
Tax Benefits Not Recognized	340	106	301
Other	(31)	(32)	36
Total	$ 199	$286	$ 41

The following table reconciles the income tax provision (benefit) on income (loss) before taxes and cumulative effects of accounting changes, computed at the applicable U.S. federal statutory tax rate to the provision for taxes on income:

Reconciliation of Statutory Tax to Tax Expense

In Millions of Dollars	1991	1990	1989
Statutory U.S. Federal Tax Expense (Benefit)	$ (81)	$281	$ 521
Increase (Reduction) in Taxes Resulting from:			
Tax-Exempt Interest Income	(25)	(31)	(38)
State and Local Income Taxes, Net of U.S. Federal Income Tax Benefit	52	57	60
Goodwill	154	26	31
Taxes on Income of Overseas Operations	219	82	126
Other	18	(13)	34
	$337	$402	$ 734
Tax Benefits Not Recognized	340	106	301
Provision for Taxes on Income	$677	$508	$1,035

The Financial Accounting Standards Board (FASB) has issued a new standard that will significantly change the accounting for income taxes. Refer to Note 21 to the financial statements for a discussion of the new standard.

18. EARNINGS (LOSS) PER SHARE

The accompanying table shows the calculation of earnings (loss) per share on common and common equivalent shares for income (loss) before cumulative effects of accounting changes and net income (loss) after deduction of dividends on redeemable preferred stock and preferred stock. Common equivalent shares are not included in the 1991 loss per share calculation because they would be anti-dilutive. Shares issuable under stock option grants, which give staff members the alternative to purchase either market value or book value shares, are either included as common equivalent shares or enter into the earnings per share calculation according to the two-class method based upon the economically preferable alternative to staff members, as further described in the Statement of Accounting Policies.

Fully diluted earnings per share, assuming conversion of all outstanding convertible notes and the maximum dilutive effect of common equivalent shares, have not been presented because the effects are not material and, for 1991, would be anti-dilutive. The fully diluted earnings per share computation would entail adding the number of shares issuable on conversion of the notes (0.1 million in 1990 and 1989) and the additional common stock equivalents and issuable book value shares (0.9 million in 1990 and 0.1 million in 1989) to the number of shares included in the earnings (loss) per share calculation (resulting in a total of 340.0 million shares in 1990 and 332.7 million shares in 1989) and eliminating the after-tax interest expense related to the conversion of the notes ($0.1 million in 1990 and 1989).

Calculation of Earnings (Loss) Per Share

In Millions Except Per Share Amounts	1991	1990	1989
Income (Loss) Available for Common Stockholders, Adjusted[1]			
a. Distributed Portion—Dividends	$ 256	$ 572	$ 510
b. Undistributed Portion Before Cumulative Effects of Accounting Changes	(1,362)	(392)	(135)
Income (Loss) Available for Common Stockholders Before Cumulative Effects of Accounting Changes	$(1,106)	$ 180	$ 375
c. Cumulative Effects of Accounting Changes[2]	457	140	—
Total	$ (649)	$ 320	$ 375
Shares			
Weighted-Average Common Shares Outstanding—Market Value	341.8	328.1	316.2
Weighted-Average Common Shares Outstanding—Book Value	1.3	1.9	5.7
Common Equivalent Shares[3]	—	1.1	4.1
d. Shares Applicable to Distributed Portion	343.1	331.1	326.0
Book Value Shares Issuable Under Stock Option and the Executive Incentive Compensation Plans[3]	—	7.9	6.5
e. Shares Applicable to Undistributed Portion	343.1	339.0	332.5
Earnings (Loss) Per Share			
a ÷ d Distributed Portion	$ .75	$1.73	$1.57
b ÷ e Undistributed Portion Before Cumulative Effects of Accounting Changes	(3.97)	(1.16)	(.41)
Income (Loss) Before Cumulative Effects of Accounting Changes	$ (3.22)	$ .57	$1.16
c ÷ e Cumulative Effects of Accounting Changes	1.33	.42	—
Net Income (Loss)	$ (1.89)	$ .99	$1.16

(1) For purposes of calculating earnings (loss) per share, income (loss) available for common stockholders is adjusted for a pro-rata portion of undeclared dividends on cumulative preferred stock and, unless anti-dilutive, for the after-tax dividend equivalents on shares issuable under the Executive Incentive Compensation Plan.
(2) Refer to footnote 20 for discussion of accounting changes.
(3) Common equivalent shares represent shares issuable under the Executive Incentive Compensation Plan and the dilutive effect of market value shares issuable under Stock Option and Stock Purchase Plans computed using the treasury stock method.

17. GEOGRAPHIC DISTRIBUTION OF REVENUE, EARNINGS (LOSS), AND ASSETS

Citicorp attributes total revenue, income (loss) before taxes and cumulative effects of accounting changes, net income (loss), and average total assets to operations based on the domicile of the customer. U.S. possessions are included in their respective geographic areas.

Because of the integration of global activities, it is not practicable to make a precise separation, and various assumptions must be made in arriving at allocations and adjustments used in presenting this data.

The principal allocations and adjustments are: (1) charges for all funds employed that are not generated locally, calculated on the amount and nature of the assets and based on a marginal cost of funds concept; Citicorp stockholders' equity is treated as generated and earned based on each area's percentage of total assets; (2) allocation of expenses incurred by one area on behalf of another, including administrative costs, based on methods intended to reflect services provided; (3) allocation of tax expenses and benefits; (4) allocation of the difference between actual net credit losses and the provision for credit losses; and (5) allocation of corporate staff costs (other than those charged to the core businesses) and other corporate items.

No portion of Citicorp's allowance for credit losses is specifically allocated or restricted to any individual loan or group of loans, and the entire allowance is available to absorb any and all credit losses. For the purpose of calculating the accompanying geographic data, the amounts attributable to foreign operations are based upon year-end allowance amounts of $1,041 million for 1991, $2,932 million for 1990, and $3,792 million for 1989, and credit loss provision amounts of $663 million for 1991, $571 million for 1990, and $1,202 million for 1989.

Geographic Distribution of Revenue, Earnings (Loss), and Assets

In Millions of Dollars	Total Revenue(1)			Income (Loss) Before Taxes and Cumulative Effects of Accounting Changes			Net Income (Loss)			Average Total Assets		
	1991	1990	1989	1991	1990	1989	1991	1990	1989	1991	1990	1989
North America(2)	$ 8,736	$ 9,055	$ 8,747	$(1,250)(4)	$315(5)	$1,531(3)	$(885)	$230	$965	$131,416	$137,730	$138,815
Caribbean, Central and South America	1,335	823	1,033	555	(8)	(457)	317	(109)	(712)	15,988	15,726	16,572
Europe, Middle East, and Africa	2,993	3,137	2,495	218	297	(61)	132	212	(117)	41,462	48,224	41,325
Asia/Pacific	1,686	1,572	1,477	240	222	520	(21)	125	362	33,031	30,108	24,290
Total	$14,750	$14,587	$13,752	$ (237)	$826	$1,533	$(457)(4)	$458(5)	$498	$221,897	$231,788	$221,002

(1) Includes net interest revenue and fees, commissions, and other revenue.
(2) Includes amounts attributed to United States operations (in 1991, 1990, and 1989 respectively) as follows: total revenue, $8,552 million, $8,901 million, and $8,389 million; income (loss) before taxes and cumulative effects of accounting changes, $(1,285) million, $265 million, and $1,458 million; net income (loss), $(894) million, $203 million, and $914 million; and average total assets, $125,970 million, $132,781 million, and $133,834 million.
(3) Includes approximately $71 million in 1991, $149 million in 1990, and $204 million in 1989 of tax-exempt income, reducing the federal income tax provision attributed to the United States.
(4) The 1991 results include the $457 million cumulative effect of the accounting change for venture capital, all of which is attributed to United States operations.
(5) The 1990 results include the $149 million cumulative effect of the accounting change for certain derivative products, of which $63 million is attributed to North America, $62 million to Asia/Pacific, and $24 million to Europe, Middle East, and Africa.

18. FINANCIAL INSTRUMENTS

As a global financial services institution, Citicorp enters into a variety of financial transactions with a diverse group of U.S. and foreign corporations, governments, institutional investors, and individual consumers. The various financial products used in these transactions were developed in response to the growing sophistication of the financial markets and are designed to provide customers with credit enhancements as well as flexible ways to manage liquidity needs, funding costs, and foreign exchange exposure. Many of these products do not necessarily entail present or future funded asset or liability positions but are instead in the nature of executory contracts.

Financial instrument transactions are subject to Citicorp's normal stringent credit standards, financial controls, and risk-limiting and monitoring procedures. Collateral requirements are made on a case-by-case evaluation of each customer and product. Collateral held varies but may include cash, securities, receivables, real estate, and other assets.

As described in the Statement of Accounting Policies, credit risk on these products is taken into consideration in determining the allowance for credit losses. No portion of the allowance is specifically allocated to these products.

Following are discussions of certain significant products, with indications of gross volumes.

Loan Commitments

Citicorp and its subsidiaries had outstanding unused commitments to make or purchase loans, to purchase third-party receivables, to provide note issuance facilities or revolving underwriting facilities, to extend credit in the form of lease financing or to extend check credit and related plans to consumers of $57.4 billion at December 31, 1991 and $61.0 billion at December 31, 1990. The majority of these commitments are at a floating interest rate. In addition, there were $58.0 billion and $55.6 billion of unused commitments to extend credit to consumers in the form of retail credit cards at December 31, 1991 and December 31, 1990, respectively. The majority of these commitments are contingent upon customers maintaining specific credit standards.

Commercial commitments generally have fixed expiration dates and may require payment of fees. Such fees (net of certain direct costs) are deferred and, upon exercise of the commitment, amortized over the life of the loan or, if exercise is deemed remote, amortized over the commitment period.

Loans Sold With Recourse

Citicorp and its subsidiaries are obligated under various recourse provisions related to the sales of loans or sales of participations in pools of loans. Total loans sold with recourse, except sales of participations in pools of credit card receivables and mortgage loans securitized under Government National Mortgage Association (GNMA) agreements, which are described below, totaled $38.7 billion and $36.5 billion at December 31, 1991 and 1990, respectively. The maximum obligation under recourse provisions on these sold loans was approximately $12.5 billion and $14.8 billion at December 31, 1991 and 1990, respectively. Of these amounts, approximately 98% at December 31, 1991 and 90% at December 31, 1990 related to sales of residential mortgages. The net increase in total loans sold with recourse during 1991 of $2.2 billion primarily represents an increase in the level of U.S. residential mortgages sold. Citicorp's contractual obligations under recourse provisions for 1990 and 1991 sales are significantly lower than for prior years' transactions. Citicorp also has secondary recourse obligations under sale/servicing agreements with GNMA covering approximately $7.2 billion of residential mortgages at December 31, 1991 and $8.0 billion at December 31, 1990.

Certain Citicorp subsidiaries are also obligated under recourse provisions related to the sale of participations in pools of credit card receivables of $21.1 billion at December 31, 1991 and $16.3 billion at December 31, 1990. Excess servicing fees are earned over the life of each sale transaction. The excess servicing fee represents the gain on sale and is based upon the difference between finance charges received from cardholders less the yield paid to investors, transaction costs, credit losses, and a normal servicing fee, which is also retained by certain Citicorp subsidiaries as servicers. As specified in each sale agreement, the excess servicing fee earned each month is deposited in an escrow account, up to a predetermined maximum amount, and is available to absorb additional credit losses over the remaining term of each sale transaction. When the escrow account is at its maximum amount, excess servicing fees are passed directly to the Citicorp subsidiary that sold the receivables and are no longer available to absorb future credit losses. The amount available in the escrow account to absorb credit losses is included in other assets and was approximately $590 million at December 31, 1991 and approximately $417 million at December 31, 1990.

Citicorp maintains reserves outside of the allowance for credit losses relating to asset securitization programs discussed above. These reserves totaled $354 million at December 31, 1991 and $172 million at December 31, 1990.

Standby Letters of Credit

In Millions of Dollars at Year End	Expire Within 1 Year	After 1 but Within 5 Years	After 5 Years	Percentage Collateralized	1991 Amount Outstanding	1990 Amount Outstanding
Type						
Bid Guarantee, Performance	$ 4,546	$1,922	$ 513	10.82%	$ 6,981	$ 4,228
Clean Payment	715	174	155	12.55%	1,044	2,598
Options, Purchased Securities, Escrow	1,682	49	237	17.58%	1,968	1,750
Insurance, Surety	6,391	675	317	19.57%	7,383	7,686
Backstop State, County, and Municipal Securities	140	405	936	0.27%	1,481	1,182
All Other Debt Related	4,019	3,360	2,830	18.58%	10,209	9,434
Total	$17,493	$6,585	$4,988	15.75%	$29,066	$26,878

Standby letters of credit are used in various transactions to enhance the credit standing of Citibank customers. Standby letters of credit are irrevocable assurances that Citibank will make payment in the event that a Citibank customer cannot perform its obligations to third parties.

Citibank issues standby letters of credit on behalf of its customers for five primary purposes: to ensure contract performance and irrevocably assure payment by the customer under supply, service, and maintenance contracts or construction projects; to provide a payment mechanism for a customer's third-party obligations; to act as a substitute for an escrow account; to assure payment by a foreign reinsurer to a U.S. insurer; and to assure payment of specified financial obligations of a customer. Fees are recognized ratably over the term of the standby letter of credit.

Insurance Activities

During 1991, Citicorp sold common shares representing a 50.3% equity interest in its wholly owned subsidiary AMBAC Inc. (AMBAC), through an initial public offering. AMBAC provides default insurance on bonds issued by states and municipalities in the United States, through its wholly owned subsidiary AMBAC Indemnity Corporation.

Capital Markets Assurance Corporation (CapMAC), a wholly owned indirect subsidiary of Citicorp, insures the timely payment of principal and interest for issuers of corporate bonds, debentures, notes, asset-backed financings, and other taxable obligations. In addition, CapMAC may underwrite or reinsure financial guarantee insurance for tax-exempt securities. The principal amount of insurance in force retained by CapMAC was $3.8 billion at December 31, 1991 and $2.9 billion at December 31, 1990.

Interest Rate and Foreign Exchange Products

Citicorp offers interest rate and foreign exchange futures, forwards, options, and swaps, which enable customers to transfer, modify, or reduce their interest rate and foreign exchange risks. Futures and forward contracts are commitments to buy or sell at a future date a financial instrument or currency at a contracted price, and may be settled in cash or through delivery. Swap contracts are commitments to settle in cash at a future date or dates, based on differentials between specified financial indices, as applied to a notional principal amount. Option contracts give the acquirer, for a fee, the right but not the obligation to buy or sell within a limited time a financial instrument or currency at a contracted price that may also be settled in cash, based on differentials between specified indices.

In most cases, Citicorp manages the exposures related to these products as part of its overall interest rate and foreign exchange trading activities, which include both funded (asset and liability) and non-funded positions. For example, Citicorp may hold a security in its trading portfolio and at the same time have futures contracts to sell that security. The losses on one position may substantially offset gains on the other position. Citicorp also uses these products to reduce exposure outside the trading portfolios as hedges of interest rate and foreign exchange positions.

The price and credit risks inherent in traditional banking services are also present in these specialized financial products, as are the various operating risks that exist in all financial activities.

Price risk is the exposure created by fluctuations in interest and foreign exchange rates, and is a function of the type of product, the volume of the transaction, the tenor and terms of the agreement, and the volatility of the underlying interest rate or exchange rate. Price risk is affected by the mix of the aggregate portfolio and the extent to which positions have offsetting exposures. The price risk of an interest rate swap, for example, will be reduced by the presence of securities, financial futures, or other interest rate swap positions with offsetting exposure. Citicorp manages its trading activities in these specialized financial products on a market value basis that recognizes in earnings the gains or losses resulting from changes in market interest or exchange rates. Trading limits and monitoring procedures are used to control the overall exposure to price risk

Citicorp uses a variety of techniques to measure and manage its risk exposure in interest and foreign exchange rates. While the complexity of Citicorp's operations necessitates customized risk management techniques for the various businesses it engages in, the monitoring procedures generally entail an objective measurement system, various risk limits at appropriate control levels, and timely reports to line and senior management in accordance with prescribed policy. These comprehensive techniques enable Citicorp to prudently manage the maximum and probable impacts of price risk on its projected earnings based on historical and current implied interest and foreign exchange rate volatilities.

Credit risk is the exposure to loss in the event of non-performance by the other party to a transaction and is a function of the ability of the counterparty to honor its obligations to Citicorp.

For these specialized financial products, the amount due from or due to the counterparty will change as a result of movement in market rates, and the amount subject to credit risk is limited to this fluctuating amount. Credit risk is controlled through credit approvals, limits, and monitoring procedures, and the recognition in earnings of unrealized gains on these transactions is dependent on management's assessment as to collectibility.

Citicorp has a significant presence in the interest rate and foreign exchange markets. The following table presents the aggregate notional principal amount of Citicorp's outstanding interest rate and foreign exchange contracts at December 31, 1991 and 1990:

	Interest Rate Products		Foreign Exchange Products	
In Billions of Dollars at Year End	1991	1990	1991	1990
Futures Contracts	$ 57.0	$ 35.8	$ 0.1	$ 0.1
Forward Contracts	127.1	115.5	584.7	570.9
Swap Agreements	206.2	222.0	50.8	58.1
Purchased Options	53.7	65.0	40.7	42.1
Written Options	55.7	61.6	40.2	51.1

Notional principal amounts are often used to express the volume of these transactions and do not reflect the extent to which positions may offset one another. These amounts do not represent the much smaller amounts potentially subject to risk.

Citicorp's credit exposure related to interest rate and foreign exchange products can be estimated by calculating the present value of the cost of replacing at current market rates all outstanding contracts; this estimate does not consider the impact that future changes in interest and foreign exchange rates would have on such costs. The gross aggregate unrealized gains based on current market values were $6.4 billion and $5.3 billion for all interest rate contracts and $23.2 billion and $19.2 billion for all foreign exchange contracts at December 31, 1991 and December 31, 1990, respectively. Credit losses related to these interest rate and foreign exchange products have not been material, however, there can be no assurance that this experience will continue in the future.

Concentrations of Credit Risk

Concentrations of credit risk exist when changes in economic, industry or geographic factors similarly affect groups of counterparties whose aggregate credit exposure is material in relation to Citicorp's total credit exposure. Although Citicorp's portfolio of financial instruments is broadly diversified along industry and geographic lines, material transactions are completed with other financial institutions, particularly in the securities trading, interest rate, and foreign exchange business. Additionally, U.S. commercial real estate, U.S. mortgages, U.S. credit card receivables, leveraged acquisition finance and refinancing countries represent areas of significant credit exposures.

19. COMMITMENTS AND CONTINGENT LIABILITIES

Citicorp and its subsidiaries are obligated under a number of non-cancelable leases for premises and equipment. Minimum rental commitments on non-cancelable leases are in the aggregate $2,468 million, and for each of the five years subsequent to December 31, 1991, are $439 million (1992), $346 million (1993), $285 million (1994), $238 million (1995), and $196 million (1996). The minimum rental commitments do not include minimum sublease rentals under non-cancelable subleases of $98 million. Most of the leases have renewal or purchase options and escalation clauses. Rental expense was $555 million in 1991 net of $36 million sublease rental income, $572 million in 1990 net of $37 million sublease rental income, and $532 million in 1989 net of $49 million sublease rental income.

At December 31, 1991, certain investment securities, trading account assets, and other assets with a carrying value of $10,029 million were pledged as collateral for borrowings, to secure public and trust deposits, and for other purposes.

Various legal proceedings are pending against Citicorp and its subsidiaries. Citicorp management considers that the aggregate liability, if any, resulting from these proceedings will not be material.

20. ACCOUNTING CHANGES

During the third quarter of 1991 Citicorp changed, effective January 1, 1991, its accounting practice for investments of its venture capital subsidiaries. Under the new accounting practice, these investments are carried at fair value, with changes in fair value recognized in earnings. Previously, these investments were carried at the lower of aggregate cost or fair value. The new accounting practice more properly reflects the business objective of Citicorp's venture capital activities, which is to achieve returns through the appreciation in value of these investments, and conforms to the preferable accounting practice for venture capital activities.

The new accounting practice applies to Citicorp's venture capital subsidiaries, which include subsidiaries registered as Small Business Investment Companies (SBIC) and those other subsidiaries which engage exclusively in venture capital activities. The fair value of publicly traded securities held by venture capital subsidiaries is generally based upon quoted market prices. In certain situations, including thinly traded securities, large block holdings, restricted shares or other special situations, the quoted market price is adjusted in good faith to produce an estimate of the attainable fair value for the securities. For securities that are not publicly traded, good faith estimates of fair value have been made for each venture capital investment based upon review of the investee's financial results, condition and prospects. Although the nature of venture capital activities may result in situations where Citicorp has a greater than 20% voting interest, equity method accounting rules do not apply to venture capital companies.

The cumulative effect of the accounting change is reported separately on the Consolidated Statement of Operations, net of related compensation and income tax expense. The income tax effects include the financial recognition of U.S. federal tax benefits which offset the federal tax expense that would otherwise have been provided.

During the fourth quarter 1990, Citicorp changed, effective January 1, 1990, its accounting practice for certain interest rate and foreign exchange related derivative products to conform with prevalent accounting practices in the financial services industry. This change enhances the comparability of Citicorp's financial statements with the financial statements of other financial institutions. Under the new practice, Citicorp defers at the inception of each contract the portion of the initial market value attributable to ongoing servicing and operational costs and amortizes this amount into trading account or foreign exchange revenue over the life of the contract. Previously, the full trading spread included within the initial market valuation was deferred and amortized over the life of the contract. Credit risk continues to be controlled through credit approvals, limits, and monitoring procedures, with the recognition in earnings of unrealized gains dependent on management's assessment as to their collectibility.

The cumulative effect of the 1990 accounting change for certain derivative products is reported separately on the Consolidated Statement of Operations, net of income taxes. The income tax effects include the financial recognition of U.S. federal tax benefits which offset the federal tax expense that would otherwise have been provided.

21. FUTURE IMPACT OF RECENTLY ISSUED ACCOUNTING STANDARDS

In December 1990, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 106, "Employer's Accounting for Postretirement Benefits Other Than Pensions," which must be adopted by 1993 for U.S. plans. Under SFAS No. 106, employers must recognize the cost of certain postretirement benefits during the periods employees render service, with all such costs being recognized by the full eligibility date. Citicorp currently recognizes these costs on a cash basis. Citicorp expects to adopt SFAS No. 106 on a prospective basis effective in 1993. Based on current benefit plans, Citicorp preliminarily estimates that the transition obligation upon adoption of SFAS No. 106 for its U.S. employees on January 1, 1993 will be approximately $500 million, which will be amortized over 20 years, and that the incremental pre-tax expense will be approximately $70 million in 1993, including amortization of the transition obligation.

In February 1992, the FASB issued SFAS No. 109, "Accounting for Income Taxes," which supersedes Accounting Principles Board Opinion No. 11 (APB No. 11) and its replacement, SFAS No. 96. The new standard significantly changes the method of accounting for income taxes for financial statement purposes, without affecting the actual cash tax liability. Under the new standard, income taxes are recognized for the tax consequences of all events that have been recognized in the financial statements, calculated based on provisions of enacted tax laws, including the tax rates in effect for current or future years. Deferred tax assets are recognized subject to an assessment as to future realizability. The new standard will be effective for 1993 reporting, with earlier adoption permitted. Citicorp continues to apply the provisions of APB No. 11 in its 1991 financial statements. When adopted, the new standard is expected to have an overall favorable impact on Citicorp by permitting earlier financial recognition of deferred tax assets that are likely to be realized in future periods. Citicorp is currently evaluating the potential earnings and capital effects of the new standard, together with the timing for adoption.

The FASB expects to release an Interpretation on offsetting of amounts related to certain contracts in the first quarter of 1992, with implementation required for years beginning after December 15, 1993. This accounting rule relates to the balance sheet reporting of gains and losses related to derivative products, including swaps and foreign exchange contracts. It will require the reporting of gross unrealized gains as assets and gross unrealized losses as liabilities. The Interpretation will permit the netting of unrealized amounts by counterparty when master netting agreements have been executed. Citicorp currently reports these unrealized gains and losses related to derivative contracts on a net portfolio basis, which is industry practice. See Note 18 to the financial statements for additional information on derivative products.

22. STOCKHOLDER'S EQUITY OF CITIBANK, N.A.

Authorized capital stock of Citibank was 40 million shares at December 31, 1991, 1990, and 1989.

Changes in Stockholder's Equity

In Millions of Dollars	1991	1990	1989
Balance at Beginning of Year	$8,263	$7,628	$8,168
Additions			
Net Income (Loss)	$ (470)	$ 7	$ 222
Contribution from Parent Company	54	726	1
Other Additions	48	16	14
	$ (368)	$ 749	$ 237
Deductions			
Cash Dividends Declared	$ —	$ —	$ 750
Foreign Currency Translation	49	81	35
Net Write-off (Amortization) of Intangibles Associated with Acquisition and Disposition of Subsidiaries and Affiliates	(99)	30	(8)
Other Deductions	—	3	—
	$ (50)	$ 114	$ 777
Balance at End of Year	$7,945	$8,263	$7,628

Citibank's net loss for 1991 reflected restructuring charges offset by its share of the cumulative effect of the accounting change for investments held by its venture capital subsidiaries. During the year, Citibank sold a venture capital subsidiary to Citicorp at fair value.

Citibank's net income for 1990 was affected by restructuring charges offset by the cumulative effect of the accounting change for certain derivative products and the earnings of a contributed operating subsidiary.

Citibank charges retained earnings with the amount of goodwill associated with investments by Citibank in subsidiaries and affiliates to the extent that the investment exceeded the fair market value of identifiable net assets at the time of acquisition. In accordance with generally accepted accounting principles, such charges are not reflected in the Citicorp financial statements, and the related amounts, net of amortization, aggregating $171 million, $350 million, and $302 million, at December 31, 1991, 1990, and 1989, respectively, are included in other assets in the Citicorp consolidated balance sheet. Citicorp's equity investment in Citibank amounted to $8,116 million, $8,613 million, and $7,930 million at December 31, 1991, 1990, and 1989, respectively.

23. CITICORP (PARENT COMPANY ONLY)

Condensed Statement of Operations

In Millions of Dollars	1991	1990	1989
Revenue			
Dividends from Subsidiary Bank	$ —	$ —	$ 750
Dividends from Subsidiaries Other Than Banks	857	1,215	375
Interest from Subsidiaries	907	1,630	2,354
Other Revenue[1]	285	72	77
	$2,049	$2,917	$3,556
Expense			
Interest on Other Borrowed Funds	$ 105	$ 642	$1,208
Interest and Fees Paid to Subsidiaries	226	165	206
Interest on Long-Term Debt and Subordinated Capital Notes[2]	1,275	1,454	1,577
Other Expense	13	19	29
	$1,619	$2,280	$3,020
Income Before Taxes and Equity in Undistributed (Loss) of Subsidiaries	$ 430	$ 637	$ 536
Income Tax Benefit—Current	146	211	232
Equity in Undistributed (Loss) of Subsidiaries, Before Cumulative Effects of Accounting Changes	(1,490)	(530)	(270)
Income (Loss) Before Cumulative Effects of Accounting Changes	$ (914)	$ 318	$ 498
Equity in Cumulative Effects of Accounting Changes of Subsidiaries	457	140	—
Net Income (Loss)	$ (457)	$ 458	$ 498

(1) Includes net investment securities gains (losses) of $222 million, $(1) million and $15 million in 1991, 1990 and 1989, respectively.
(2) Includes interest on long-term debt of $1,154 million, $1,312 million, and $1,425 million, in 1991, 1990, and 1989, respectively.

There are various legal limitations on the extent to which Citicorp's banking subsidiaries may extend credit, pay dividends or otherwise supply funds to Citicorp. The approval of the Office of the Comptroller of the Currency is required if total dividends declared by a national bank in any calendar year exceed net profits (as defined) for that year combined with its retained net profits for the preceding two years. State-chartered bank subsidiaries are subject to dividend limitations imposed by applicable state law. Under the formulas that apply to Citicorp's national and state-chartered banking subsidiaries (which at December 31, 1991 had combined net assets of approximately $12.3 billion), such bank subsidiaries can declare dividends in 1992 without regulatory approval of approximately $900 million, adjusted by an amount equal to their net income (or net loss) for 1992 up to the date of any such dividend declaration. In determining whether, and to what extent, to pay dividends, each bank subsidiary also must consider the effect of applicable risk-based capital guidelines and leverage limitations. Citicorp's bank subsidiaries could currently pay substantially all of such dividends (i.e., approximately $875 million) with each contributing subsidiary remaining in compliance with final 1992 guidelines for Tier 1 and combined Tier 1 and Tier 2 capital ratios. Citicorp also derives dividends from its non-bank subsidiaries, including the holding company that owns many of Citicorp's domestic banks. These subsidiaries are generally not subject to regulatory restrictions on their payment of dividends to Citicorp.

Condensed Balance Sheet

Citicorp (Parent Company Only)

In Millions of Dollars	December 31 1991	December 31 1990
Assets		
Deposits with Subsidiary Banks, Principally Interest-Bearing	$ 2,348	$ 667
Investment Securities (Market value $1,173 in 1991 and $1,292 in 1990)	1,126	1,312
Investments in and Advances to Subsidiaries Other Than Banks	10,764	16,634
Investments in and Advances to Citibank, N.A. and Other Subsidiary Banks	12,405	13,018
Securities Purchased Under Resale Agreements	781	—
Other Assets	382	372
Total	$27,806	$32,003
Liabilities and Stockholders' Equity		
Purchased Funds and Other Borrowings	$ 1,810	$ 5,057
Advance from Subsidiaries	441	348
Other Liabilities	1,173	1,195
Long-Term Debt, Subordinated Capital Notes, and Redeemable Preferred Stock (Notes 8, 9, and 10)	14,893	15,673
Stockholders' Equity	9,489	9,730
Total	$27,806	$32,003

CONDENSED STATEMENT OF CASH FLOWS

Citicorp (Parent Company Only)

In Millions of Dollars	1991	1990	1989
Cash Flows from Operating Activities			
Net Income (Loss)	$ (457)	$ 458	$ 498
Adjustments to Reconcile Net Income (Loss) to Net Cash Provided by Operating Activities:			
Equity in Undistributed Loss of Subsidiaries, Before Cumulative Effects of Accounting Changes	$ 1,490	$ 530	$ 270
Equity in Cumulative Effects of Accounting Changes of Subsidiaries	(457)	(140)	—
Net Change in Other Assets	(10)	264	102
Net Change in Other Liabilities	(22)	(150)	(125)
Other, Net	(98)	66	(204)
Total Adjustments	$ 903	$ 570	$ 43
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 446	$ 1,028	$ 541
Cash Flows from Investing Activities			
Purchases of Investment Securities	$ (5,073)	$ (392)	$ (745)
Proceeds from Sale of Investment Securities	2,637	220	581
Maturities of Investment Securities	2,796	68	—
Net (Increase) in Securities Purchased Under Resale Agreements	(781)	—	—
Investments in and Advances to Subsidiaries	(317,121)	(410,037)	(529,379)
Repayment of Advances to Subsidiaries	322,180	417,149	531,478
Proceeds from Sale of Subsidiary	49	—	—
NET CASH PROVIDED BY INVESTING ACTIVITIES	$ 4,987	$ 7,008	$ 1,935
Cash Flows from Financing Activities			
Proceeds from Purchased Funds and Other Borrowings	$ 107,855	$ 228,774	$ 441,277
Repayments of Purchased Funds and Other Borrowings	(111,106)	(234,628)	(448,063)
Proceeds from Advances from Subsidiaries	52,396	12,743	8,786
Repayment of Advances from Subsidiaries	(52,303)	(12,799)	(9,255)
Proceeds from Issuance of Long-Term Debt	2,528	1,356	2,346
Repayment of Long-Term Debt and Retirement of Redeemable Preferred Stock	(3,340)	(3,056)	(2,550)
Proceeds from Issuance of Preferred Stock	1,222	—	244
Redemption and Repurchase of Preferred Stock	(650)	(300)	—
Proceeds from Issuance of Common Stock	81	176	115
Dividends Paid	(435)	(714)	(631)
NET CASH USED IN FINANCING ACTIVITIES	$ (3,752)	$ (8,448)	$ (4,731)
Net Increase (Decrease) in Deposits with Subsidiary Banks	$ 1,681	$ (412)	$ (2,252)
Deposits with Subsidiary Banks at Beginning of Year	667	1,079	3,331
DEPOSITS WITH SUBSIDIARY BANKS AT END OF YEAR	$ 2,348	$ 667	$ 1,079
Supplemental Disclosure of Cash Flow Information			
Cash Paid During the Year for:			
Interest	$ 1,511	$ 2,226	$ 2,951
Income Taxes	$ 54	$ 163	$ 156

(1) Reclassified to conform to current year's presentation

QUARTERLY FINANCIAL INFORMATION

Citicorp and Subsidiaries

In Millions of Dollars Except Per Share Amounts	1991 4th	1991 3rd	1991 2nd	1991 1st	1990 4th	1990 3rd	1990 2nd	1990 1st
Net Interest Revenue	$ 1,771	$ 1,918	$ 1,816	$ 1,760	$ 1,762	$ 1,814	$ 1,824	$ 1,786
Fees, Commissions, and Other Revenue	2,062	1,766	1,869	1,788	2,055	1,935	1,730	1,682
Total Revenue	$ 3,833	$ 3,684	$ 3,685	$ 3,548	$ 3,817	$ 3,749	$ 3,554	$ 3,467
Provision for Credit Losses	$ 1,153	$ 896	$ 1,029	$ 812	$ 979	$ 640	$ 473	$ 570
Operating Expense	2,655	3,374	2,549	2,519	3,205	2,728	2,062	2,504
Income (Loss) Before Taxes and Cumulative Effects of Accounting Changes	$ 25	$ (586)	$ 107	$ 217	$ (367)	$ 381	$ 419	$ 393
Income Taxes	158	299	96	124	15	160	171	162
Income (Loss) Before Cumulative Effects of Accounting Changes	$ (133)	$ (885)	$ 11	$ 93	$ (382)	$ 221	$ 218	$ 231
Cumulative Effects of Accounting Changes[1]:								
Venture Capital	—	—	—	457	—	—	—	—
Certain Derivative Products	—	—	—	—	$ —	$ —	$ —	$ 140
Net Income (Loss)	$ (133)	$ (885)	$ 11	$ 550	$ (382)	$ 221	$ 218	$ 371
Earnings (Loss) Per Share[2]								
Income (Loss) Before Cumulative Effects of Accounting Changes	$ (.53)	$ (2.72)	$ (.12)	$ .17	$ (1.26)	$ .56	$ .64	$ .60
Net Income (Loss)	$ (.53)	$ (2.72)	$ (.12)	$ 1.48	$ (1.26)	$ .56	$ .64	$ 1.02
Cash Dividends Declared								
Redeemable Preferred and Preferred Stock	$ 52	$ 31	$ 44	$ 32	$ 38	$ 34	$ 31	$ 33
Common Stock	$ —	$ 86	$ 86	$ 84	$ 148	$ 146	$ 146	$ 132
Common Stock, Per Share	$ —	$ 0.25	$ 0.25	$ 0.25	$ .4450	$ .4450	$ .4450	$ .4050
Total Assets[1]	$216,922	$224,060	$217,888	$217,504	$216,986	$227,700	$227,892	$233,211
Common Stock Price Range[3]								
High	15	15 3/8	17 1/2	17 1/4	16 1/4	22 3/4	25 1/4	29 5/8
Low	8 1/2	13 3/8	14 1/8	11 7/8	10 3/4	12 3/4	21 3/4	22 5/8
Close	10 3/8	14 1/2	14 1/2	14 5/8	12 7/8	14 1/4	22 3/8	23

(1) See Note 20 to the Financial Statements. The first two quarters of 1991 have been restated to reflect the accounting change for venture capital, which was adopted in the third quarter 1991 retroactive to January 1, 1991. The effect of the accounting change for 1991 was, in the first quarter, to increase income before cumulative effect of accounting change by $23 million ($0.07 per share) and net income by $[illegible] million ($1.38 per share); in the second quarter, to reduce net income by $32 million ($0.09 per share), and in the third and fourth quarters, to reduce net loss by $122 million ($0.[illegible] per share) and $12 million ($0.04 per share), respectively. If the new accounting practice had been applied retroactively in 1990, net income would have increased from $371 million ($1.02 per share) to $422 million ($1.16 per share) in the first quarter, increased from $248 million ($0.64 per share) to $260 million ($0.68 per share) in the second quarter, decreased from $221 million ($0.56 per share) to $119 million ($0.27 per share) in the third quarter, decreased from $(382) million ($(1.26) per share) in the fourth quarter to $(469) million ($(1.52) per share).
The first three quarters of 1990 have been restated to reflect the balance sheet effects of the accounting change for certain derivative products.
(2) See Note 16 to the Financial Statements.
(3) Based on the New York Stock Exchange composite listing.

RATIOS	1991	1990	1989
Return on Total Assets[1]			
Income (Loss) Before Cumulative Effects of Accounting Changes	(.41)%	.14%	.23%
Net Income (Loss)	(.21)%	.20%	.23%
Return on Common Stockholders' Equity[2]			
Income (Loss) Before Cumulative Effects of Accounting Changes	(14.3)%	2.1%	4.3%
Net Income (Loss)	(7.9)%	3.7%	4.3%
Return on Total Stockholders' Equity[3]			
Income (Loss) Before Cumulative Effects of Accounting Changes	(9.4)%	3.1%	4.7%
Net Income (Loss)	(4.5)%	4.4%	4.7%
Average Common Stockholders' Equity as a Percentage of Average Total Assets	3.68%	3.67%	3.97%
Average Total Stockholders' Equity as a Percentage of Average Total Assets	4.59%	4.46%	4.73%
Dividends Per Common Share as a Percentage of Income Per Common Share			
Income (Loss) Before Cumulative Effects of Accounting Changes	N/M	305.3%	136.6%
Net Income (Loss)	N/M	175.8%	136.6%

(1) Based on earnings (loss) as a percentage of average total assets.
(2) Based on earnings (loss) less total preferred stock dividends as a percentage of average common stockholders' equity.
(3) Based on earnings (loss) less redeemable preferred stock dividends as a percentage of average total stockholders' equity.
N/M Not Meaningful.

This Annual Report and Form 10-K incorporate into a single document the requirements of the accounting profession and the Securities and Exchange Commission, including a comprehensive explanation of 1991 results.

Certain statistical data required by the Securities and Exchange Commission are included on pages 33 to 36, and pages 82 to 89.

*[illegible]corp's 1992 Proxy Statement is incorporated herein by reference

FINANCIAL DATA SUPPLEMENT

AVERAGE BALANCES AND INTEREST RATES, Taxable Equivalent Basis[1]

In Millions of Dollars

		1991 Average Volume	1991 Interest	1991 % Average Rate
Interest Revenue Loans (Net of Unearned Income)[2]	Consumer Loans			
	In U.S. Offices	$ 59,793	$ 7,155	11.97
	In Overseas Offices	31,835	4,513	14.18
	Total Consumer Loans	$ 91,628	$11,668	12.73
	Commercial Loans			
	In U.S. Offices			
	Commercial and Industrial	$ 12,774	$ 1,094	8.56
	Mortgage and Real Estate	12,582	871	6.92
	Loans to Financial Institutions	590	33	5.59
	Lease Financing	3,325	325	9.77
	In Overseas Offices	31,800	6,461	20.32
	Total Commercial Loans	$ 61,071	$ 8,784	14.38
	Total Loans	$152,699	$20,452	13.39
Funds Sold and Resale Agreements	In U.S. Offices	$ 5,974	$ 334	5.59
	In Overseas Offices	1,429	303	21.20
	Total	$ 7,403	$ 637	8.60
Investment Securities	In U.S. Offices			
	U.S. Treasury and Federal Agencies	$ 3,650	$ 280	7.67
	State and Municipal	383	38	9.92
	Other	3,181	132	4.15
	In Overseas Offices (Principally local government issues)	6,808	649	9.53
	Total	$ 14,022	$ 1,099	7.84
Trading Account Assets	In U.S. Offices	$ 8,149	$ 663	8.14
	In Overseas Offices	4,611	653	14.16
	Total	$ 12,760	$ 1,316	10.31
Interest-Bearing Deposits	Principally in Overseas Offices	$ 9,205	$ 885	9.61
	Total Interest-Earning Assets	$196,089	$24,389	12.44
	Non-Interest-Earning Assets	25,808		
	Total Assets	$221,897		
Interest Expense Deposits	In U.S. Offices			
	Savings Deposits	$ 25,259	$ 1,236	4.89
	Negotiable Certificates of Deposit	2,328	202	8.68
	Other Time Deposits	23,533	1,958	8.32
	In Overseas Offices	78,174	7,720	9.88
	Total	$129,294	$11,116	8.60
Securities Sold, Not Yet Purchased	In U.S. Offices	$ 3,269	$ 244	7.46
	In Overseas Offices	1,137	71	6.24
	Total	$ 4,406	$ 315	7.15
Funds Borrowed	In U.S. Offices			
	Purchased Funds and Other Borrowings			
	Federal Funds Purchased and Securities Sold Under Agreements to Repurchase	$ 12,535	$ 706	5.63
	Commercial Paper	1,626	101	6.21
	Other Purchased Funds	3,547	428	12.07
	Long-Term Debt, Convertible Notes and Subordinated Capital Notes	19,041	1,564	8.21
	In Overseas Offices	9,247	2,859	30.92
	Total	$ 45,996	$ 5,658	12.30
	Total Interest-Bearing Liabilities	$179,696	$17,089	9.51
	Demand Deposits in U.S. Offices	10,263		
	Other Non-Interest-Bearing Liabilities	21,745		
	Total Stockholders' Equity	10,193		
	Total Liabilities and Stockholders' Equity	$221,897		
NET INTEREST REVENUE AS A PERCENTAGE OF AVERAGE INTEREST-EARNING ASSETS	In U.S. Offices	$110,555	$ 4,409	3.99
	In Overseas Offices	85,534	2,891	3.38
	Total	$196,089	$ 7,300	3.72

(1) The taxable equivalent adjustment is based on the marginal tax rate of 34% for 1991, 1990, and 1989.
(2) Lo[illegible] and interest-bearing deposits in the table above include cash-basis loans and cash-basis bank placements, respectively.
(3) Re[illegible]hed to conform to current year's presentation.

1990			1989		
Average Volume	Interest	% Average Rate	Average Volume	Interest	% Average Rate
$ 65,543	$ 8,270	12.62	$ 68,318	$ 8,796	12.88
29,307	4,280	14.60	22,449	3,124	13.92
$ 94,850	$12,550	13.23	$ 90,767	$11,920	13.13
$ 14,032	$ 1,524	10.86	$ 14,406	$ 1,768	12.27
13,048	1,221	9.36	11,791	1,341	11.37
792	58	7.32	581	48	8.26
3,134	330	10.53	2,885	319	11.06
32,978	8,851	26.85	30,410	7,845	25.80
$ 63,984	$11,987	18.73	$ 60,073	$11,321	18.85
$158,834	$24,537	15.45	$150,840	$23,241	15.41
$ 7,986	$ 615	7.70	$ 8,472	$ 749	8.84
1,721	1,492	86.69	1,697	3,384	199.41
$ 9,707	$ 2,107	21.71	$ 10,169	$ 4,133	40.64
$ 3,008	$ 273	9.08	$ 2,915	$ 262	8.99
1,064	108	10.15	1,419	140	9.87
3,159	197	6.24	3,366	252	7.49
7,610	826	10.85	6,823	668	9.79
$ 14,841	$ 1,404	9.46	$ 14,523	$ 1,322	9.10
$ 6,571	$ 575	8.75	$ 6,160	$ 574	9.32
3,662	948	25.89	3,930	858	21.83
$ 10,233	$ 1,523	14.88	$ 10,090	$ 1,432	14.19
$ 12,685	$ 1,474	11.62	$ 12,020	$ 1,533	12.75
$206,300	$31,045	15.05	$197,642	$31,661	16.02
25,488			23,360		
$231,788			$221,002		
$ 23,660	$ 1,447	6.12	$ 21,377	$ 1,419	6.64
3,006	289	9.61	3,885	367	9.45
27,721	2,521	9.09	27,220	2,601	9.56
73,961	10,127	13.69	60,968	8,349	13.69
$128,348	$14,384	11.21	$113,450	$12,736	11.23
$ 3,010	$ 253	8.41	$ 3,991	$ 346	8.67
1,079	83	7.69	919	73	7.94
$ 4,089	$ 336	8.22	$ 4,910	$ 419	8.53
$ 13,875	$ 1,080	7.78	$ 12,853	$ 1,133	8.82
5,443	432	7.94	9,169	842	9.18
4,318	617	14.29	7,647	897	11.73
19,871	1,774	8.93	20,365	1,899	9.32
11,111	5,175	46.58	10,435	6,292	60.30
$ 54,618	$ 9,078	16.62	$ 60,469	$11,063	18.30
$187,055	$23,798	12.72	$178,829	$24,218	13.54
10,298			10,154		
24,089			21,570		
10,346			10,449		
$231,788			$221,002		
$118,558	$ 4,755	4.01	$120,630	$ 4,753	3.94
87,742	2,492	2.84	77,012	2,690	3.49
$206,300	$ 7,247	3.51	$197,642	$ 7,443	3.77

(4) Average rates in overseas offices may reflect prevailing local interest rates, including the effects of inflation and monetary correction in certain Latin American countries.
(6) Savings deposits consist of Insured Money Market Rate accounts, NOW accounts, and other savings deposits.

ANALYSIS OF CHANGES IN NET INTEREST REVENUE

Taxable Equivalent Basis[1]

In Millions of Dollars	1991 vs. 1990[2] Increase (Decrease) Due to Change in: Average Volume	Average Rate	Net Change[3]	1990 vs. 1989[2] Increase (Decrease) Due to Change in: Average Volume	Average Rate	Net Change[3]
Loans—Consumer						
In U.S. Offices	$ (703)	$ (412)	$(1,115)	$ (351)	$ (175)	$ (526)
In Overseas Offices	379	(126)	233	996	160	1,156
Total	(341)	(538)	(882)	$ 645	$ (15)	$ 630
Loans—Commercial						
In U.S. Offices	$ (167)	$ (643)	$ (810)	$ 153	$ (496)	$ (343)
In Overseas Offices	(307)	(2,086)	(2,393)	681	328	1,009
Total	$ (474)	$(2,729)	$(3,203)	$ 834	$ (168)	$ 666
Total Loans	$ (818)	$(3,267)	$(4,085)	$1,479	$ (183)	$1,296
Funds Sold & Resale Agreements						
In U.S. Offices	$ (131)	$ (147)	$ (281)	$ (41)	$ (93)	$ (134)
In Overseas Offices	(218)	(971)	(1,189)	47	(1,939)	(1,892)
Total	$ (352)	$(1,118)	$(1,470)	$ 6	$(2,032)	$(2,026)
Investment Securities						
In U.S. Offices	$ (1)	$ (127)	$ (128)	$ (39)	$ (37)	$ (76)
In Overseas Offices	(83)	(94)	(177)	82	76	158
Total	$ (84)	$ (221)	$ (305)	$ 43	$ 39	$ 82
Trading Account Assets						
In U.S. Offices	$ 130	$ (42)	$ 88	$ 37	$ (36)	$ 1
In Overseas Offices	206	(501)	(295)	(61)	151	90
Total	$ 336	$ (543)	$ (207)	$ (24)	$ 115	$ 91
Interest-Bearing Deposits						
Principally in Overseas Offices	$ (361)	$ (228)	$ (589)	$ 82	$ (141)	$ (59)
TOTAL INTEREST REVENUE	$(1,279)	$(5,377)	$(6,656)	$1,586	$(2,202)	$ (616)
Deposits						
In U.S. Offices	$ (242)	$ (619)	$ (861)	$ 155	$ (285)	$ (130)
In Overseas Offices	545	(2,952)	(2,407)	1,778	—	1,778
Total	$ 303	$(3,571)	$(3,268)	$1,933	$ (285)	$1,648
Securities Sold, Not Yet Purchased						
In U.S. Offices	$ 21	$ (30)	$ (9)	$ (83)	$ (10)	$ (93)
In Overseas Offices	5	(17)	(12)	12	(2)	10
Total	$ 26	$ (47)	$ (21)	$ (71)	$ (12)	$ (83)
Funds Borrowed						
In U.S. Offices	$ (562)	$ (542)	$(1,104)	$ (595)	$ (273)	$ (868)
In Overseas Offices	(770)	(1,546)	(2,316)	387	(1,504)	(1,117)
Total	$(1,332)	$(2,088)	$(3,420)	$ (208)	$(1,777)	$(1,985)
TOTAL INTEREST EXPENSE	$(1,003)	$(5,706)	$(6,709)	$1,654	$(2,074)	$ (420)
NET INTEREST REVENUE	$ (276)	$ 329	$ 53	$ (68)	$ (128)	$ (196)

(1) The taxable equivalent adjustment is based on the marginal tax rate of 34% for 1991, 1990 and 1989.
(2) Reclassified to conform to current year's presentation.
(3) Rate/volume variance is allocated based on the percentage relationship of changes in volume and changes in rate to the total "net change."

LOANS OUTSTANDING

In Millions of Dollars at Year End	1991	1990	1989	1988	1987
Consumer Loans					
In U.S. Offices					
Mortgage and Real Estate[1][2]	$ 30,833	$ 32,824	$ 38,213	$ 37,683	$ 31,523
Installment, Revolving Credit, and Other	26,743	29,984	32,895	31,932	31,479
Lease Financing	576	806	725	505	347
	$ 58,152	$ 63,614	$ 71,833	$ 70,070	$ 63,349
In Overseas Offices	35,032	33,495	27,225	22,097	19,512
	$ 93,184	$ 97,109	$ 99,058	$ 92,167	$ 82,861
Unearned Income	(1,645)	(1,973)	(1,983)	(1,811)	(3,156)
Consumer Loans—Net	$ 91,539	$ 95,136	$ 97,075	$ 90,356	$ 79,705
Commercial Loans					
In U.S. Offices					
Commercial and Industrial[3]	$ 11,792	$ 12,831	$ 13,483	$ 13,451	$ 12,647
Mortgage and Real Estate[1]	11,452	13,103	12,575	11,161	9,912
Loans to Financial Institutions	528	414	454	608	611
Lease Financing	3,554	3,183	3,120	2,878	1,558
	$ 27,326	$ 29,531	$ 29,632	$ 28,098	$ 24,728
In Overseas Offices					
Commercial and Industrial[3]	$ 19,015	$ 19,125	$ 19,387	$ 18,277	$ 21,261
Mortgage and Real Estate[1]	4,234	4,350	3,971	2,897	2,441
Loans to Financial Institutions	3,047	2,617	4,389	3,569	4,110
Governments and Official Institutions	4,881	4,586	4,870	5,325	5,061
Lease Financing	1,150	1,253	1,090	900	898
	$ 32,327	$ 31,931	$ 33,707	$ 30,968	$ 33,771
	$ 59,653	$ 61,462	$ 63,339	$ 59,066	$ 58,499
Unearned Income	(248)	(290)	(302)	(225)	(289)
Commercial Loans—Net	$ 59,405	$ 61,172	$ 63,037	$ 58,841	$ 58,210
Allowance for Credit Losses	$ (3,308)	$ (4,451)	$ (4,729)	$ (4,205)	$ (4,618)
Total Loans, Net	$147,636	$151,857	$155,383	$144,992	$133,297

(1) Loans secured primarily by real estate
(2) Includes commercial real estate loans related to community banking and private banking activities
(3) Includes loans not otherwise separately categorized

CASH-BASIS, RENEGOTIATED AND PAST DUE LOANS[1]

In Millions of Dollars at Year End	1991	1990	1989	1988	1987
Commercial Cash-Basis and Renegotiated Loans					
In U.S. Offices[2][3]	$4,278	$3,824	$2,033	$1,114	$ 880
In Overseas Offices, Excluding Refinancing Countries[4]	$1,434	$1,355	$ 748	$ 479	$ 620
In Refinancing Countries[4]	$1,734	$3,460	$4,461	$1,738	$4,546
Consumer Loans on Which Accrual of Interest Has Been Suspended					
In U.S. Offices	$2,802	$2,102	$1,529	$ 897	$ 545
In Overseas Offices	$ 692	$ 576	$ 481	$ 309	$ 397
Accruing Loans 90 or More Days Delinquent[5]					
In U.S. Offices	$ 755	$ 650	$ 692	$ 604	$ 589
In Overseas Offices	$ 399	$ 437	$ 274	$ 150	$ 16

(1) Not included in this table are loan commitments and standby letters of credit to U.S. commercial real estate borrowers or projects experiencing financial difficulties. Refer to detailed discussion on page 43.
(2) Refer to detailed discussion of cash-basis and renegotiated loans secured primarily by commercial real estate in the U.S. on pages 41 and 42.
(3) Refer to detailed discussion of cash-basis senior leveraged finance loans on pages 43 and 44.
(4) Refer to detailed discussion of Refinancing Country exposures on pages 33 through 36.
(5) Substantially all consumer loans.

FOREGONE INTEREST REVENUE IN 1991[1]

In Millions of Dollars	In U.S. Offices	In Overseas Offices	Refinancing Countries	Total
Interest Revenue that Would Have Been Accrued at Original Contractual Rates	$759	$315	$195	$1,269
Amount Recognized as Interest Revenue	217	112	282[2]	611
Foregone Interest Revenue	$542	$203	$ (87)	$ 658

(1) Includes Consumer and Commercial Loans
(2) Includes approximately $196 million of interest on Brazilian medium- and long-term outstandings, of which $116 million relates to prior years

DETAIL OF CREDIT LOSS EXPERIENCE

In Millions of Dollars	1991	1990	1989	1988	1987
Allowance for Credit Losses at Beginning of Year	$4,451	$4,729	$4,205	$4,618	$1,698
Additions					
Provision for Credit Losses	$3,890	$2,662	$2,521	$1,330	$4,410
Deductions					
Gross Credit Losses					
Consumer[1]					
In U.S. Offices[2]	$1,670	$1,399	[illegible]	$1,352	$1,075
In Overseas Offices	460	369	245	200	196
Commercial					
Mortgage and Real Estate:					
In U.S. Offices	511	228	41	15	4
In Overseas Offices	314	55	18	[illegible]	33
Governments and Official Institutions (In overseas offices)	1,212	534	331	213	136
Loans to Financial Institutions:					
In U.S. Offices	171	—	—		—
In Overseas Offices	19	104	102	27	29
Commercial and Industrial:					
In U.S. Offices	271	271	120	89	107
In Overseas Offices	735	470	226	246	308
	$5,363	$3,340	$2,313	$2,156	$1,888
Credit Recoveries					
Consumer[1]					
In U.S. Offices	$ 202	$ 216	$ 199	$ 219	$ 184
In Overseas Offices	125	102	75	85	63
Commercial					
Mortgage and Real Estate:					
In U.S. Offices	—	—	2	—	—
In Overseas Offices	10	—	4	3	14
Governments and Official Institutions (In overseas offices)	10	—	—	1	20
Loans to Financial Institutions (In overseas offices)	5	1	1	2	6
Commercial and Industrial:					
In U.S. Offices	12	68	37	30	40
In Overseas Offices	65	90	81	64	64
	$ 429	$ 477	$ 399	$ 401	$ 391
Net Credit Losses					
In U.S. Offices	$2,409	[illegible]	$1,180	$1,207	$ 962
In Overseas Offices	2,525	[illegible]	764	545	535
	$4,934	[illegible]	$1,944	$1,752	$1,497
Other—Net	(99)[3]	[illegible]	(53)[3]	9[4]	7[4]
Allowance for Credit Losses at End of Year	[illegible]	[illegible]	[illegible]	[illegible]	$4,618
Ratio of Consumer Net Credit Losses to Average Consumer Loans (%)	1.97	1.43	[illegible]	1.50	1.43
Ratio of Commercial Net Credit Losses to Average Commercial Loans (%)	[illegible]	[illegible]	1.19	.84	.78

(1) Consumer credit losses and recoveries primarily relate to installment and revolving credit loans.
(2) Gross consumer credit losses in U.S. offices in 1988 include approximately $198 million from the phase-out of the mobile home and certain [illegible] lending [illegible].
(3) Principally relates to securitized credit card transactions for which an appropriate portion of the allowance has been transferred to other liabilities for the duration of the transactions.
(4) Principally relates to allowance balances of acquired companies and translation of overseas allowance balances.

LOAN MATURITIES AND SENSITIVITY TO CHANGES IN INTEREST RATES

Maturities of the Gross Commercial Loan Portfolio as of December 31, 1991

In Millions of Dollars	Due Within 1 Year	Over 1 but Within 5 Years	Over 5 Years	Total
In U.S. Offices				
Commercial and Industrial Loans[1]	$ 4,615	$ 4,865	$ 2,312	$11,792
Mortgage and Real Estate	4,383	5,894	1,175	11,452
Loans to Financial Institutions	209	214	105	528
Lease Financing	1,040	1,653	861	3,554
In Overseas Offices	20,475	6,429	5,423	32,327
Total	$30,722	$ 19,055	$ 9,876	$59,653
Sensitivity of Loans Due After One Year to Changes in Interest Rates:				
Loans at Predetermined Interest Rates		$ 3,948	$ 2,443	
Loans at Floating or Adjustable Interest Rates		15,107	7,433	
Total		$ 19,055	$ 9,876	

(1) Includes loans not otherwise separately categorized.

AVERAGE DEPOSIT LIABILITIES IN OVERSEAS OFFICES

In Millions of Dollars	1991		1990		1989	
	Average Balance	% Average Interest Rate	Average Balance	% Average Interest Rate	Average Balance	% Average Interest Rate
Banks[1]	$14,384	11.71	$11,561	16.25	$11,706	16.54
Other Demand Deposits	15,184	5.50	16,434	6.53	13,474	7.08
Other Time and Savings Deposits[1]	52,954	11.37	50,429	14.23	39,602	13.79
Total	$82,522	10.35	$78,424	12.91	$64,782	12.89

(1) Primarily consists of time certificates of deposit and other time deposits in denominations of $100,000 or more

TIME DEPOSITS IN U.S. OFFICES AS OF DECEMBER 31, 1991

In Millions of Dollars ($100,000 or more)	Certificates of Deposit	Other Time Deposits
Under 3 Months	$2,332	$2,580
3 to 6 Months	744	569
6 to 12 Months	768	316
Over 12 Months	1,267	996

EFFECTS OF INFLATION

The impact of inflation on Citicorp and other financial institutions is significantly different from that on industries that require a high proportion of investment in fixed assets. The assets and liabilities of a financial institution are primarily monetary in nature. During periods of inflation, monetary assets lose value in terms of purchasing power, and monetary liabilities have corresponding purchasing power gains. The financial statements and other data appearing in this annual report, and in particular the discussion of price risk management on pages 47 and 48, illustrate how Citicorp operates in an environment of changing interest rates and inflationary trends.

CONSENT OF INDEPENDENT AUDITORS

KPMG Peat Marwick

Certified Public Accountants

The Board of Directors
Citicorp:

We consent to incorporation by reference of our report dated January 21, 1992 relating to the consolidated balance sheets of Citicorp and subsidiaries as of December 31, 1991 and 1990, the related consolidated statements of operations, changes in stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 1991, and the related consolidated balance sheets of Citibank, N.A. and subsidiaries as of December 31, 1991 and 1990, which report appears on page 56 of the 1991 Citicorp Annual Report and Form 10-K, in the following Registration Statements: of Citicorp, Nos. 2-77058, 2-47648, 2-58678, 2-58679, 2-47647, 2-82298, 33-21332, and 33-21331 on Form S-8, and 33-3114, 33-11927, 33-20692, 33-15896, 33-18754, 33-26018, 33-32207, 33-38589, 33-30791, 33-36177, 33-33238, 33-35178, and 33-42378 on Form S-3; and of Citicorp Mortgage Securities, Inc., Citibank, N.A., and other affiliates, Nos. 33-6979, 33-6358, 33-8718, 33-16870, 33-25068, 33-36313, 33-34670, and 33-37536 on Form S-11.

KPMG Peat Marwick

New York, New York
February 21, 1992

REGULATION AND SUPERVISION

Citicorp is a bank holding company within the meaning of the Bank Holding Company Act of 1956 (BHC Act), and is registered as such with the Board of Governors of the Federal Reserve System (FRB). Citicorp is subject to examination by the FRB and is restricted in its acquisitions, certain of which are prohibited and certain of which are subject to approval by the FRB. The FRB generally is prohibited from approving any application by a bank holding company to acquire voting shares of any bank in another state unless such acquisition is specifically authorized by the laws of such state or unless, under certain circumstances, such bank is a failing bank. While an increasing number of states have adopted laws authorizing certain acquisitions by out-of-state bank holding companies, most states do not currently permit unrestricted entry by bank holding companies located in New York.

Under the BHC Act, a bank holding company is, with limited exceptions, prohibited from (i) acquiring direct or indirect ownership or control of more than 5% of the voting shares of any company which is not a bank or (ii) engaging in any activity other than managing or controlling banks. With the prior approval of the FRB, however, a bank holding company may own shares of a company engaged in activities which the FRB determines to be so closely related to banking or managing or controlling banks as to be a proper incident thereto. In addition, federal law imposes certain restrictions on transactions between Citicorp and its nonbank subsidiaries, on one hand, and its federally-insured depository institutions and subsidiaries, including Citibank, on the other. As an affiliate of Citibank and other national banks, Citicorp is subject, with certain exceptions, to provisions of federal law imposing limitations on, and requiring collateral for, extensions of credit by Citibank to its affiliates.

Citicorp is also a savings and loan holding company within the meaning of the Home Owners' Loan Act of 1933 (HOLA), and is registered as such with the Office of Thrift Supervision (OTS). As such, its acquisitions of savings associations are subject to limitations under the HOLA similar to those on acquisitions of banks under the BHC Act, and to the prior approval of the FRB and OTS.

Citibank is a national bank primarily regulated by the Office of the Comptroller of the Currency (OCC). See Note 23 of Notes to Financial Statements for a discussion of the limitations on the availability of Citicorp's subsidiaries' undistributed earnings for the payment of dividends due to such regulation and other reasons.

In 1989, the Financial Institutions Reform, Recovery and Enforcement Act (FIRREA) was enacted, which, among other things, was intended to terminate a judicially sanctioned practice whereby the banking subsidiary of a bank holding company could insulate itself from the failure of another banking subsidiary of the same bank holding company. Pursuant to the provisions of FIRREA, a financial institution insured by the Federal Deposit Insurance Corporation (FDIC) sharing common ownership with a failed institution can be required to indemnity the FDIC for its losses resulting from the insolvency of the failed institution, even if such indemnification causes the affiliated institution also to become insolvent.

In January 1989, banking industry regulators officially released risk-based capital guidelines for banks and bank holding companies in the United States. The guidelines are based upon the July 1988 Basle Accord, which was endorsed by the central bank governors of the G-10 countries, including the United States. One principal objective is to arrive at comparable capital requirements for all major international banks.

Additionally, in 1990, the regulators imposed leverage standards to supplement the risk-based capital guidelines. Both the leverage and risk-based capital requirements became effective December 31, 1990 and appear on page 48 under Capital Analysis. Failure to meet applicable capital guidelines could subject a national bank to a variety of enforcement remedies available to the federal regulatory authorities. Depending upon circumstances, the regulatory agencies may require an institution to surpass minimum capital ratios established by the OCC and the FRB.

In 1991, the Federal Deposit Insurance Corporation Improvement Act of 1991 (FDICIA) was enacted, which among other things, was intended to protect the federal deposit insurance fund by requiring regulators to take specific prompt actions with respect to institutions that do not meet minimum capital standards. FDICIA establishes five capital tiers to be defined in implementing regulations to be adopted: "well capitalized," "adequately capitalized," "undercapitalized," "significantly undercapitalized," and "critically undercapitalized." An undercapitalized institution is prohibited from making capital distributions and may be required to submit a capital plan, restrict asset growth and limit new lines of business. Holding companies are also required to guarantee compliance by their insured depository institutions with any capital plans, subject to certain limits. If a depository institution fails to submit a capital plan acceptable to its federal bank agency, it is treated as if it is significantly undercapitalized.

Significantly undercapitalized depository institutions may be subject to a number of requirements and restrictions, including orders to sell sufficient voting stock to become adequately capitalized, requirements to reduce total assets, and cessation of receipt of deposits from correspondent banks. Critically undercapitalized institutions are subject to appointment of a receiver or conservator.

Under FDICIA, an institution that is not well capitalized is generally prohibited from accepting brokered deposits and offering interest rates on deposits higher than the prevailing rate in its market; in addition, "pass-through" insurance coverage may not be available for certain employee benefit accounts. Other revisions included the imposition of specific accounting and reporting requirements and risk-based assessments for FDIC insurance.

FDICIA contains numerous other provisions, including termination of the "too big to fail" doctrine except in special cases, limitations on the FDIC's payment of deposits at foreign branches and revised regulatory standards for, among other things, real estate lending and capital adequacy. FDICIA requires Federal regulators to promulgate regulations to implement the law's provisions. Until these regulations are adopted, the full effect of FDICIA on Citicorp will remain uncertain.

Citicorp, Citibank, and their affiliates are also subject to restrictions with respect to issuing, floating and underwriting, or publicly selling or distributing, securities in the United States. Citibank and its affiliates are able to underwrite and deal in specific categories of securities, including U.S. government and certain agency, state, and municipal securities. In addition, Citicorp Securities Markets, Inc. is authorized by the FRB to underwrite and deal, to a limited extent (subject to certain conditions), in certain other categories of securities, including municipal revenue bonds, commercial paper, mortgage-related and consumer receivable-related securities and corporate debt.

Under longstanding policy of The Board of Governors of the Federal Reserve System, a bank holding company is expected to act as a source of financial strength for its subsidiary banks and to commit resources to support such banks. As a result of such policy, Citicorp may be required to commit resources to its subsidiary banks in circumstances where it might not do so absent such policy. In addition, there are numerous governmental requirements and regulations that affect the activities of Citicorp.

The earnings of Citibank and its bank affiliates, and therefore the earnings of Citicorp, are affected by general economic conditions, management policies, and the legislative and governmental actions of various regulatory authorities including the FRB, the FDIC, and the OCC. In view of Citicorp's troubled loan portfolio and the importance of its program to strengthen its capital position, as discussed in this report, Citicorp is subject to closer regulatory oversight and provides its regulators with more reports and information, including capital, operating and contingency plans than in the past.

PROPERTIES

The principal offices of Citicorp and Citibank are located at 399 Park Avenue, New York, New York, a 39 story building of which two thirds is owned by Citibank. Citibank also owns one third of Citicorp Center, a 59 story building located at 153 East 53rd Street across Lexington Avenue from 399 Park Avenue. Citicorp occupies all of the space it owns in both buildings. Citibank also owns Citicorp at Court Square in Long Island City, New York and 111 Wall Street in New York City, which are totally occupied by Citicorp. In addition, Citicorp has major domestic real estate holdings in San Francisco, Chicago, St. Louis, Tampa, Sioux Falls, South Dakota, Hagerstown and Silver Spring, Maryland, New Castle, Delaware, and The Lakes, Nevada.

Internationally, Citicorp owns major corporate premises in various cities throughout the world including Paris, London, Düsseldorf, Buenos Aires, Rio de Janeiro, São Paulo, Campinas, Mexico City, San Juan, Caracas, Hong Kong, Manila, and Seoul. Major new facilities are under construction in Tokyo, Hong Kong, and Madrid. Approximately 43% of the space Citicorp occupies worldwide is owned.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CITICORP
(Registrant)

Charles E. Long
Executive Vice President and Secretary

February 21, 1992

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed on February 21, 1992 by the following persons in the capacities indicated.

Thomas E. Jones	Nancy S. Newcomb
Executive Vice President	Senior Corporate Officer
Principal Financial Officer[1]	Principal Financial Officer[2]

(1) Primary responsibility for financial control, tax, accounting, and reporting.
(2) Primary responsibility for funding, liquidity, capital structure, and capital planning

John S. Reed (Citicorp's Principal Executive Officer) and the Directors of Citicorp (listed below) executed a power of attorney appointing Charles E. Long their attorney-in-fact, empowering him to sign this report on their behalf.

Richard S. Braddock	C. Peter McColough
D. Wayne Calloway	William R. Rhodes
Colby H. Chandler	Rozanne L. Ridgway
Paul J. Collins	H. Onno Ruding
Kenneth T. Derr	Donald V. Seibert
John M. Deutch	Frank A. Shrontz
Lawrence E. Fouraker	Mario H. Simonsen
Clifton C. Garvin, Jr.	Roger B. Smith
John W. Hanley	Franklin A. Thomas
H.J. Haynes	Edgar S. Woolard, Jr.

EXHIBITS, FINANCIAL STATEMENTS SCHEDULES, AND REPORTS ON FORM 8-K

Financial Statements Filed for Citicorp and Subsidiaries:

Consolidated Statement of Operations
Consolidated Balance Sheet
Consolidated Statement of Changes in Stockholders' Equity
Consolidated Statement of Cash Flows

On October 18, 1991, Citicorp filed a Current Report on Form 8-K (Item 5) dated October 15, 1991, which report included a summary of the consolidated operations of Citicorp for the nine months ended September 30, 1991. On January 24, 1992, Citicorp filed a Current Report on Form 8-K (Item 5) dated January 22, 1992, which report included a summary of the consolidated operations of Citicorp for the year ended December 31, 1991.

Employment agreement of H. Onno Ruding is filed herewith.

Calculation of Ratio of Income to Fixed Charges is filed herewith.

Citicorp's significant subsidiaries (as defined) and their place of incorporation or organization include:

Citibank, N.A.	United States
Citicorp Banking Corporation	Delaware
Citicorp Holdings, Inc.	Delaware
Citicorp Mortgage, Inc.	Delaware
Citibank Delaware	Delaware
Citibank, Federal Savings Bank (Located in California)	United States
Citibank (Nevada), N.A.	United States
Citibank (New York State)	New York
Citibank Privatkunden A.G.	Germany
Citibank (South Dakota), N.A.	United States
Citicorp Venture Capital Ltd.	New York
Court Square Capital Limited	Delaware

Other subsidiaries of Citicorp and their place of incorporation or organization include:

Citibank (Arizona)	Arizona
Citibank (Maryland), N.A.	United States
Citicorp Investment Bank Limited	United Kingdom
Citicorp Real Estate, Inc.	Delaware
Citibank, Federal Savings Bank (Located in Florida)	United States
Citicorp Securities Markets, Inc.	Delaware
Citicorp North America, Inc.	Delaware
Quotron Systems, Inc.	Delaware

Citicorp's Restated Certificate of Incorporation, as amended, By-Laws, Instruments Defining the Rights of Securities Holders, and certain other material contracts including indentures and constituent instruments, have been previously filed with the Securities and Exchange Commission as exhibits to various Citicorp registration statements and periodic reports.

Stockholders may obtain copies of such documents by writing to Citicorp, Corporate Governance Department, 399 Park Avenue, Mezzanine, New York, New York 10043.

Powers of Attorney of Messrs. Reed, Braddock, Calloway, Chandler, Collins, Derr, Deutch, Fouraker, Garvin, Hanley, Haynes, McColough, Rhodes, Ruding, Seibert, Shrontz, Simonsen, Smith, Thomas and Woolard and Amb. Ridgway as Directors and/or officers of Citicorp are filed herewith.

CITICORP AND CITIBANK DIRECTORS' COMMITTEES

Audit Committee: supervises independent audits of Citicorp and oversees the establishment of appropriate accounting policies for Citicorp and Citibank, N.A.

Members: Donald V. Seibert, Chairman; D. Wayne Calloway, Kenneth T. Derr, John M. Deutch, John W. Hanley, Frank A. Shrontz, Mario H. Simonsen, Roger B. Smith, and Edgar S. Woolard, Jr.

The Audit Committee, whose members are all independent outside directors, meets at least four times each year with the corporation's independent auditors, the President, the Executive Vice President with oversight responsibility for accounting and control, the Chairman Credit Policy Committee, the Controller, and the Chief Auditor.

Its principal functions, set out in its Charter, include reviews of: the audit plans and scope of examination of both the independent auditors and the corporation's internal corporate audit group; significant legal matters; credit portfolios; internal control; and the adequacy of corporate insurance coverage. Also, it is the responsibility of this committee to recommend to the Board the annual appointment of the independent auditors. The Board accepted the recommendation that KPMG Peat Marwick be retained for 1992 and this proposal will be presented to the stockholders for approval at the Annual Meeting.

The findings of internal and independent auditors, financial controllers and external regulatory agencies are reviewed, and responses to their findings are monitored to ensure that appropriate follow-up measures are taken. These are reviewed with and without the presence of management and in separate meetings with KPMG Peat Marwick with no members of management present. The committee also meets annually with representatives of the principal regulatory agencies, who personally present the results of their examinations. The results of these examinations, along with our own findings, are reported regularly to the full Board.

It is also the function of this committee to oversee the accounting policies used in preparing the financial statements of Citicorp and Citibank, N.A.

Donald V. Seibert

DONALD V. SEIBERT

Committee on Directors: recommends qualified candidates for membership on the Boards of Directors of Citicorp and Citibank, N.A.

Members: John S. Reed, Chairman; Colby H. Chandler, Lawrence E. Fouraker, Clifton C. Garvin, Jr., John W. Hanley, and Frank A. Shrontz

The Committee on Directors actively solicits recommendations for prospective directors from their current members and stockholders and, consistent with the needs of the corporation and representation of the various services and customers, recommends the approval of a candidate. The nominees are then presented to the full Board, which proposes the slate of directors to be submitted to the stockholders at the Annual Meeting. In addition, the committee is charged with keeping current and recommending changes in directors' compensation.

JOHN S. REED

Committee on Subsidiaries and Capital (Citicorp)

Members: Paul J. Collins, Chairman; D. Wayne Calloway, Colby H. Chandler, Clifton C. Garvin, Jr., H.J. Haynes, Rozanne L. Ridgway, H. Onno Ruding, Donald V. Seibert, Mario H. Simonsen, Franklin A. Thomas, and Edgar S. Woolard, Jr.

The committee is responsible for reviewing the corporation's capital structure, position and planning, and its principal subsidiaries including, but not limited to, Citibank, N.A. The committee reviews the corporation's subsidiary structure and processes for managing subsidiaries, and the principal subsidiaries' financial statements. The Chairman of the committee reports periodically to the Citicorp and Citibank, N.A. Boards of Directors.

PAUL J. COLLINS

Consulting Committee (Citibank, N.A.)

Members: D. Wayne Calloway, Colby H. Chandler, Kenneth T. Derr, John M. Deutch, Lawrence E. Fouraker, John W. Hanley, C. Peter McColough, Rozanne L. Ridgway, H. Onno Ruding, Frank A. Shrontz, Mario H. Simonsen, Roger B. Smith, and Edgar S. Woolard, Jr.

This committee, composed of those Citicorp directors who are not also directors of Citibank, N.A., attends all meetings of the Board of Directors of Citibank, N.A. and remains available to Citibank's Board as consultants on an "as needed" basis.

JOHN S. REED

Executive Committee: provides backup for the Boards of Directors of Citicorp and Citibank, N.A.

Members: Citicorp: Clifton C. Garvin, Jr., John W. Hanley, Donald V. Seibert, and Franklin A. Thomas.

Ex-officio Members: John S. Reed, Richard S. Braddock, Paul J. Collins, William R. Rhodes, and H. Onno Ruding.

Citibank, N.A.: Any three directors in attendance at a regular meeting of the Board of Directors where a quorum is not present.

This committee acts on behalf of the Boards of Directors should an urgent matter arise that requires a decision before the Board is next scheduled to meet. The Executive Committee has nearly all the powers of the Boards of Directors, except for certain powers expressly reserved to the Boards of Directors.

JOHN S. REED

Fiduciary and Investment Review Committee (Citicorp)

Members: H.J. Haynes, Chairman; Colby H. Chandler, C. Peter McColough, Donald V. Seibert, Roger B. Smith, and Franklin A. Thomas.

This committee monitors the conduct of Citicorp's subsidiaries and affiliates in providing fiduciary and investment services, receives periodic reports from the senior management of such entities, and reports to the Citicorp Board.

H.J. HAYNES

Financial Institutions Acquisitions Committee (Citicorp)

Members: John S. Reed, Richard S. Braddock, Paul J. Collins, William R. Rhodes, and H. Onno Ruding.

This committee, composed of directors of Citicorp who are also senior officers of Citicorp, approves the acquisition both in the U.S. and overseas of financial services institutions within limits set by the Board. Approval by a majority of the members constitutes committee action. Each acquisition is reported to the full Board of Directors of Citicorp at the meeting immediately following approval by the committee. A summary of all acquisitions approved by the committee is presented to the full Board of Directors annually.

JOHN S. REED

Personnel Committee: oversees employee policies and programs of Citicorp and Citibank, N.A.

Members: Clifton C. Garvin, Jr., Chairman; Kenneth T. Derr, H.J. Haynes, Donald V. Seibert, Frank A. Shrontz, and Franklin A. Thomas.

The Personnel Committee reviews and approves compensation policy and other personnel-related programs to maintain an environment at Citicorp and Citibank, N.A. that attracts and retains people of high capability, commitment, and integrity. In addition, the committee also oversees succession planning.

CLIFTON C. GARVIN, JR.

Public Issues Committee: reviews Citicorp's policies and performance on matters of public concern

Members: Franklin A. Thomas, Chairman; John M. Deutch, John W. Hanley, C. Peter McColough, Rozanne L. Ridgway, H. Onno Ruding, and Frank A. Shrontz.

The Public Issues Committee's mission is to assure that the public interest is maintained in the performance of our business roles and in achieving a more competitive business environment. The committee reviews the corporation's policy, posture, practices, and programs relating to public issues of significance to Citicorp and the public at large.

FRANKLIN A. THOMAS

CITICORP AND CITIBANK DIRECTORS

The Boards of Directors of Citicorp and Citibank, N.A. meet on the third Tuesday of the month to administer the affairs of the organizations. Certain specific operations and areas of the Corporation and the Bank are regularly monitored by the Directors' committees, whose activities are described on the preceding pages.

* Director of Citicorp
† Director of Citibank, N.A.

Richard S. Braddock*†
President
Citicorp and Citibank, N.A

D. Wayne Calloway*
Chairman and
Chief Executive Officer
PepsiCo, Inc.

Colby H. Chandler*
Director and Former
Chairman and
Chief Executive Officer
Eastman Kodak Company

Paul J. Collins*†
Vice Chairman
Citicorp and Citibank, N.A.

Kenneth T. Derr*
Chairman and
Chief Executive Officer
Chevron Corporation

John M. Deutch*
Institute Professor
Massachusetts Institute
of Technology

Lawrence E. Fouraker*
Professor Emeritus
Graduate School of
Business Administration
Harvard University

Clifton C. Garvin, Jr.*†
Former Chairman and
Chief Executive Officer
Exxon Corporation

John W. Hanley*
Former Chairman and
Chief Executive Officer
Monsanto Company

H.J. Haynes*†
Senior Counselor
Bechtel Group, Inc.

C. Peter McColough*
Director and Former
Chairman and
Chief Executive Officer
Xerox Corporation

John S. Reed*†
Chairman
Citicorp and Citibank, N.A.

William R. Rhodes*†
Vice Chairman
Citicorp and Citibank, N.A.

Rozanne L. Ridgway*
President
The Atlantic Council
of the United States

H. Onno Ruding*
Vice Chairman
Citicorp and Citibank, N.A.

Donald V. Seibert*†
Director Emeritus and Former
Chairman and
Chief Executive Officer
J. C. Penney Company, Inc.

Frank A. Shrontz*
Chairman and
Chief Executive Officer
The Boeing Company

Mario H. Simonsen*
Vice Chairman
Brazilian Institute of Economics
The Getulio Vargas Foundation

Roger B. Smith*
Director and Former Chairman
and Chief Executive Officer
General Motors Corporation

Franklin A. Thomas*
President
The Ford Foundation

Edgar S. Woolard, Jr.*
Chairman and
Chief Executive Officer
E.I. du Pont de Nemours &
Company

SENIOR MANAGERS

John S. Reed

Richard S. Braddock
Pei-yuan Chia
Paul J. Collins
William R. Rhodes
H. Onno Ruding

Colin Crook
Dennis O. Green
Thomas E. Jones
Gerald M. Lieberman
Charles E. Long
Robert H. Martinsen
Sandra W. Meyer
Nancy S. Newcomb
John J. Roche

Shaukat Aziz
James L. Bailey
Ernst W. Brutsche
Arthur M. de Graffenried
David E. Gibson
Guenther E. Greiner
H. Richard Handley
Alan S. MacDonald
Dennis R. Martin
Robert A. McCormack
Victor J. Menezes
Rana S. Talwar
Alan J. Weber
Masamoto Yashiro
Ronald X. Zettel

William B. Aimetti
Elvaristo T. Do Amaral
Roberto J. Arena
Steven K. Baker
Rodney F. Ballek
Antonio M. Boralli
Robert D. Botjer
David A. Brooks
David J. Browning
Peter R. Burnim
Martha L. Byorum
Mary A. Cirillo
Thomas J. Cirillo
William T. Comfort
A. Ewan Copeland
Ian D. Cormack
Roger A. Davis
Chris Deuters
Roberto V. Do Valle
Joachim Faber
Pamela P. Flaherty
Peter M. Gallant
Ronald E. Geesey

Steven L. Gerard
Lawrence R. Glenn
Jack D. Guenther
Hari N. Hariharan
Edward A. Holmes
Amador Huertas
Gabriel Jaramillo
Claude Jouven
Timothy M. Kelley
Kenneth K. Knapp
Dimitri P. Krontiras
Robert N. Laughlin
David W. C. Leong
Antony K. C. Leung
Carl E. Levinson
Philip M. Markert
Richard G. McCrossen
John McFarlane
G. Patrick McGunagle
G. Edward Montero
John L. Newbold
Aldo D. Palmeri
N[illegible] G. Pannani

Steve H. Price
Ira S. Rimerman
Frederick A. Roesch
Francis A. Rozario
Junaid Rubbani
Hubertus Rukavina
Carlos A. Salvatori
Julian Simmonds
Todd J. Slotkin
Richard J. Srednicki
Sheridan L. Steinberg
Albert F. Stevenson
G. Truett Tate
Robert E. Terkhorn
Roger W. Trupin
David S. Van Pelt
Michael T. Welch

COUNTRY CORPORATE OFFICERS

Algeria
Kamal Drias
Argentina
Ricardo Angles
Australia
Brian T. Clayton
Austria
Olaf Neubert
Bahamas
David A. Tremblay
Bahrain
Mohammed Al-Shroogi
Bangladesh
Mahesh Rao
Belgium
Lode G. Beckers
Bolivia
Fernando Anker
Brazil
Antonio M. Borelli
Brunei
Stephen J. Lawrence
Canada
Frederick C. Copeland
Cayman Islands
David A. Tremblay
Channel Islands
Ronald L. Mitchell
Chile
Carlos D. Fuks
Colombia
Michael Contreras
Costa Rica
Douglas L. Peterson
Côte d'Ivoire
Ronald A. DeAngelis
Czechoslovakia
Karl Swoboda
Denmark
Chris Devries
Dominican Republic
Juan de Dianous
Eastern Europe
Non-presence countries
David R. Hexter
Ecuador
Juan P. Montufar
Egypt
Ahmed M. El Bardai
El Salvador
Juan Miro
Finland
Stephen W. McClintock
France
Claude Jouven
Gabon
Rudolph Thomson
Germany
Ronald E. Geesey
Greece
Dimitri P. Krontiras
Guam
Reshid M. Habib
Guatemala
Leonardo R. Polit
Haiti
Gladys M. Coupet
Honduras
Maria Lydia Solano
Hong Kong
Antony K.C. Leung
Hungary
Robin M. Winchester
India
Jaithirth Rao
Indonesia
James F. Hunt
Ireland
John McGloughlin
Italy
Aldo D. Palmeri
Jamaica
Peter Moses
Japan
Masamoto Yashiro
Jordan
Walid Alamuddin
Kenya
Terry Davidson
Korea
John M. Beeman
Kuwait
Mohammed Al-Shroogi
Luxembourg
Yves de Naurois
Malaysia
Rafael Gil-Tienda
Mexico
Gabriel Jaramillo
Monaco
Miklos Vasarhelyi
Morocco
Jaloul Ayed
Nepal
Vishwanath Sowani
Netherlands
Romeo Van Der Borch
Netherlands Antilles
Thomas J. Charters
New Zealand
Robert S. Eichfeld
Nicaragua
Maria Lydia Solano
Niger
Adnan A. Mohamed
Nigeria
Amirapu Somasekhar
Norway
Per Etholm, Jr.
Oman, Sultanate of
Steven A. Pinto
Pakistan
Shaukat Tarin
Panama, Republic of
Eduardo C. Urriola
Paraguay
Dante N. Piccioli
People's Republic of China
David Y.C. Wong
Peru
Rafael Venegas
Philippines
William W. Ferguson
Poland
Allan J. Hirst
Portugal
Pedro F. Homem
Puerto Rico
Franklin G. Burnside
Saudi Arabia
Mehli M. Mistri
Senegal
Nicolas Clavel
Singapore
David P. Conner
Spain
Amador Huertas
Sri Lanka
Nihal Welikala
Sudan
Ahmed M. El Bardai
Sweden
David H. Smith
Switzerland
Hubertus M. Rukavina
Taiwan
Thomas M. McKeon
Thailand
David L. Hendrix
Trinidad and Tobago
Suresh Maharaj
Tunisia
Bradley C. Lalonde
Turkey
Maarten J. Hulshoff
United Arab Emirates
Ahmed Saeed S. Bin Brek
United Kingdom
John McFarlane
Uruguay
Carlos M. Fedrigotti
Venezuela
Thomas J. Charters
Virgin Islands
Franklin G. Burnside
Zaire, Republic of
Michel Accad
Zambia
Antonio Uribe

NOTICE OF THE ANNUAL MEETING
The Annual Meeting of stockholders will be held on Tuesday, April 21, 1992, at 9:00 a.m., in the auditorium of Citicorp Headquarters at 399 Park Avenue, New York, NY 10043.

A formal notice of this meeting, together with a proxy and a proxy statement, has been included with this annual report. Stockholders are urged to sign and return their proxies promptly to assure that the stock of the corporation will be represented as fully as possible at the meeting.

Citicorp has approximately 70,000 common stockholders of record. About 83% of the Citicorp shares entitled to vote were voted in person or by proxy at the last annual stockholders' meeting on April 16, 1991. Additionally, there are 91 equity holders of 5¾% Convertible Subordinated Notes Due 2000.

Additional copies of this annual report are available. Write to Citicorp, Corporate Affairs, 850 Third Avenue, New York, NY 10043.

Copies of the written transcript and tape recordings of the proceedings at Citicorp stockholders' meetings are available to Citicorp stockholders at cost from Citicorp, Corporate Governance Department, 399 Park Avenue, Mezzanine, New York, NY 10043.

Supplemental financial data are published quarterly and are available from Citicorp, Corporate Affairs, 850 Third Avenue, New York, NY 10043.

TRANSFER AGENT AND REGISTRAR
Citibank, N.A., Issuer Services,
Box 4855, New York, NY 10043

CO-TRANSFER AGENTS AND CO-REGISTRARS
First Interstate Bank of California
707 Wilshire Boulevard
Los Angeles, CA 90017

The First National Bank of Chicago
Corporate Trust Department
One First National Plaza
Chicago, IL 60670

Montreal Trust Company
15 King Street West
Toronto, Ontario
Canada M5H 1B4

JAPANESE SHAREHOLDER SERVICE ORGANIZATION AND PAYING BANK
The Yasuda Trust and Banking Company, Limited
Stock Transfer Department
1-2-1, Yaesu, Chuo-ku,
Tokyo, Japan

CITICORP STOCK LISTED
New York Stock Exchange
Midwest Stock Exchange
Pacific Stock Exchange
London Stock Exchange
Amsterdam Stock Exchange
Tokyo Stock Exchange
Zurich Stock Exchange
Geneva Stock Exchange
Basel Stock Exchange
Toronto Stock Exchange
Düsseldorf Stock Exchange
Frankfurt Stock Exchange

Securities and Exchange Commission
Washington, DC 20549
Form 10-K
Annual Report pursuant to Section 13 or 15(d) of The Securities Exchange Act of 1934 for the fiscal year ended December 31, 1991
Commission File Number 1-5738

CITICORP

Incorporated in the State of Delaware
IRS Employer
Identification Number: 13-2614988
Address: 399 Park Avenue, New York, NY 10043
Telephone: (212) 559-1000

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:
A list of Citicorp securities registered pursuant to Section 12(b) of the Securities Exchange Act of 1934 is available from Citicorp, Corporate Governance Department, 399 Park Avenue, Mezzanine, New York, NY 10043.

As of December 31, 1991, Citicorp had 346,250,416 shares of common stock outstanding.

Citicorp (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

No disclosure of any delinquent filer under Rule 16a-3(e) under the Securities Exchange Act of 1934 is contained herein, and will not be contained, to the best of Citicorp's knowledge, in Citicorp's 1992 Proxy Statement incorporated herein by reference or any amendment to this Annual Report and Form 10-K.

The aggregate market value of Citicorp common stock held by non-affiliates on January 31, 1992 was approximately $5.2 billion.

Certain information has been incorporated by reference as described herein into Part III of this annual report from Citicorp's proxy statement relating to its annual meeting of stockholders to be held on April 21, 1992.

CITICORP SERVICE

We continue to build a worldwide organization dedicated to serving our customers and take pride in the quality of service we deliver. The following addresses and phone numbers are part of our service commitment to help you obtain needed information and prompt assistance.

For general questions about Citicorp stock, contact: Citicorp Investor Relations, Citicorp Center, 153 E. 53 St., New York, NY 10043.
(800) 342-6690

For questions about your Dividend Reinvestment Account, Lost Stock Certificates, Stock Transfer, Estate Inquiries/Transfer Requirements, contact: Citibank, N.A., c/o Citicorp Data Distribution, Inc., Customer Service Unit, P.O. Box 308, Paramus, NJ 07653. (800) 422-2066

For all other stockholder concerns, contact: Citicorp, Corporate Governance Department, 399 Park Avenue, Mezzanine, New York, NY 10043.
(212) 559-4822

For information on bonds contact:

Municipal Bonds (Citibank Trustee)	(800) 238-2230
Municipal Bonds (All Other)	(800) 238-2230
Corporate Bonds	(800) 422-2066
Citicorp Bonds & Interest Checks	(800) 422-2066

For information or inquiries on accounts, credit cards, mortgages, CDs, or other financial services and investments, contact your local branch office, or use the address or phone number on the front of your customer statement.

Mortgage/Co-op Loan Service	(800) 283-7918
MasterCard/VISA or AAdvantage	(800) 843-0777
Outside of U.S.	call collect: (605) 335-2222
Preferred MasterCard/VISA	(800) 645-9565
Outside of U.S.	call collect: (605) 335-2222
Diners Club/Carte Blanche	(800) 525-9135
Outside of U.S.	call collect: (303) 790-2433
CHOICE MasterCard/VISA	(800) 733-2222
Outside of U.S.	call collect: (301) 832-4049
Citicorp Travelers Checks	call collect: (813) 623-1709
Citicorp Money Orders or Official Checks	(800) 223-7520
Student Loans	(800) 828-6103
Citicorp Brokerage	(800) 551-6725
in New York City	(212) 736-8170
Citicorp Insurance Services	(800) 237-4365
Citicorp Select Investments	(800) 223-9203
Family Guardian Life Insurance Co.	(800) 325-2114
Citicorp Insurance Agency (homeowner's insurance)	(800) 527-2126

For information regarding personalized investment management services, custody, specialized lending to individuals, jumbo mortgages, trust and estate planning, and art advisory services, contact The Citibank Private Bank (212) 559-5959

For general information or other inquiries: (800) 248-4636