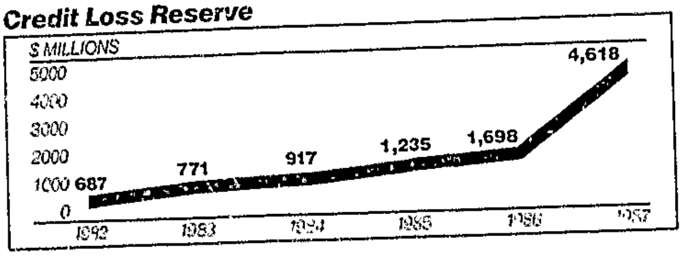

"Citicorp.
Because people want to
succeed, not just survive."
CITICORP
1987 REPORT

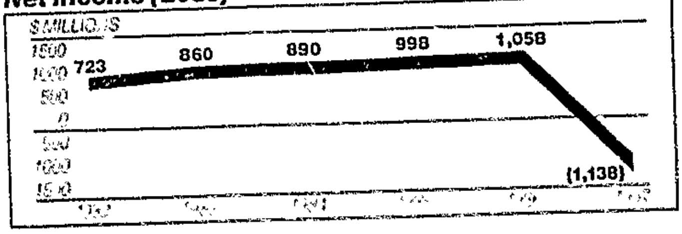
Financial Highlights

Credit Loss Reserve



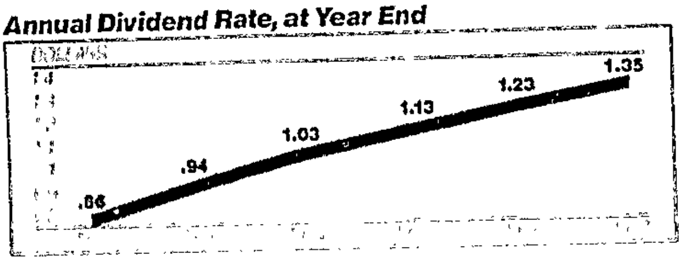
WE ADDED $3.0 BILLION TO OUR RESERVES FOR RESTRUCTURING COUNTRIES' OUTSTANDINGS.

Net Income (Loss)



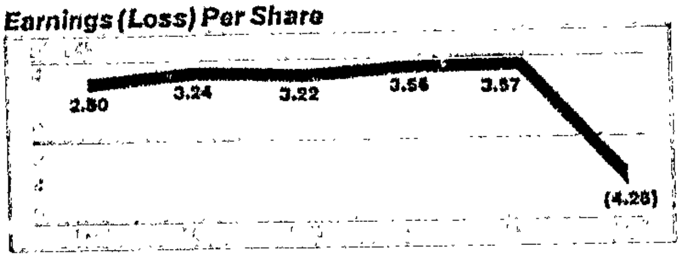
AS A RESULT WE REPORTED A 1987 LOSS OF $1.1 BILLION

Annual Dividend Rate, at Year End



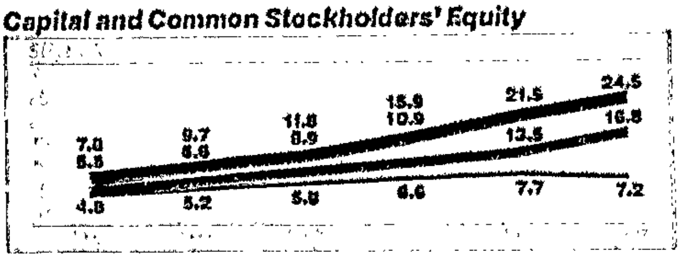
ANNUAL DIVIDEND RATE WAS INCREASED 10% IN THE YEAR TO $1.35 PER SHARE

Earnings (Loss) Per Share



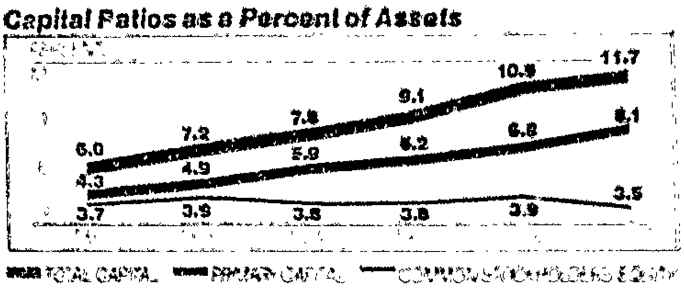
EARNINGS PER SHARE WAS A LOSS OF $4.28 AS A RESULT OF THE $3.0 BILLION RESERVE INCREASE

Capital and Common Stockholders' Equity

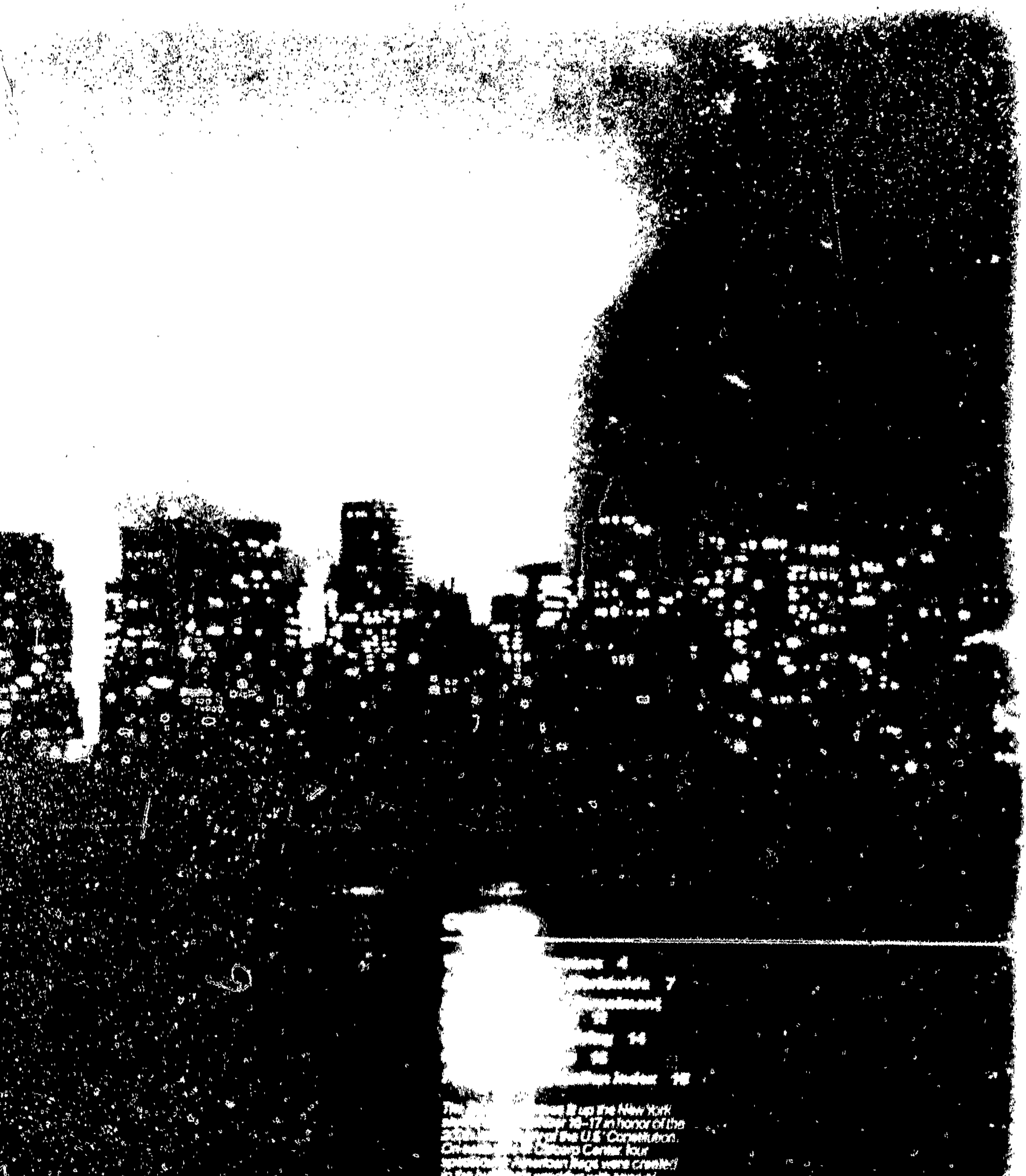


COMMON STOCKHOLDERS' EQUITY WAS REDUCED BY THE $3.0 BILLION RESERVE BUT TOTAL AND PRIMARY CAPITAL WERE INCREASED

Capital Ratios as a Percent of Assets



TOTAL CAPITAL RATIO ROSE TO 11.7% AND PRIMARY CAPITAL RATIO ROSE TO 8.1%. COMMON STOCKHOLDERS' EQUITY RATIO DECLINED TO 3.5%



[illegible] lit up the New York [illegible] 16–17 in honor of the [illegible] of the U.S. Constitution. [illegible] Center, four [illegible] American flags were created in the building's windows with special interior lighting

Citicorp: A Global Financial Services Company

- **We are:**

  Unique in our commitment to serve all customers, including consumers, corporations, and other institutions, with a full range of financial services in virtually all marketplaces of the world.

  Unique in human, managerial, and financial resources drawn from the global marketplace.

  Unique also in the balance and distribution of our activities worldwide.

- **Our financial objective is to build shareholder value through:**

  Sustained growth (12-18%) in earnings per share.

  A continued commitment to building customer-oriented businesses worldwide.

  Superior rates of return on equity (18%).

  A strong balance sheet.

  A business balanced by customer, product, and geography.

- **We recognize the need to balance short- versus long-term values and are guided by shareholder and customer interest in these decisions. We did this in 1987 and before by taking steps to maximize the value of our "sovereign exposure," providing for the economic risks while reconfirming our long-term commitment to act as a global intermediary.**

- **Our business efforts can be described as follows:**

  A global consumer business: bringing financial services to the consumer marketplace around the world.

  Global institutional/capital markets: a changing business, concentrated in OECD countries, which brings together the skills, services, and traditions of corporate and investment banking for both issuers and investors.

  More traditional corporate banking and finance: primarily a local business in the emerging economies of the world.

  Corporate initiatives looking to the 1990s and beyond: primarily an information initiative built around Quotron and designed to provide financial information and transaction services through the use of customer-based, terminal-activated systems.

Inside Directors

From left to right

PAUL J. COLLINS
SENIOR CORPORATE OFFICER

JAMES D. FARLEY
VICE CHAIRMAN

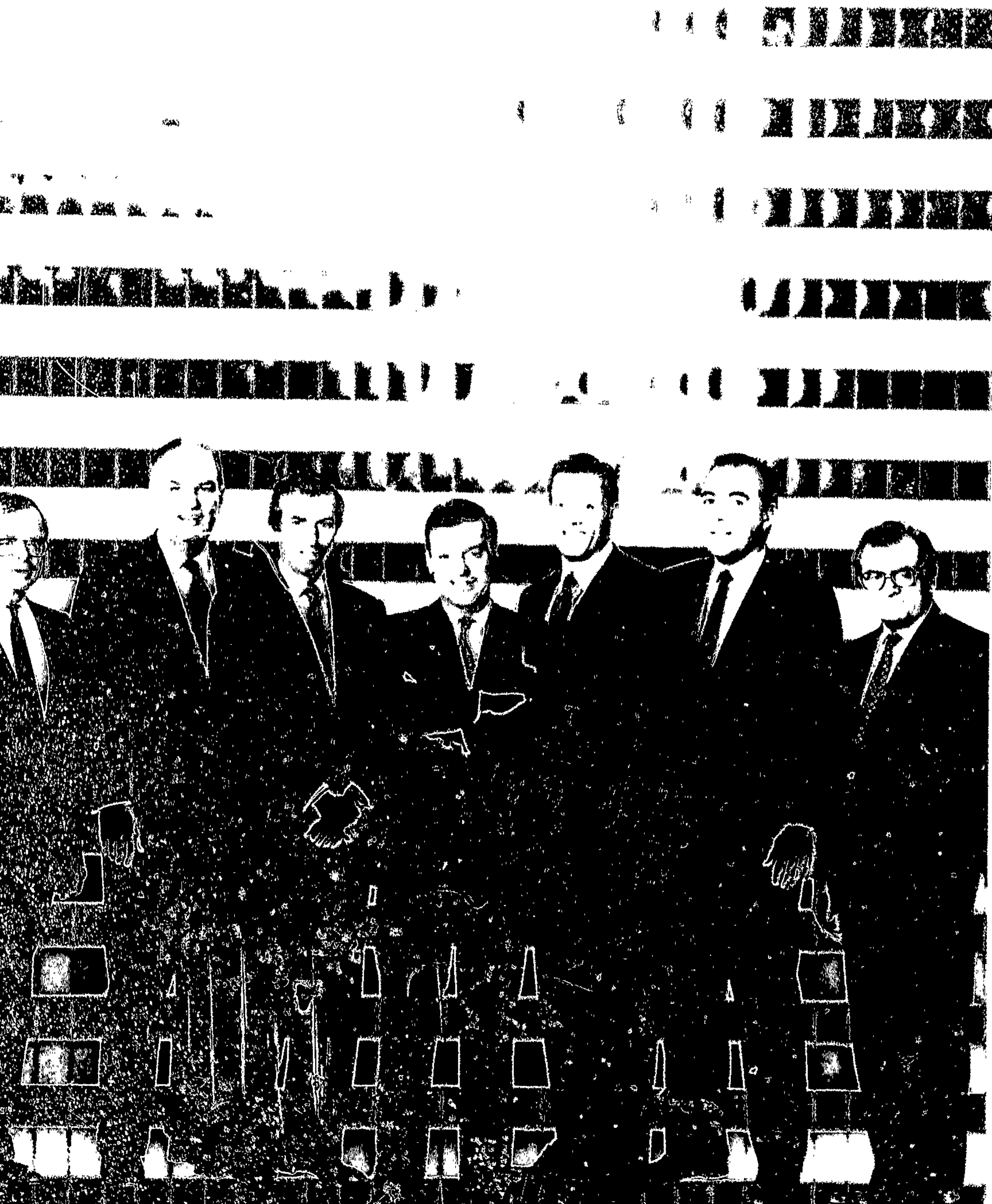
RICHARD S. BRADDOCK
SECTOR EXECUTIVE

JOHN S. REED
CHAIRMAN

LAWRENCE M. SMALL
SECTOR EXECUTIVE

MICHAEL A. CALLEN
SECTOR EXECUTIVE

HANS H. ANGERMUELLER
VICE CHAIRMAN



To Citicorp Investors

Nineteen eighty seven was a difficult but important year.

- Actions relating to our cross-border portfolio dominated Citicorp's financial results. In this area, which is of a central concern to your Company, we have achieved important progress and ended the calendar year 1987 with substantially greater flexibility and strength than was the case a year ago.

- Our core business efforts continue to make good progress and are producing solid values.

For the year, we reported a loss of $1.138 billion, or $4.26 per share. This is the first loss since 1934 and reflects our decision to augment our reserves by $3.0 billion. Because we continue to have good confidence in our underlying business, your Directors increased the dividend by 12 cents, or 10%, in April to an annual dividend rate of $1.35 per share. Your stock closed the year at $18⅝ per share, down from last year's close of $26½ per share.

We continue to emphasize our balance sheet strength as seen in terms of funding, reserves, and capital. At year end, our total capital was $24.5 billion, an increase of 14% from last year. Our primary capital was $16.8 billion, up 24%, and our reserves were at $4.6 billion, an increase of $2.9 billion from last year. At the same time, outstandings to restructuring countries were reduced by $1.6 billion to a total of $13.3 billion. We participated in new loans which increased exposure by $300 million, but reduced our total exposure as a result of payments and the use of debt/equity, debt/debt, and other such transactions during the year. Because of the charge to earnings related to building the reserve, common stockholders' equity declined by $3.0 billion to $5.2 billion and was increased to $7.2 billion by year end, as a result of decisions taken to rebuild the base. The expansion of our consumer business, with millions of customers around the world, continues to strengthen our funding base.

At the end of 1987, some banking institutions in the United States and around the world further increased their reserves or otherwise further provided for the risk associated with their sovereign exposure. Citicorp, given our long-term commitment to the international business, our assessment of the progress that has been made in this sovereign debt area, and the success and flexibility we have had in restructuring our exposure, believes that our current reserve posture is appropriate, balanced, and provides for all reasonable and likely needs and/or risks.

Since the 1970s, your Company has been modifying and adding to its business in response to changes in the market, changed customer needs, and new opportunities. Details with regard to our business activities are contained in subsequent sections of this report, but it is appropriate to highlight these developments.

- We continue to build our global consumer business. This business is focused on providing traditional checking, savings and other branch-based deposit products, investment products, and credit card, mortgage and other loan services to individual customers around the world. After spending substantial monies to start this effort in the late 1970s and early 1980s, we have reported continued strength in customer franchise and earnings. In 1987, we reported earnings of $548 million and a return on equity of 16% for our global consumer business. We believe that the effort will be one of the principal sources of continued growth and strength for your Company.

- Since the early 1980s, changes taking place in our traditional corporate banking business in the more advanced (OECD) economies required both the development of an investment banking capability to take our customers to the capital markets and important modifications of traditional banking habits and practices. This new focus has produced increasing marketplace strength for your Company in the OECD countries. During 1987, earnings from the Investment Bank and Institutional Bank businesses in these markets were $600 million and represented a 17.9% return on equity. We expect our OECD businesses to continue to be an important source of growth and earnings and continue to dedicate significant resources to improving our strength in all these markets.

- Since the early part of this century, Citicorp has been distinctive in our dedication to local currency banking in the emerging economies of the world. In the public perception, this activity has been overshadowed by cross-border problems, but we believe our local banking is a good solid business with important benefits for customers worldwide. During 1987, this business generated earnings of $167 million and a return on equity of 24.6%. While the earnings growth in this business will probably be relatively slow, it continues to be a core commitment of Citicorp and an important long-term business activity.

- During 1986, we felt it appropriate to begin a corporate initiative in the Information Business, which we recognized was going to be an important business during the 1990s. This was done largely through the acquisition of Quotron. While this initiative cost some $85 million after tax in 1987 and is expected to continue to lose money in the immediate future, we are satisfied with the results. The losses relate to the Quotron acquisition and carrying costs, and several new business initiatives. The operating business is profitable and offers good promise.

As was mentioned, cross-border lending dominated Citicorp's financial results for 1987. Our portfolio in restructuring countries lost $76 million on an operating basis, as a result of the fact that Brazil did not pay interest on its loans. The significant items impacting your Company relating to the cross-border business during 1987 were as follows:

- Citicorp's decision to augment its reserves by $3.0 billion reduced earnings and equity by that amount and created a potential tax benefit of $1.1 billion, $259 million of which was recognized during 1987.
- Brazil was unable to pay any interest during the year, resulting in a revenue shortfall of $333 million and an after-tax earnings impact of $200 million.
- The sale of 20 million shares of common stock (40 million after the stock split) in September added $1.1 billion to Citicorp's equity capital.
- The sale of a condominium interest in the Company's headquarters complex increased fourth-quarter earnings by $283 million, and the restructuring of pension liabilities increased third-quarter earnings by $163 million.

While the reserve decision and lack of interest payments on the Brazilian loans clearly resulted in a significant financial burden on the Company, we believe that as a result of the reserve decision your Company has been able to respond more effectively to the debt issue. With this flexibility we reduced outstandings to restructuring countries by $1.6 billion and, through the transactions mentioned above and our core business earnings, added $2.5 billion in new resources to the Company.

We are stronger leaving 1987 than coming in. We believe that the heavily indebted countries are making good progress. This should continue.

During the year, we lost the services of four of our Directors. Mr. Roger Milliken was on the Board of Citicorp since 1947. Roger is a great American and is a man who in his own field has built a great enterprise. He has been an important Director of your Company and has provided your management with guidance and support. We miss Roger at our meetings and thank him for his many years of service.

Mr. Darwin E. Smith served on your Board since 1973 and was Chairman of your Audit and Examining Committees from 1979 to 1987. He made important contributions in both capacities, and his advice and counsel are missed.

Mr. Thomas C. Theobald worked for the Company 27 years and helped build many of our businesses throughout his career with us. He left to become the Chairman of Continental Illinois Corporation. We wish him well.

Dr. Arthur Furer was on the Board since 1983 and commuted faithfully from his native Switzerland to attend our meetings. We will miss his international perspective.

During the year, we were fortunate to add Mr. Kenneth T. Derr, Vice Chairman of the Chevron Corporation; Dr. John M. Deutch, Provost of the Massachusetts Institute of Technology; Mr. Roger B. Smith, Chairman and Chief Executive Officer of General Motors Corporation; Mr. Edgar S. Woolard, Jr., President and Chief Operating Officer of E.I. du Pont de Nemours & Company; and Mr. Michael A. Callen, Sector Executive of Citicorp's Investment Banking business, to your Board of Directors.

As I said at the beginning, 1987 was a difficult year, but much was done. This reflected extraordinary work and accomplishment by the 90,000 employees of Citicorp worldwide and the continued support of our customers and your Board of Directors. They have done much and ensure our continued success.

JOHN S. REED

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of ....
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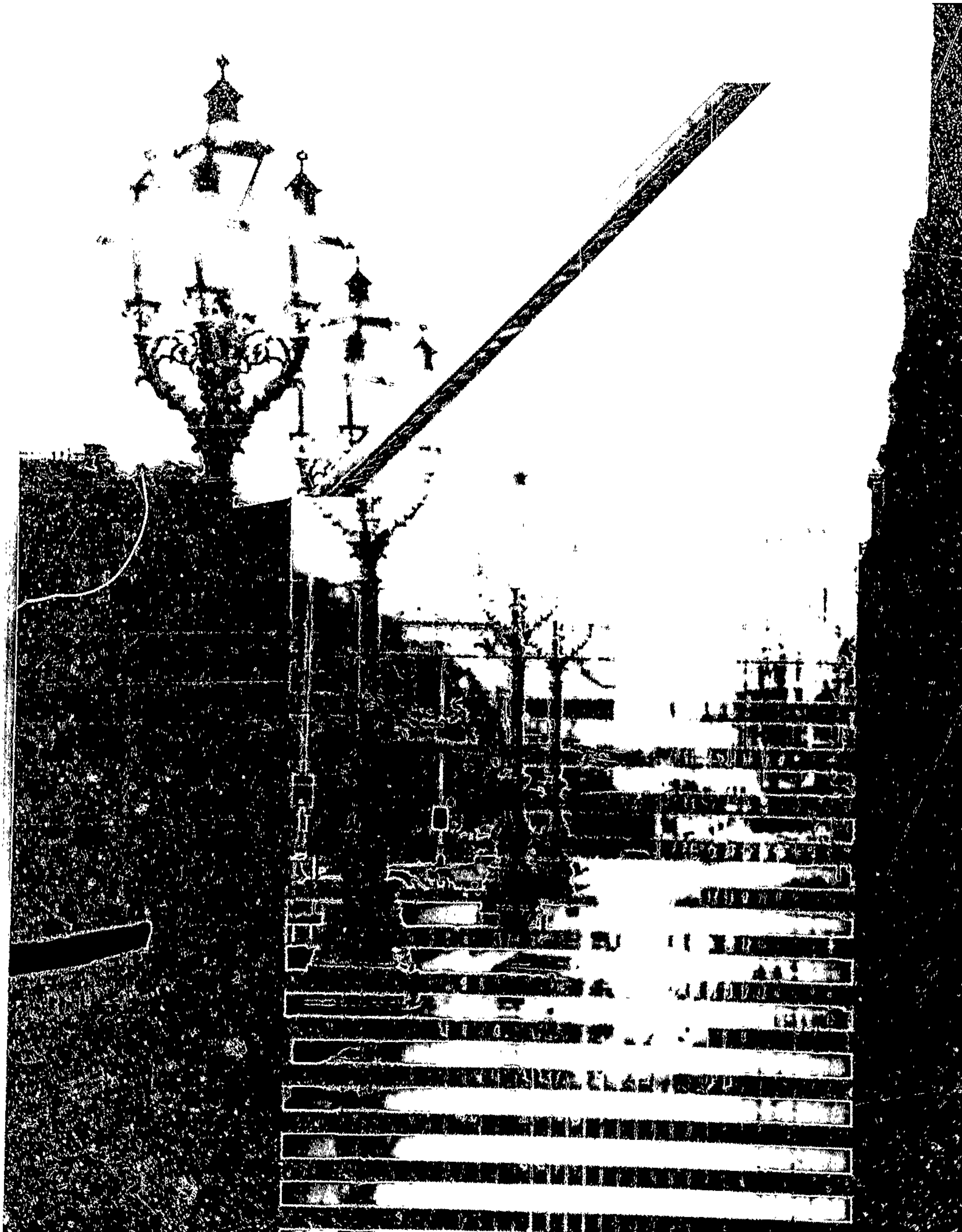


Individual Bank Worldwide

1987 Results

Nineteen eighty seven proved to be another strong year for the Individual Bank. Net income rose to $548 million, up 51% from the $362 million earned in 1986. This improvement is primarily a result of the continued strong growth of our credit card business and the improved credit performance of our various businesses.

These results reinforce our optimistic view of the future of the Individual Bank, the Sector of the Corporation that serves the full range of consumer financial needs worldwide.

Based on another year of solid accomplishment and our detailed planning and analysis, we further confirmed to the financial community that our objective of increasing earnings to $1 billion within the next five to seven years, although difficult, can be achieved. Doing so requires that revenue growth continue, while the rate of expense growth declines.

Our current earnings continue to be significantly influenced by our card business and the New York branch system, and we have developed a wide range of additional programs that will contribute to future earnings. These programs include not only the largest mortgage and student loan businesses in the United States, and a variety of branch-based initiatives there, but also a worldwide Private Banking effort and consumer businesses in 41 other countries.

Furthermore, we believe we are the only corporation with the objective of serving customers globally with a wide range of financial services. While this clearly presents a challenge, we believe this global marketing strategy has already begun to differentiate Citicorp from its competitors within the financial services industry.

Overview of 1987

Despite our optimism and strong overall financial results, 1987 was a challenging year. There were areas of weakness in the world economy that affected our results both domestically and internationally. More precisely, upward pressure on interest rates beginning about mid-year had a significant effect on our domestic mortgage business, both in terms of volumes and pass-through spreads. This, in turn, was reflected in the earnings dynamics of many of our recent branch-based acquisitions, where asset growth is an important prerequisite for success.

These pressures also influenced the return of our revenue levels to more normal ranges after four years of compounded growth in excess of 30%. We earned $6.6 billion in revenue, up $1.0 billion, or 17%, from the previous year. Our return on equity increased to 16%, and by year end our customer assets had reached $81 billion, along with $72 billion in customer liabilities.

We placed increased emphasis on expense control throughout 1987. Although our delivery expense was up 18% for the year, we began a wide variety of initiatives affecting our domestic card, branch, and mortgage activities that will bring the rate of increase down. These efforts will be expanded through 1988 and beyond as we continue to identify areas where expenses can be brought more in line with marketplace realities. We are strongly committed to continuing to reduce expenses while maintaining a steady revenue momentum.

Virtually all of our businesses improved their credit performance over the year. Specifically, net write-offs as a percent of average outstandings declined to 1.43%, down from 1.56% a year earlier.

During the year, our domestic activity was led by continued solid progress in all operating areas of our credit card business, including the management of our revenue, expenses, and credit portfolio. We added, in gross figures, over 3 million new card members, maintaining our position as the nation's largest MasterCard and Visa card issuer with 18.2 million cards in use. We also introduced a variety of Bankcard marketing initiatives, including important affinity programs with American Airlines and the National Football League to reach attractive market segments. Our regional Choice Bankcard was reintroduced in association with the Visa network, allowing us more flexibility for future expansion. Diners Club also had a strong year, both domestically and overseas, and became profitable on an operating basis in the United States for the first time.

Despite the market-related pressure on our mortgage business, we produced impressive and market-leading overall results including $13.1 billion in mortgage originations, $8.0 billion sold into the secondary markets, and a year-end portfolio of $44.4 billion in mortgage servicing.

We also continued to build our share of the mortgage market over the course of 1987, despite the well-publicized market difficulties. By expanding such efforts as MortgagePower—Citicorp's national program developed to facilitate first mortgages through real estate brokers, builders, and developers—we believe we are better positioned to continue building our mortgage business.

Also domestically in 1987, we continued to selectively improve our branch-based distribution around the country. For example, we added to our branch networks in Utah, California, and Maryland. We also evaluated many opportunities in 1987 that we chose not to pursue, since it is our view that there will be a substantial number available in the future that will be of more strategic value to us.

In 1987, we placed more emphasis on improving the international earnings base of the Individual Bank. We expanded Bankcards abroad, often together with Diners Club. We acquired Bank of America's Visa business in Hong Kong, and we also introduced Bankcards in Japan, the Philippines, and Canada.

We worked hard on regulatory issues to continue moving toward a more freely competitive environment in many of our overseas markets. We received important additional permissions in Taiwan, Korea, and Argentina, among other locations. Our business results for the year were particularly strong throughout Asia, in most markets in South America, and in Germany, the United Kingdom, and Greece. We continued to develop our more recent international acquisitions, primarily in Europe, which have substantial longer-term promise.

We also invested heavily in our Private Banking activity, continuing to build a worldwide distribution system in major markets such as Japan, the United Kingdom, Continental Europe, and Brazil. We believe that Citicorp, because of our global reach and orientation, can most effectively serve this important customer base. Our results for the year supported our optimism, with worldwide assets under management now in excess of $45 billion and returns well above corporate goals.

Ensuring Growth and Profitability

We have continued to work on multiple-product relationships, which we believe are at the core of a successful consumer business; they result in a more loyal customer and greater profits over time. Therefore, we are developing a variety of new product ideas that will help us deepen relationships with our customers.

The most advanced example is Citi-One, which is marketed both domestically and abroad as a multi-product retail account. It generally offers a Bankcard as well as the convenience of a single integrated statement, among other incentives for account consolidation. Our Citi-One product is the leader among such retail accounts in the New York market and during the year was expanded to many of our domestic businesses and to such international markets as Singapore, Malaysia, and Taiwan.

Another example of a multiple-product marketing opportunity is CitiFunds, a multi-currency deposit and investment account that gives customers a chance to move their money into a number of investment funds in different currencies. First offered in Hong Kong to our Private Banking customers, CitiFunds is now being made available to other customers in markets around the world.

A third such opportunity is the Landmark Family of seven mutual funds, a multi-product set of accounts designed for proprietary marketing by Citibank. It is currently available in New York and will expand to several other domestic markets in 1988 as part of our substantially increased worldwide mutual fund activity.

We continue to be sensitive to the advantages and challenges of our great size. The advantages are obvious. We can achieve substantial economies of scale in many of our businesses. For example, we have continued to evolve and improve Bankcard processing support and customer service through three modern Bankcard centers, in Sioux Falls, South Dakota; Hagerstown, Maryland; and The Lakes, Nevada.

The growth of our mortgage business has also enabled us to centralize servicing in our St. Louis, Missouri facility. At the same time, we keep originations close to the customer at local branch or mortgage finance offices throughout the country.

Also, because we do business in many markets around the world, we are able to benefit from a constant interchange of ideas, products, and people, all of which enhance our success by accelerating the introduction of new products and services in various marketplaces. It is primarily in this respect that our pursuit of a global strategy will bring us the most leverage.

Moreover, our size enables us to pursue a variety of new projects that are important to our future goals. Many of these are in our Development Division. The major emphasis in this division is to develop technology to support our employees and customers worldwide. For instance, during the year we began to roll out a new generation of unique, touch-screen ATMs, which research has shown are significantly preferred by our customers. During the year, we introduced them in New York and Hong Kong; expansion will continue in 1988.

Industry surveys consistently show the importance of service to people choosing a financial institution. For several years, our efforts to improve our service have included management attention, frequent customer surveys, and implementation of employee service-improvement programs. Our 1987 customer surveys have shown distinct progress in service delivered to customers worldwide.

As we continue to grow, we recognize the essential role of communications to the future success of this Company. More and more, we are competing with other national firms that understand and use mass communications as a key ingredient in their sales effort. To continue as the market leader, we must take the lead in communications as well. In 1987, we introduced a major new communications initiative in the U.S., consisting of national advertising on network television and in major magazines (see pages 14 and 15).

We also continue to be aware of the potential risks associated with great size. Citicorp has traditionally been known as an innovative company, and our continued success in the marketplace requires that, as we continue to grow, we must never lose our fundamental commitment to innovation.

Since we now have about 65,000 people working for the Individual Bank around the world—compared with 18,000 when we started in 1976—we need to ensure a structure that allows for innovation and the free flow of ideas throughout the Company. Therefore, as we grow we will continue to manage our businesses using a decentralized system, centralizing only when the benefits are obvious, such as in achieving economies of scale.

Our personnel situation remains quite stable; for example, most members of senior management in the Individual Bank have been with us for the 12 years of our history. In addition, to ensure continued momentum and future success, we are bringing people into the Company at all levels and emphasizing career development.

Future Direction

In the last six years, Individual Bank annual earnings have gone from almost zero to $548 million. As mentioned earlier, our objective is to double our earnings over the next five to seven years to $1 billion.

We hope to accomplish this formidable task by aggressively entering new geographic markets, by selling products in such new categories as insurance, mutual funds, and equities, and by marketing our current product lines in innovative ways.

In the total U.S. market, the consumer banking, insurance, and investment categories produce almost $500 billion in net revenues annually. Because we have just begun to enter these areas nationally, our market shares are minimal. In the categories of bankcards, home mortgages, and student loans, which we have been able to market nationally, we are the leader among financial service companies. The opportunity is clear: to dramatically increase the number and size of the markets we can efficiently reach with our products and services.

We are particularly well positioned to take advantage of the opportunity in Private Banking worldwide, and in consumer businesses in 42 countries, including such diverse markets as Germany, Spain, Italy, Belgium, and the United Kingdom; Brazil and Argentina; Hong Kong and Australia.

In summary, 1987 was another year of progress for the Individual Bank. We took a number of important steps on our way toward the day when every customer's Citicard can be used to do full-service banking anywhere in the world.

Richard S. Braddock

RICHARD S. BRADDOCK

Institutional and Investment Banks Worldwide

As world financial markets evolve, a wide range of activities is required to meet the changing needs of local businesses, multinational corporations, real estate developers, governments, and financial institutions of all types. Some of the activities are new—such as risk-management products for borrowers and investors—and others are more traditional but adapted to new conditions—such as structured credit facilities. Citicorp's Institutional and Investment Banks work together to provide these services, creating custom-crafted solutions for clients' financial challenges. What the customer who either issues financial obligations or invests in them sees, particularly in the case of our larger, more complex relationships, are **teams** of Citicorp people with responsibility for originating, structuring, distributing, and trading the components of significant transactions. In this context, the organizational distinction between Citicorp's Investment and Institutional Banks is simply an internally convenient means of allocating responsibilities. In the marketplace, the two sectors act as one.

We present our financial results in the three components described below, enabling us to highlight our combined performance from both a **customer** and a **product** perspective:

- "Institutional Bank Products Delivered to Institutional Relationships" involve predominantly the earnings resulting from the origination and structuring of a broad variety of credit and transaction processing services. These are provided by the Institutional Bank.
- "Investment Bank Products Delivered to Institutional Relationships" involve predominantly the earnings resulting from distributing, trading, and hedging financial positions generated by business activities with institutional customers. These are provided by the Institutional and Investment Banks in cooperation.
- "Other Investment Bank Products" arise out of activities not involving institutional relationships and represent primarily trading, equities brokerage, and investment performance by the Investment Bank stemming from our direct involvement in global capital markets.

The combination of Institutional Bank and Investment Bank Products Delivered to Institutional Relationships is "Institutional Relationship Earnings," which represent our financial results from the perspective of our total **customer** relationships.

Combining Investment Bank Products Delivered to Institutional Relationships and Other Investment Bank Products results in the total income from the Investment Bank's **products** and provides a perspective on our progress in this important and growing area of activity.

In addition to presenting our total activity with issuers of and investors in financial instruments in the way described, we have for the first time also separated the income streams into three useful geographic and business categories:

- Organization for Economic Cooperation and Development (OECD) Countries (U.S., Canada, Europe, Japan, Australia, and New Zealand).
- Emerging Economies (all other countries where we have a presence).
- Cross-Border Restructuring Countries.

These categories portray the way we allocate our resources to meet the challenges of today's business world. Quite rapidly, the OECD countries are becoming a homogenous, global marketplace for a broad group of sophisticated financial services, and we naturally concentrate significant efforts there. The "Emerging Economies" of the world tend to be those where the rest of our geographic presences have been established and represent a highly profitable, stable, albeit somewhat more traditional, part of our business. Prominent among these countries, also in terms of share of earnings, are the "Newly Industrialized Countries" (NICs), such as those of East Asia. Finally, "Cross-Border Restructuring Countries" is a second segment of our activities with the non-OECD world, which has become highly centralized and should be examined separately from our local business in those countries in order to gain a full understanding of the profit dynamics of our global customer and product base.

NET INCOME BY MARKET

IN MILLIONS OF DOLLARS	OECD Countries	Emerging Economies	Cross-Border Restructuring Countries	Total
Institutional Bank Products Delivered to Institutional Relationships	$395	$ 41	$(3,118)	$(2,682)
Investment Bank Products Delivered to Institutional Relationships	223	144	42	409
Institutional Relationship Earnings	$618	$185	$(3,076)	$(2,273)
Other Investment Bank Products	(18)	(18)	–	(36)
TOTAL FOR 1987	**$600**	**$167**	**$(3,076)**	**$(2,309)**
TOTAL FOR 1986	$538	$143	$ 124	$ 805

The following points are made clear by looking at the numbers presented above:

- The $3.0 billion addition to Citicorp's loan loss reserve was the dominant element in aggregate "Institutional Relationship Earnings" in 1987 and is reflected against the portfolio requiring this reserve, "Cross-Border Restructuring Countries."

- Results for the OECD countries show a 12% increase in 1987. The most important element in this gain was significant improvement in "Institutional Bank Products," due primarily to improved performance in Europe and Asia and strong results in asset-based and real estate financing in North America.
- For the emerging economies, growth occurred primarily in the Asia/Pacific region, reflecting the benefits beginning to accrue from our efforts to build the local infrastructure and distribution network in these countries.
- The Investment Bank's results on its other products were negative. Strong performance in foreign exchange and realization of some gains on venture capital investments were more than offset by increased expenses and by reduced securities trading profits due to the sharp upward movement in U.S. interest rates in April and the major downturn in world equity markets following October 19th.

In the Institutional Bank, we held 1987 expenses flat to 1986, even after the adverse effect of foreign exchange translation rates in Europe and Japan. Staff levels have been reduced by more than 5,000 people, close to 25%, over two years. In the Investment Bank, we undertook a review of expenses during the year, the initial results of which were announced early in 1988. The objective of these reviews is, in general, not to withdraw from businesses around the world, but rather to refine their focus and scale of activity. This process still allows for business growth.

Business Momentum

This year saw the expansion of a number of major business areas, which is indicative of the significant growth potential for Institutional and Investment Banking customers and products. These growth areas fall into three broad groups: origination, structuring, and syndication of credit; foreign exchange, risk management, and securities activities; and high-quality, sophisticated transaction processing for large customers.

Two of our most successful credit-oriented businesses are in the United States: commercial real estate financing and a wide variety of structured financing products such as leasing, accounts receivable financing, and leveraged acquisition financing. Both businesses involve sophisticated credit analysis and structuring, and earn very satisfactory returns on equity.

We are the leading real estate lender in the United States. The foundation for this business's success was established in the late seventies. Consistent and sustained growth has been achieved by building the core lending business through the development and retention of a cadre of real estate professionals in 23 offices throughout North America.

Our real estate financing ranges from the traditional construction term loans secured by real property to the formation of innovative funding vehicles using letters of credit and commercial paper. An example of an imaginative transaction was our participation in providing the financing for a $5 billion acquisition, involving over 80 properties in the U.S. and Canada, incorporating multiple currencies, financial instruments, and interest rate pricing options. We have also used our core business as a springboard into new initiatives such as real estate investment management.

The structured finance business ranges from leasing services for medium-sized companies, conducted through a national network, to transactions that are as much investment as commercial banking. A business achieving increasing success is corporate asset funding, which arranges for Citicorp's clients to use portfolios of their financial assets to achieve incremental access to financial markets. Another major area of U.S. credit-related activity has been leveraged buyouts and corporate restructuring. Citicorp last year financed 64 transactions either entirely from its own resources or with syndicates, enabling management groups to assume direct ownership and responsibility for the growth and viability of their businesses. Additionally, a number of very large financings, originated by the Institutional Bank and syndicated by the Investment Bank, were also fundamental to the strong results in North America.

Structured finance and real estate lending are good examples of how, in the hands of a creative organization, traditional products continually regenerate themselves for other uses. We are extending these activities around the world where market demand exists, mainly in the OECD area. In Australia and Europe, for example, we completed several notable transactions for local clients in the latter part of 1987.

We believe, in fact, our large number of corporate clients and our skills in structuring, interest rate and currency risk management, and other areas—combined with our own lending power—enable us to bring to investor clients a very wide range of opportunities. We have maintained our leadership in the global syndicated loan market, but the potential in this area is even greater. For example, we pioneered and built a major new international credit market for Eurocommercial paper (ECP). ECP had its origins in the syndicated loan market, but we have further developed and enhanced it as an investor-oriented product.

Financing in a variety of countries for the world's leading multinational companies is a key element in our service package. Relationship managers work with parent company treasurers and lead worldwide teams of other Citicorp specialists in providing financial services when and where our clients need them. Profits from this business rose 15% in 1987 with increases reported in all geographic regions.

Foreign Exchange, Risk Management, Capital Markets

The second major area of growth is in foreign exchange and risk management products—where Citicorp continues to be an acknowledged leader—and in securities distribution and trading.

In foreign exchange itself, Citicorp is a major participant in all world markets. Foreign exchange earnings rose by 10% in 1987. Several new risk-management products, such as long interest rate agreements, long-term currency options, and callable interest rate swaps, were introduced. Illustrating the merger of various financial markets was a series of warrants to purchase gold and currencies at fixed prices in the future offered from London and Zurich both to individual customers and, attached to bonds, to other securities investors.

Securities distribution and trading stand alongside foreign exchange and currency and interest rate risk-management products within our financial markets segment. We are active in all the world's securities markets legally open to us, with concentration on government securities. We also continue to build our equity brokerage businesses. Our objective is to augment our franchise with the world's investors by offering combinations of all our market skills and products as a package.

The third major element of our business, in addition to credit and the whole range of risk management and investment products, is high-quality, sophisticated transaction-processing services for large customers. We use our global system to receive and move funds for our clients, to finance trade (for example, by handling the back-office work of major U.S. importers bringing goods from Asia) and to provide local services in many national markets. An outstanding example of services banking is our financial institutions business. Formerly known as "correspondent banking," it shows how traditional businesses renew themselves under the leadership of forward-looking people. The central location for this business is New York since the dollar remains the world's major transaction currency. Our volume through the New York Clearing House rose 16% in 1987, maintaining and increasing our number-one ranking first achieved in 1985. We are now offering these services to our customers in other major world markets such as Tokyo, Frankfurt, and London. As a business based primarily on service, processing transactions for financial institutions produces substantial earnings and a superior return on equity to Citicorp.

Citicorp has always been strong in the world's developing countries. While one aspect of this business is the refinancing situation, we also have the ability to bring to these markets, notably in Asia and Latin America, the ideas and techniques of the world's financial centers, whether involving credit, risk management, or securities products. For example, we capitalized on our introduction of financial technology to India by launching a family of innovative cash-management products.

We also introduced asset trading in Mexico and Chile, established two new mutual funds in Brazil and became the first foreign authorized dealer in Mexican Government securities.

As a result of this innovation, our long experience, and the quality of our people, we earn excellent returns in local businesses in many of the developing countries.

A business blending all of these elements is the development of transactions using foreign currency credits extended to the refinancing countries to fund local equity investments by multinational companies at attractive terms. One example of such an innovative transaction is a debt/equity swap in Chile where we arranged for a New Zealand forest products company to invest in the largest company in Chile.

An activity that serves customers and draws skills from across Citicorp is insurance. At present, the most important component of this business is AMBAC, which increased its share of the financial guarantee market for U.S. municipal bonds this year after obtaining a Moody's triple-A rating. At year end, we received permission to open a second credit assurance company, Capital Markets Assurance Corp. (CapMAC), which will focus on securitization of taxable corporate transactions. We also continued to build our worldwide commercial brokerage activities.

Institute for Global Finance

Looking to the future, we will continue to review our businesses and reallocate people and resources in order to serve best the changing needs of our customers and provide a superior return to our shareholders. With the goal of building a top-quality infrastructure, we have founded the Institute for Global Finance, an in-house educational program utilizing the best academic talent from the top business schools in the world to train the best candidates we can recruit and hire. Together with on-the-job experience in our many businesses, the Institute is designed to produce a team of financial service professionals to carry on the Citicorp tradition of innovative solutions to customer needs.

MICHAEL A. CALLEN   LAWRENCE M. SMALL

Corporate Advertising

During 1987, Citicorp/Citibank became a major national advertiser in the United States. There are several reasons why we decided to take this important strategic step.

We are the largest financial services company in the United States. The fact is, in order to continue to grow, we must use our size and capability as a distinct competitive advantage in the marketplace.

No other banking organization has used national advertising, particularly network television and national magazines, to position itself as the leader in national consumer financial services.

To do this we have developed a powerful national advertising campaign based on a solid strategy. It is designed to introduce Citicorp and to develop widespread awareness of the Company as the preeminent national financial organization already doing business with one in five American families. The advertising communicates the fact that we provide more MasterCard and Visa cards, more student loans, and more home mortgages than any other financial services company.

Most important, this campaign positions Citicorp and Citibank as far more than a bank. We intend to be known as the company that can take care of any financial need, any time, in any part of the United States and, over time, throughout the world.

The overall image we are communicating will directly support each of our businesses throughout the country. The campaign is flexible enough to help sell existing products, launch new ones, set the stage for Citicorp's move into new areas of the country, strengthen bonds to existing customers, and reach new prospects.

The advertising is built around two main elements—the theme line and a strong visual symbol. Our theme is *"Citicorp. Because Americans want to succeed, not just survive."* Our research confirms that this theme line reflects how Americans feel about themselves and their heritage. Our theme, which reflects an attitude of capitalism and entrepreneurship, will be changed and adapted for use in other parts of the world, as Citicorp business needs dictate.

To complement our theme line, the Citicorp Center building, with its unique design, serves as the campaign's visual symbol. It is a most appropriate and powerful representation of Citicorp's size and capability.

As an extension of our campaign, we were part of the Bicentennial of the U.S. Constitution, we distributed five million copies of the commemorative edition free to the public.

Our new advertising campaign is the beginning of a new competitiveness and period of growth for Citicorp and Citibank. Building on our 175-year history of achievement, the campaign portrays an organization that has the momentum, the confidence, and the knowledge to propel itself to still greater levels of performance.

ANS WANT
JRVIVE.™

The drive to succeed is deeply ingrained in the American character.

It means more than just wanting to get by. It means wanting to get ahead.

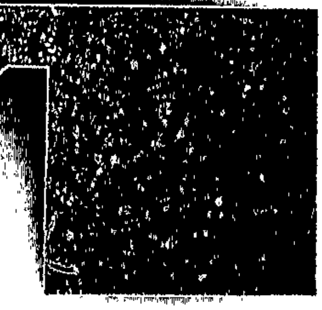
As Citicorp and Citibank, we understand this determination to succeed. For over 175 years we've helped people across the U.S. and around the world see their ideas of success become reality.

Today, we are already helping one in every five American families to build a better life. We make more home-mortgage loans and more student loans, and provide more MasterCard® and Visa cards than any other company. Facts that have made us America's largest financial services corporation.

We also do business with more businesses than any other financial services company. (At home and in over 90 countries around the world.)

Our corporate, government and financial institution customers constantly need to move information and money

S, WE'VE BEEN TURNING
REAMS INTO REALITY.



Whatever your personal version of the American Dream – a home of your own, a particular style of living, higher education – Citicorp and Citibank might well be able to help you make it real.

We understand the American Dream because we've lived it.

We've spent over 175 years creating the financial innovations that have helped millions turn their ideas of success into reality.

As a result, we've become [illegible] largest financial services organization, already helping one family in every five across the country.

Today we help more Americans own their own homes, and pay for college and enjoy the convenience of MasterCard and Visa cards than any other company.

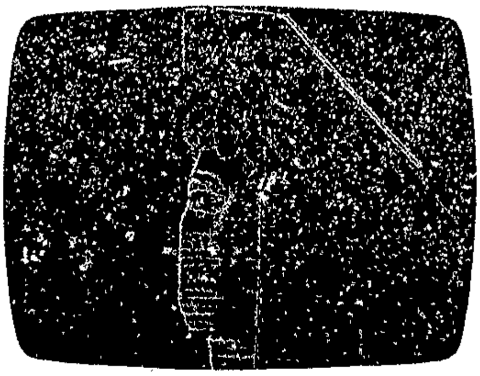
We also help more companies [illegible]

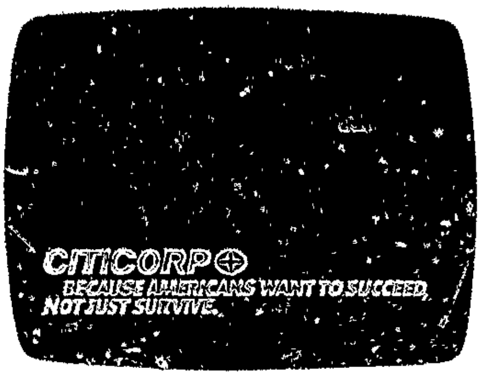
IT TAKES PEOPLE WITH VISION
TO HELP PEOPLE WITH DREAMS.

[illegible]

CITICORP

CITICORP. BECAUSE AMERICANS WANT TO SUCCEED, NOT JUST SURVIVE.





Senior Management

DAVID E. GIBSON

IRA S. RIMERMAN

PEI-YUAN CHIA

WILLIAM J. HERON, JR.

WILLIAM R. RHODES

ROBERT D. BAILEY

ANTHONY C. MANTZAVIN[illegible]
GROUP EXEC[illegible]

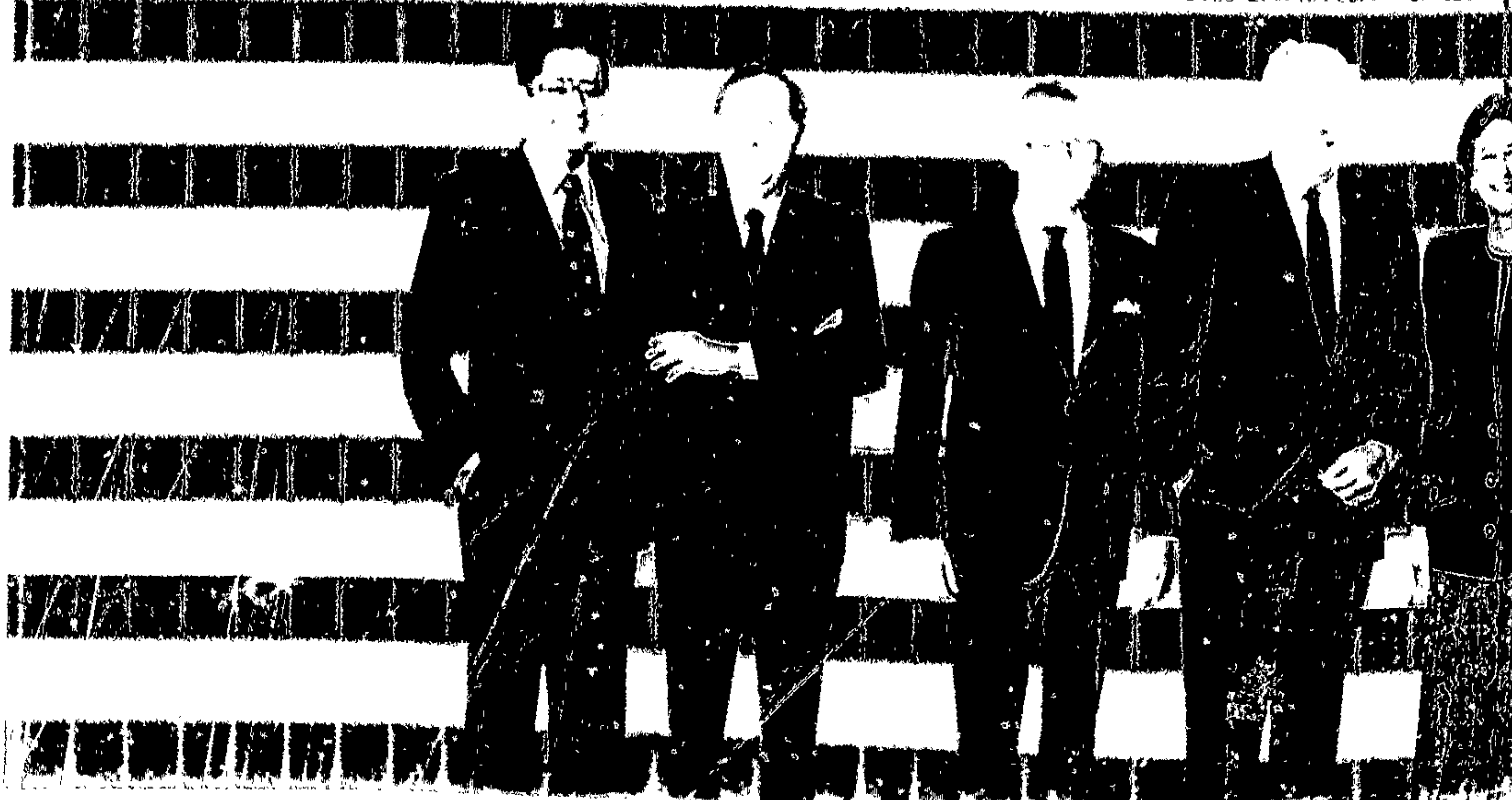
VICTOR J. MENEZES

DAVID S. VAN PELT

DANIEL T. JACOBSEN

CHARLES E. LONG
EXECUTIVE VICE PRESIDENT
AND SECRETARY, CITICORP

NANCY S. NEW[illegible]
SENIOR CORPO[illegible]
OFFICER



GEORGE L. DAVIS
GROUP EXECUTIVE

ROBERT H. MARTINSEN
GROUP EXECUTIVE

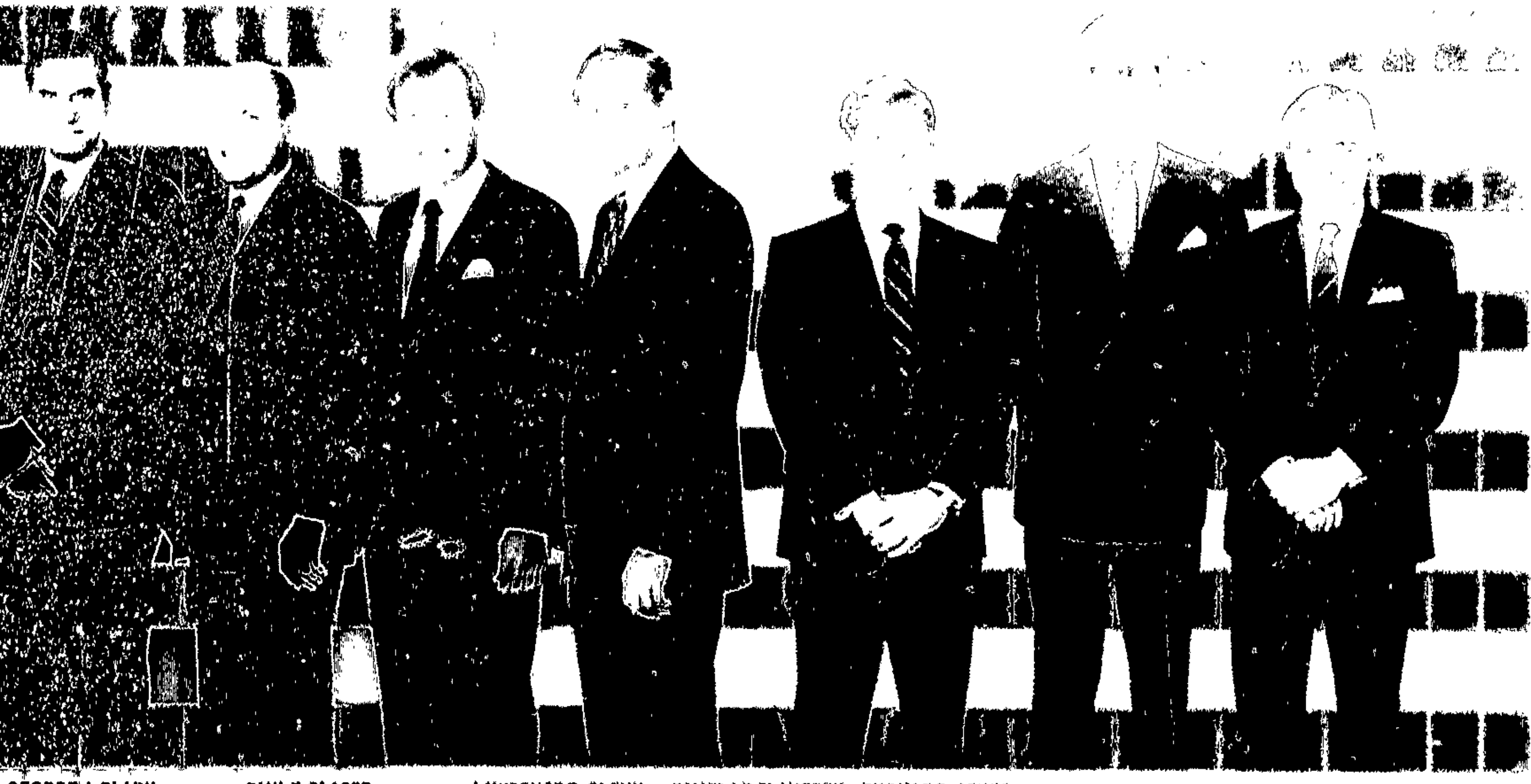
GUENTHER E. GREINER
[illegible]

GEORGE E. HAGERMAN, JR.
[illegible]

PHILLIP B. LASSITER
[illegible]

ALAN S. MACDONALD
[illegible]

PETER H. SCHURING
[illegible]



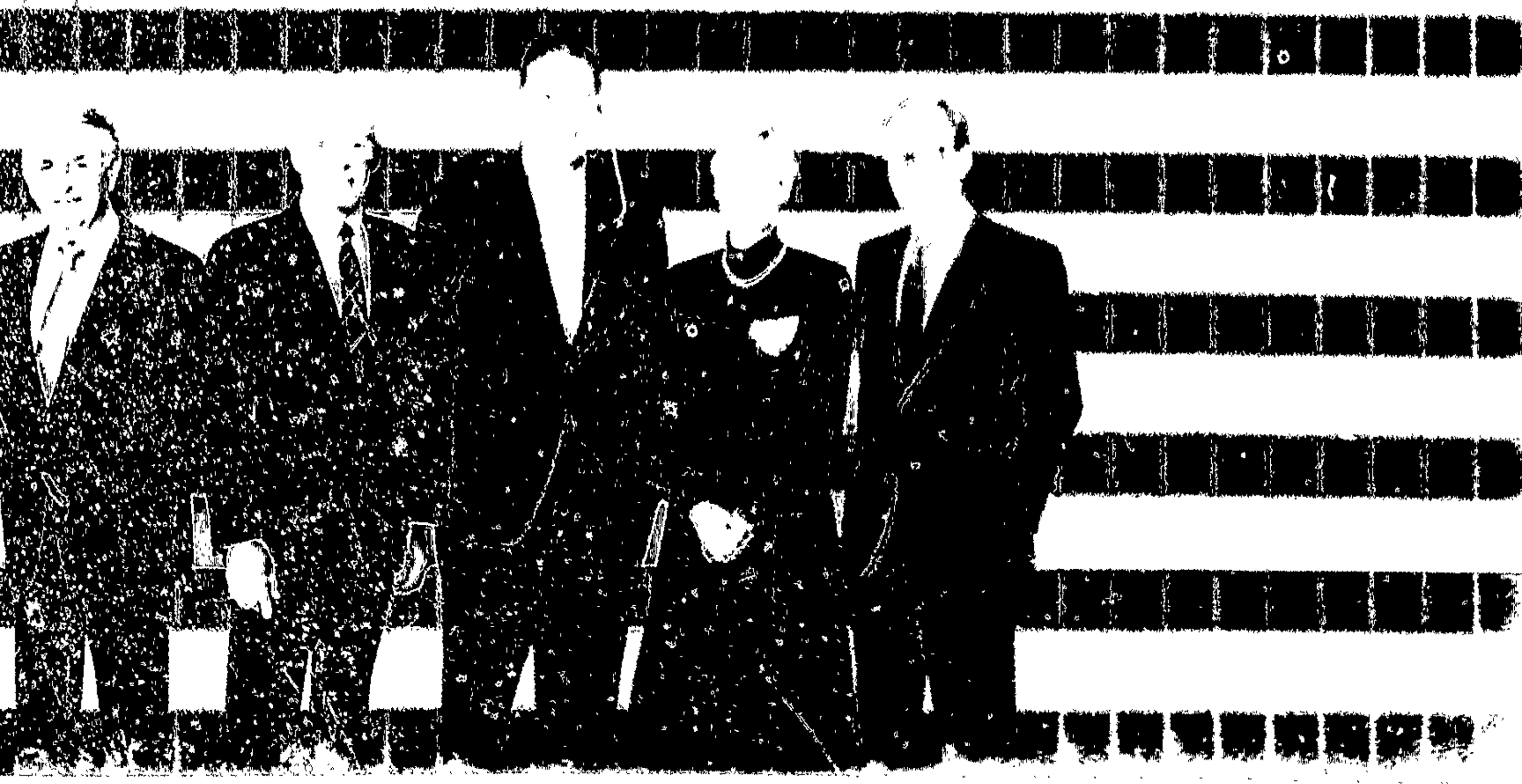
GEORGE J. CLARK
EXECUTIVE VICE PRESIDENT

PAUL F. GLASER
SENIOR VICE PRESIDENT

LAWRENCE R. GLENN
[illegible]

PAMELA R. FLAHERTY
[illegible]

THOMAS E. JONES
[illegible]



Financial Information Index

Citicorp in Brief

IN MILLIONS OF DOLLARS, EXCEPT PER SHARE AMOUNTS*	1987	1986	1985	1984	1983
Results					
Earnings (Loss) Per Share	**$ (4.26)**	$ 3.57	$ 3.56	$ 3.22	$ 3.24
Net Income (Loss)	**(1,138)**	1,058	998	890	860
Return on Common Stockholders' Equity	**(18.5)%**	13.8%	15.1%	15.0%	16.5%
Common Dividends					
Cash Dividends Declared	**$ 379**	$ 250	$ 290	$ 259	$ 234
Annual Dividend Rate Per Share at Year End	**1.35**	1.23	1.13	1.03	0.94
Capital					
Common Equity	**$ 7,220**	$ 7,695	$ 6,550	$ 5,786	$ 5,231
Percentage of Total Assets	**3.55%**	3.92%	3.77%	3.84%	3.88%
Total Stockholders' Equity	**$ 8,810**	$ 9,060	$ 7,765	$ 6,426	$ 5,771
Percentage of Total Assets	**4.33%**	4.62%	4.47%	4.27%	4.29%
Primary Capital	**$ 16,771**	$ 13,490	$ 10,892	$ 8,872	$ 6,588
Percentage of Total Assets	**8.05%**	6.82%	6.23%	5.86%	4.86%
Total Capital	**$ 24,462**	$ 21,531	$ 15,948	$ 11,805	$ 9,678
Percentage of Total Assets	**11.75%**	10.88%	9.12%	7.79%	7.15%
Year-End Balances					
Total Assets	**$203,607**	$196,124	$173,597	$150,586	$134,655
Consumer Loans, Net of Unearned Discount	**78,959**	68,243	55,518	42,661	28,995
Commercial Loans, Net of Unearned Discount	**55,754**	59,439	58,172	58,799	60,242
Total Deposits	**119,561**	114,689	104,959	90,349	79,794
Common Stockholders' Equity Per Share	**22.83**	27.96	25.32	22.91	21.00

*All per share amounts have been restated to reflect the Two-for-One stock split

PEOPLE

Common Stockholders	50,000
Staff	
Domestic	48,000
Overseas	42,000
TOTAL	**90,000**

OFFICES

United States (in 40 States and the District of Columbia)	
Citibank, N.A., Branches	306
Citibank, N.A., Subsidiaries	59
Citibank (New York State) Branches	44
Citibank (New York State) Subsidiaries	34
Citicorp Savings	293
Other Citicorp Subsidiaries	382
TOTAL DOMESTIC	**1,118**

Overseas (in 90 Countries)	
Citibank Branches and Representative Offices	284
Banking Subsidiaries	611
Banking Affiliates	105
Other Financial Affiliates and Subsidiaries	938
TOTAL OVERSEAS	**1,938**
TOTAL DOMESTIC AND OVERSEAS	**3,056**

The Businesses of Citicorp

Citicorp, a holding company, was incorporated in 1967 under the laws of Delaware and is the sole shareholder of Citibank, N.A.

Today Citicorp, with its subsidiaries and affiliates, is a multinational financial services organization. Its staff of 90,000 people serves the financial needs of individuals, businesses, governments, and financial institutions in over 3,000 locations, including branch banks, representative offices, and subsidiary and affiliate offices in 40 states, the District of Columbia, and 90 other 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 nonbank institutions that provide financial services and, in some of their activities, from governmental agencies.

In order to meet the challenges of today's and tomorrow's marketplace, Citicorp has organized its activities around customer-oriented core businesses: the Individual Bank, which focuses on serving the needs of consumers, and the Institutional Bank, Investment Bank, and Information Business, which work in conjunction to serve corporations, financial institutions, and governments. For further information regarding the core businesses, see the Sector discussions below and the preceding sections on the Individual, Institutional, and Investment Banks Worldwide.

The Business Focus table shown below analyzes Citicorp's results in the context of global business concentrations. For further information regarding these businesses see pages 2 to 13.

Sector Performance

NET INCOME (LOSS)—SECTOR AND CORPORATE ITEMS

IN MILLIONS OF DOLLARS	BUSINESS INCOME (LOSS)[1]		IMPACT OF EXCESS PROVISION AFTER-TAX[2]		NET INCOME (LOSS)[3]	
	1987	1986	1987	1986	1987	1986
Individual Banking	$ 541	$ 482	$ 7	$(120)	$ 548	$ 362
Institutional Bank Products Delivered to Institutional Relationships	231	455	(2,913)	(44)	(2,682)	411
Investment Bank Products Delivered to Institutional Relationships	409	295	—	—	409	295
Other Investment Banking Products	(34)	109	(2)	(10)	(36)	99
Information Business	(85)	(34)	—	—	(85)	(34)
Total Sectors	$ 1,062	$1,307	$(2,908)	$(174)	$(1,846)	$1,133
Corporate Items					708	(75)
TOTAL CITICORP					$(1,138)	$1,058

(1) Citicorp's presentation of Sector results and management [illegible] provision [illegible] over net write-offs to Sector earnings [illegible] country write-offs), operating expenses and [illegible] credit loss allowance [illegible] current year's presentation.

Business Focus

	NET INCOME (LOSS) $ MILLIONS		AVERAGE ASSETS $ BILLIONS		RETURN ON EQUITY[6]	
	1987	1986	1987	1986	1987	1986
Global Consumer	$ 548	$ 362	$ 86	$ 71	16.0%	12.7%
Global Institutional/Capital Markets						
OECD Economies[4]	600	538	83	81	17.9%	16.9%
Emerging Economies	167	143	17	18	24.6%	20.1%
Corporate Initiatives	(85)	(34)	—	—	N/M	N/M
Cross-Border Restructuring Countries	(3,076)	124	13	14	N/M	22.5%
Asset Sales and Other[5]	708	(75)	—	—	N/M	N/M
TOTAL CITICORP	$(1,138)	$1,058	$ 199	$ 184	(18.5)%	13.8%

(4) Organization for Economic Cooperation and Development [illegible]
$283 million from the sale of a condominium [illegible]
(6) The business concentration [illegible] in 1987 the after-tax gain and [illegible] and tax benefits of $259 million [illegible]

Individual Banking

Citicorp's Individual Bank serves the full range of consumer financial needs worldwide.

Individual Bank

IN MILLIONS OF DOLLARS	1987	1986[1]	VAR.	%
Business Income[2]	**$ 541**	$ 482	$ 59	12
Customer Net Revenue	**$6,589**	$5,638	$ 951	17
Credit Cycle Expense	**$1,577**	$1,701	$(124)	(7)
Delivery Expense	**4,002**	3,392	610	18
Total Expense	**$5,579**	$5,093	$ 486	10
Other Income (Expense)	**45**	92	(47)	(51)
Income Before Taxes	**$1,055**	$ 637	$ 418	66
NET INCOME	**$ 548**	$ 362	$ 186	51
Average Assets ($ Billions)	**86**	71	15	21
Return on Assets (%)[3]	**.64**	51	.13	—
Return on Equity (%)[3]	**16.0**	12.7	3.3	—

(1) Restated to conform with current year's presentation
(2) Refer to note 1 on page 20 for a discussion of Business Income
(3) Based on Net Income. Return on equity is based on dividing net income by a standard imputed average equity reflecting Citicorp's internal target

The above summary presents Individual Banking results in a format using terms closely related to the Individual Banking business. Customer net revenue embraces all net revenue primarily generated through customer relationships and gains on sales of customer assets. Credit cycle expense includes net credit write-offs, the provision for possible credit losses in excess of net write-offs, fraud losses, and the expense associated with credit appraisal and the process of collecting past-due or written-off accounts. Delivery expense includes all non-credit related costs of delivering our products and services to the consumer. Other income (expense), primarily includes interest costs of carrying non-customer assets, gains on sales of non-customer assets, affiliate earnings, and earnings on allocated equity.

Average Balance Sheet

IN BILLIONS OF DOLLARS	December 1987[1]
Assets	
Revolving Loans	$17.2
Shelter Loans	39.7
Student Loans	1.8
Other Loans[2]	21.8
Other Assets	12.0
	$92.5
Liabilities	
Transaction Account Deposits[3]	$11.6
Savings Deposits	60.0
Other (Includes Allocated Equity)	20.9
	$92.5

(1) Average balances for the month of December
(2) Principally includes lending to high net worth individuals [illegible]
(3) Includes demand deposits and travelers check and money [illegible] outstandings

Individual Bank earnings rose 51% in 1987 to $548 million, compared with $362 million in 1986. Earnings growth was achieved in all of the Sector's major businesses, in both the U.S. and abroad. Reflecting the improved profitability, return on equity of 16.0% was up over last year's 12.7%. The exceptionally strong year-to-year comparison will moderate throughout 1988 as it did quarter-by-quarter in 1987 as the first four months of 1987 benefited from unusual margins on mortgage pass-throughs.

Domestic earnings growth was led by the credit card business, the result of improved credit performance, solicitations, and other new programs. Gains were also recorded in the U.S. Private Bank. In the mortgage business gains from the sales of mortgage pass-throughs and servicing rights were offset by a slowdown in the mortgage business as the result of rising interest rates during the second half of the year.

International earnings rose over the prior year's led by expansion in the Asia/Pacific Division, the favorable impact of stronger local currencies on overseas results—particularly in Europe—and the sale of real estate in Japan and Spain.

Average assets increased by $15 billion, or 21%, over 1986's. December average first mortgages grew 20% from last year to $32.9 billion despite sales of $8.0 billion. Credit card receivables rose 18%, and in the U.S. at year end the number of card accounts increased to 18.6 million, a growth of 9%, with 27.6 million cards in use. The stronger local currencies overseas also increased asset balances.

Revenue momentum continued throughout 1987, as customer net revenues reached $6.6 billion, 17% more than last year's. December average customer asset and liability balances increased 17% and 15%, respectively from last year, while fee-based revenue grew 26% (from mortgage servicing, credit cards, and insurance activities). Pre-tax gains on the sale of mortgage pass-throughs increased 29% to $229 million, and the sale of mortgage servicing rights contributed $50 million.

Credit cycle expense decreased, mainly the result of a lower provision for possible credit losses as the excess provision over net write-offs declined from $285 million in 1986 to $42 million in 1987. Overall, credit loss experience continued to improve. Although net write-offs increased 7% to $1,024 million, these were driven by the 17% increase in average customer loans and leases. As a percent of average loans and leases, net write-offs declined from 1.56% in 1986 to 1.43% in 1987. This is particularly the result of a more mature credit card portfolio. (Historically, credit card portfolios have a higher credit loss experience in their initial years of development.) The consumer allowance for possible credit losses represented 1.03% of period-end consumer loans and leases, down from 1.12% at the end of last year, reflecting the improved credit performance.

Delivery expense grew 18%, or $610 million, year-to-year. This growth reflects a continued increase in volumes, marketing and other program expense, infrastructure expansion, extended insurance activities, and the effect of the weaker U.S. dollar abroad.

Institutional Relationships

Institutional Relationships' results include earnings from the delivery of both Institutional Banking and Investment Banking products to corporations, governments, and financial institutions worldwide.

Institutional Relationships

IN MILLIONS OF DOLLARS	1987	1986(1)	VAR.	%
Business Income(2)	**$ 640**	$ 750	$ (110)	(15)
Total Revenue	**$3,641**	$3,665	$ (24)	(1)
Provision for Possible Credit Losses	**3,334**	546	2,788	N/M
Operating Expenses	**1,932**	1,855	77	4
Income (Loss) Before Taxes	**$(1,625)**	$1,264	$(2,889)	N/M
NET INCOME (LOSS)	**$(2,273)**	$ 706	$(2,979)	N/M
Average Assets ($ Billions)	**74**	77	(3)	(4)
Return on Assets (%)(3)	**(3.06)**	.92	(3.98)	—
Return on Equity (%)(3)	**(76.4)**	23.0	(99.4)	—

(1) Restated to conform with the current year's presentation.
(2) Refer to note 1 on page 20 for a discussion of Business Income.
(3) Based on Net Income (Loss). Return on equity is based on dividing net income (loss) by a standard imputed average equity reflecting Citicorp's internal target.
N/M Not meaningful.

Institutional Relationships' 1987 operations were adversely affected by two major events: 1) Citicorp's $3.0 billion addition to the provision for loan losses and 2) Brazil's moratorium on interest payments which had a $200 million after-tax impact on net income. Without the $3.0 billion increase in the provision for loan losses, net income for Institutional Relationships would have been $727 million—$21 million more than in 1986, based on significantly lower net credit write-offs (excluding sovereign risk write-offs), controlled expense growth, and solid business expansion in North America, Europe, and Asia/Pacific.

Revenues from Institutional Relationships were derived from a broad range of financial products. Net interest revenues declined $236 million, including the $333 million pre-tax negative impact of the Brazilian nonaccrual loans. Fees, commissions, and foreign exchange remained at the high level achieved in 1986 and account for approximately one third of total revenue. Other revenue increased 62% from 1986 and includes gains on real estate sold in Japan, the divestiture of overseas subsidiaries and the partial sale of an overseas leasing company.

The provision for possible credit losses was $3,334 million, reflecting the $3.0 billion charge in the second quarter of this year. Last year's provision was $546 million.

Rigorous cost controls limited full-year operating expenses to a 4% increase over 1986, despite the adverse effect of the weakening dollar on overseas expenses and costs needed to support the development of investment banking products.

The 4% decline in average assets reflected continuing efforts to reduce low yielding assets.

Institutional Banking Products

IN MILLIONS OF DOLLARS	1987	1986(1)	VAR.	%
Business Income(2)	**$ 231**	$ 455	$ (224)	(49)
Total Revenue	**$ 2,419**	$2,737	$ (318)	(12)
Provision for Possible Credit Losses	**3,334**	546	2,788	N/M
Operating Expenses	**1,510**	1,517	(7)	—
NET INCOME (LOSS)	**$(2,682)**	$ 411	$(3,093)	N/M

(1) Restated to conform with current year's presentation.
(2) Refer to note 1 on page 20 for a discussion of Business Income.
N/M Not meaningful.

Earnings from the delivery of Institutional Banking products to the Institutional customer base were a loss due to the $3.0 billion addition to the allowance for possible credit losses. Excluding the impact of the reserve increase, earnings were $318 million, down from 1986 primarily due to the suspension of interest payments by Brazil.

Revenues declined $318 million, including the $333 million impact of the Brazil nonaccrual, resulting in lower net interest revenues. On the positive side, improved Core Lending—primarily in the North America real estate business—as well as significantly lower commercial net credit write-offs (excluding sovereign risk write-offs), gains on asset sales, and lower operating expenses improved performance. The adverse effect of the weakening dollar on expenses was offset by improved cost control measures, including the reduction of over 5,000 people in the last two years. The prior year benefited by $46 million from the change in tax rate on leveraged leases as a result of the Tax Reform Act of 1986.

Net commercial loan and lease write-offs were $469 million for the year, up $71 million from last year. Write-offs in refinancing countries of $279 million were up $145 million from last year. Write-offs in non-refinancing countries were $190 million, down $74 million from last year. The commercial loan and lease allowance for possible credit losses, including the $3.0 billion addition, reached $3,799 million at year end, or 6.53% of commercial loans and leases versus $929 million, or 1.50% at the end of 1986.

On a geographic basis, excluding the $3.0 billion provision, earnings increased in North America, Europe, and Asia/Pacific, while results in Latin America declined.

Cash basis and renegotiated commercial loans were $6,029 million, or 4.5% of total loans, at the end of 1987. Without the impact of Brazil's suspension of interest payments, cash basis and renegotiated loans were $2,355 million, down $199 million from 1986. The year-to-year decline (excluding Brazil) was spread over all geographic areas except Latin America, which increased due to Ecuador.

Investment Banking Products

IN MILLIONS OF DOLLARS	1987	1986[1]	VAR.	%
Business Income[2]	$ 409	$295	$114	39
Total Revenue	$1,22[illegible]	$928	$294	32
Operating Expenses	422	338	84	25
NET INCOME	$ 409	$295	$114	39

(1) Restated to conform with current year's presentation.
(2) Refer to note 1 on page 20 for a discussion of Business Income.

Earnings from the delivery of Investment Banking products to the Institutional customer base advanced sharply.

Revenues from Investment Banking products delivered to Institutional Relationships increased 32%, or $294 million, from last year, including strong revenue growth from specialized finance, funding, and risk-protection products. Operating expenses were up 25% from 1986. The higher expenses stemmed from costs required to support underlying business development and increased volumes. Earnings were geographically diverse, and all regions reflected increased earnings from 1986.

Average Balance Sheet

IN BILLIONS OF DOLLARS		DECEMBER 1987[1]	
Assets		***Liabilities***	
Loans & Leases	$56.1	Interest-Bearing Deposits	$16.6
Deposits at Interest with Banks	3.9	Non-Interest-Bearing Deposits	3.7
Investment Securities	1.5	Other Borrowed Money	5.6
Trading Assets	.5	Acceptances	6.0
Acceptances	5.9	Other[2]	43.1
Other	7.1		
	$75.0		$75.0

(1) Average balances for month of December
(2) Includes allocated equity and intercompany

Net Income by Product

IN MILLIONS OF DOLLARS	1987
Core Lending[1]	$(3,049)
Foreign Exchange Services	81
Debt Products/Money Market Services	216
Specialized Finance	130
Liquidity Insurance, Financial Guarantees, and Asset Intermediation	102
Advisory, Trade, Transaction Processing, Equity Products, and Other	247
TOTAL	$(2,273)

(1) Core lending results include the $3 [illegible] losses

Products Delivered to Institutional Customers:

Core Lending. Net income in this product family reflects our more traditional lending activities; for example, working capital loans, long-term financing, and syndicated lending to corporations, governments, and financial institutions.

Foreign Exchange Services. Citicorp is the world's largest foreign exchange dealer. We obtain currency for our customers whose business, investment, or fund-raising activities reach beyond national boundaries. We also help customers hedge their currency and interest rate exposure through a variety of risk-management products such as interest rate and foreign exchange swaps, futures, forwards, and options. Citicorp may also take positions within pre-approved guidelines in anticipation of changes in currency markets.

Debt Products/Money Market Services. Citicorp assists corporations and financial institutions in raising short-term funds through note issuance facilities, commercial paper, and interbank money market instruments. We also arrange long-term financing through private placements, mortgage-backed securities, and bonds issued outside the United States. Citicorp also may take positions within pre-approved limits that result in a mismatch of interest rate maturities.

Specialized Finance. Specialized Finance is the generic term for our non-traditional lending, for example, Asset-Based Lending, Corporate Asset Funding, and Equipment Finance. Activities include the wholesale purchase of all or part of a company's portfolio of financial assets; equipment-related secured lending and lease options to end users; leveraged leasing, tax leasing, and vendor finance to assist the manufacturers or sellers of capital equipment.

Liquidity Insurance, Financial Guarantees, and Asset Intermediation. Included in this category are fees generated on loan commitments outstanding; earnings from guaranteeing performance by another party; and income from asset intermediation activities such as asset sales, brokering, and direct placements.

Advisory, Trade, Transaction Processing, Equity Products, and Other. We have merger and acquisition specialists in 14 countries to assist companies in finding buyers or sellers, and in structuring these complex transactions. Trade includes direct financing of trade-related transactions; countertrade; and transaction processing such as documentary collections. Also included in this category are Cash Management and earnings on allocated equity.

Investment Banking

Citicorp's Investment Banking business includes global investment and merchant banking, funding, foreign exchange services, venture capital investment, securities brokerage, insurance, and financial advisory services provided to both Institutional and Investment Banking clients.

Investment Bank

IN MILLIONS OF DOLLARS	1987	1986[1]	VAR.	%
Business Income[2]	**$ 375**	$ 404	$ (29)	(7)
Total Revenue	**$2,150**	$1,785	$365	20
Operating Expenses	**1,485**	1,133	352	31
Income Before Taxes	**655**	616	39	6
NET INCOME	**$ 373**	$ 394	$ (21)	(5)
Average Assets ($ Billions)	**45**	39	6	15
Return on Assets (%)[3]	**0.83**	1.00	(.17)	—
Return on Equity (%)[3]	**20.8**	25.0	(4.2)	—

(1) Restated to conform with current year's presentation.
(2) Refer to Note 1 on page 20 for a discussion of Business Income.
(3) Based on Net Income. Return on equity is based on dividing net income by a standard imputed average equity reflecting Citicorp's internal target.

Earnings were $373 million, a 5% decrease from 1986's level of $394 million. In spite of a difficult trading year and continued cost/revenue problems, there were solid results in the Asian and North American Investment Banks, as well as in the venture capital and insurance businesses. Results in Europe were down.

Revenues of $2.2 billion were up 20% over last year as a result of strong gains in net interest revenue, foreign exchange revenues, and fees and commissions. Venture capital revenues also increased. However, securities trading revenues were down 7% from last year, mainly as a result of decreases in Europe and Latin America. Trading revenues were up strongly in Asia and flat from last year in North America.

Operating expenses of $1.5 billion increased $352 million, a 31% rise over last year's level, reflecting the continuing high cost of business expansion. Increased staff levels to support this expansion and costs associated with acquisitions, systems development, operating controls, and technology infrastructure enhancements as well as the adverse impact of a weaker dollar on overseas operations contributed to the higher expenses.

Average third-party assets of $45 billion increased 15% over last year's level. While returns declined, return on equity remained above corporate targets.

Trading and positioning in foreign exchange, money market and securities instruments, and commercial foreign exchange accounted for approximately 64% of total Investment Bank earnings, compared with 83% in the prior year. Equity-related products had a difficult year, except for venture capital where results increased.

Geographically, North America contributed over one half of total Investment Bank income, with the bulk of the remainder coming from the Asia/Pacific region.

Average Balance Sheet

IN BILLIONS OF DOLLARS		December 1987[1]	
Assets		**Liabilities**	
Deposits at Interest with Banks	$12.5	Interest-Bearing Deposits	$29.9
Investment Securities	9.4	Non-Interest-Bearing Deposits	1.2
Securities Purchased Under Agreements to Resell	7.2	Securities Sold Under Agreements to Repurchase	7.8
Trading Assets	5.6	Other Borrowed Money	25.2
Loans	3.6	Other[2]	11.4
Other Assets	7.4		
Total 3RD Party	45.7		
Intercompany	29.8		
	$75.5		$75.5

(1) Average balances for month of December.
(2) Includes allocated equity.

Net Income by Product

IN MILLIONS OF DOLLARS	1987
Debt	**$ 32**
Equity	**(49)**
Hedging	**93**
Foreign Exchange	**113**
Funding	**145**
Investment Management	**12**
Insurance	**27**
TOTAL	**$373**

Debt Products. Citicorp is one of the top dealers in U.S. Government securities, the largest and most liquid debt market in the world. We also underwrite, trade, and/or distribute securities of many sovereign governments and U.S. municipal governments. Citicorp assists corporations and financial institutions in raising short-term funds through syndicated lending, note issuance facilities, commercial paper, and interbank money market instruments. We also arrange long-term financing through private placements, mortgage-backed securities, and bonds issued outside the United States. Citicorp also may take positions within pre-approved limits that result in a mismatch of interest rate maturities.

Equity Products. For new and emerging companies, Citicorp has established venture capital businesses in the U.S., Canada, the U.K., France, Germany, Australia, Brazil, Mexico, and Argentina. We have stock brokerage businesses in Japan, the U.K., Australia, and in 15 other countries overseas. In the U.S., where we have limited brokerage power, we have coverage through our brokerage subsidiaries, Newbridge Securities, a member firm of the New York Stock Exchange, and Lynch, Jones & Ryan, a domestic brokerage firm specializing in institutional research products. Citicorp may also take positions in the equities markets within pre-approved guidelines.

Hedging Products. Citicorp helps customers hedge their currency and interest rate exposure through a variety of risk-management products such as interest rate and foreign exchange swaps, futures, forwards, and options. Citicorp may also take positions within pre-approved guidelines in anticipation of changes in these markets.

Foreign Exchange. Citicorp is the world's largest foreign exchange dealer. We obtain currency for our customers whose business, investment, or fund-raising activities reach beyond national boundaries. Citicorp may also take positions within pre-approved guidelines in anticipation of changes in currency markets.

Funding. Citicorp raises funds from financial markets in a variety of forms, currencies, and maturities. Profits arise as a result of positions taken within pre-approved limits that result in a mismatch of interest rate maturities.

Investment Management. Citicorp manages pension funds and provides portfolio management and other investment advisory services to corporations, state and local governments, insurance companies, and non-profit organizations.

Insurance. Through our subsidiary AMBAC Indemnity Corp. and several other insurance companies in 22 markets around the world, Citicorp offers financial guarantees and insurance brokerage services to governments, corporations, and individuals.

Information Business and Corporate Items

INFORMATION BUSINESS

Citicorp's Information Business came into being in the mid-1980s as a natural extension of one of the Corporation's basic activities—gathering, analyzing, and providing financial information. A decade earlier, Citicorp had begun building a technological network as the first step toward a global system that would distribute financial data base services worldwide and would integrate banking, electronic publishing, and telecommunication services.

In 1986, Citicorp took a major step towards realizing this goal when it acquired Quotron, one of the world's largest suppliers of on-line, real-time financial information services. Though Quotron is currently most prominent in the domestic equities markets, efforts are under way to move into additional markets for information on fixed-income securities and foreign exchange as well as to expand the customer base overseas.

Other aspects of the Information Business are in the developmental stages. These include sophisticated financial information products designed to meet the needs of corporate financial officers, a travel information service that will help corporations lower their travel expenses, and a point-of-sale information service that will assist packaged goods manufacturers and retailers in marketing to consumers.

Information Business

IN MILLIONS OF DOLLARS	1987	1986(1)	VAR	%
Operating Revenue	**$ 305**	$130	$175	N/M
Quotron Acquisition Expenses	**102**	52	50	N/M
Other Operating Expenses	**334**	134	200	N/M
Net Loss	**$ (85)**	$ (34)	$ (51)	N/M

(1) Includes effect of Quotron for six months
(2) Restated to conform with current year's presentation
N/M Not meaningful

The Information Business posted a loss of $85 million for 1987, compared with a loss of $34 million in 1986. The substantial increase year-to-year in both revenue and operating loss is largely due to Quotron's being included for the full year in 1987 versus six months in 1986.

The operations of Quotron, excluding acquisition costs, are profitable; however, continuing investments in new securities-related products and expansion in international markets reduced the 1987 after-tax contribution to $3 million from $9 million in 1986. The cost of the acquisition, including amortization of premium and the cost of carrying the investment, resulted in a 1987 after-tax earnings charge of $65 million, compared with $32 million in 1986. Development of other information-related businesses plus restructuring costs resulted in an after-tax earnings charge of $23 million for the full year of 1987, compared with $11 million in 1986.

Corporate Items

IN MILLIONS OF DOLLARS	1987	1986(1)	VAR	%
Total Revenue	**$759**	$(10)	$769	N/M
Operating Expenses	**154**	151	3	2
NET INCOME (LOSS)	**$708**	$(75)	$783	N/M

(1) Restated to conform with the current year's presentation
N/M Not meaningful

Corporate items consists of unallocated corporate costs and other corporate items. Net income of $708 million increased $783 million from 1986. The increase is the result of the $169 million pre-tax gain ($283 million after tax) from the sale of a condominium interest in Citicorp's headquarters complex, the $301 million pre-tax gain ($163 million after tax) from the recognition of pension plan over-funding through the purchase of an annuity contract, as well as gains from the sale of investment securities from the corporate investment portfolio. Corporate Items also includes $259 million in tax benefits related to the $3.0 billion addition to the allowance.

International Financing

The year 1987 brought a significant evolution in the management of the international debt crisis toward a more flexible, market-oriented approach that ultimately should benefit creditors and debtors alike.

In the early years of the debt crisis, which began in 1982, commercial banks assembled financing packages to support the immediate needs of indebted countries, while the countries in turn began to adjust their policies to reflect changed realities in the international economy. These bank loans were, of necessity, of short term and to governments, for balance-of-payments purposes.

Such lending, however, could not continue indefinitely. In contrast with developing countries of Asia/Pacific that have avoided the debt problem, the troubled debtor nations generally had built up over decades inefficient, government-dominated economies based on import substitution. For the countries to resume sustainable growth, and to continue servicing their foreign debt, they clearly needed to undertake longer-term structural adjustment toward more open and efficient economies with an enhanced role for the private sector.

The new, longer-term approach began to emerge in 1984, when the Government of Mexico and commercial banks negotiated a debt/equity conversion clause into a multi-year restructuring agreement. Under such conversions, a country exchanges portions of its foreign-currency debt for local currency, which is invested within its economy. The country thereby reduces its foreign debt, and its debt service, while the investing party—normally from the private sector—creates new economic activity.

Later in 1984, on-lending and trade facilities were negotiated in a commercial-bank package for Argentina. Under both, new money lent to a country is channelled by the creditor banks to local clients of the banks' choosing. The clients, again, tend to be in the private sector.

These facilities were further steps away from balance-of-payments lending to governments and toward what is now called the menu-of-options approach. The menu is designed to make new-money packages more flexible and attractive to commercial-bank lenders, and to support debtor countries' structural-adjustment programs, with emphasis on the private sector.

The most recent agreement with the Government of Argentina, negotiated last April, was the first package based primarily on the menu approach. It contained all the major options developed at that point. The total amount of new money included a co-financing with the World Bank, a trade-credit facility, and an investment fund intended for on-lending. There also were provisions for debt/equity conversion, an early-participation fee, new money bonds, and exit bonds. The bonds were the first step toward securitization.

Under securitization, a country raises new money, or substitutes for portions of its existing debt, by issuing bonds or notes. Bank creditors gain flexibility in managing their loan portfolio to the country because they can trade the securities in the secondary market.

At year end, the Government of Mexico announced a securitization offer under which creditor banks could voluntarily exchange, at a discount, Mexican public-sector debt for Mexican securities on which the principal is backed by zero-coupon bonds issued by the U.S. Treasury. Mexico's offer creates additional market-based flexibility for banks in managing their Mexican exposure. Mexico is well placed to make such a securitization offer, given its recent strong external economic performance, its high level of reserves, its successful multiyear restructuring, and its record of making timely interest payments.

Securitization will become increasingly important in the international debt management strategy as we move ahead.

Debt-equity conversion also continues to emerge as an important market-based menu option. Chile, for example, has used it to retire more than 16% of its total external debt. Argentina, Mexico, Brazil, and the Philippines have debt-equity programs in various stages.

In May, Citicorp announced that it was increasing its reserves by $3.0 billion to reflect an increased concern over risk on loans to developing countries. It also said that the increased reserves would allow it greater flexibility in managing its portfolio, for example by participating actively in debt trading and debt/equity conversions. The results of that increased flexibility were that we were able to reduce our cross-border exposure to refinancing countries by $1.6 billion, to $13.3 billion, by year end.

The advances toward market-based responses to the debt crisis are within the general framework of the Baker Initiative, which was outlined by U.S. Treasury Secretary James A. Baker III in October 1985. As Mr. Baker suggested, the multilateral institutions—particularly the World Bank—have increased their support for the debtor nations. Many of the countries themselves have responded by setting in motion meaningful structural adjustments.

The commercial banks, despite criticisms to the contrary, have been supporting the Baker Initiative. During 1987, commercial banks committed to nearly $13 billion for the three largest debtor countries—Mexico, Brazil, and Argentina. Packages involving another $1 billion for Colombia, $320 million for Nigeria, and $350 million for Ecuador were close to completion, and Brazil was negotiating a medium-term package with its bank creditors which would include a new-money request.

During 1987, Baker Initiative packages were completed, or negotiated, with Mexico, Argentina, Venezuela, Uruguay, the Philippines, Chile, Ecuador, Colombia, Nigeria, and Morocco. By year end, negotiations were under way with Brazil to normalize its relations with the international financial community. On December 30, Brazil made its first payment on interest arrears to commercial banks on medium- and long-term debt since it declared a partial moratorium on February 20. Further payments from Brazil are expected in 1988.

The outlook for the world economy, which is crucial to the continued successful management of the debt problem, is uncertain. OECD growth remains generally weak, and protectionism is as great a threat now as it has been in many years. The U.S. budgetary and trade deficits, oil prices, and exchange rates are all question marks. Any significant increase in interest rates would have a negative effect on the borrower countries. To deal with this potential problem, Secretary Baker made a timely proposal last September for a new external contingency facility, within the International Monetary Fund, to help countries manage sustained higher interest rates.

The goal we all are working toward is the return of the indebted countries to the voluntary markets, which are an essential source of the capital they will need for their future development. Different countries are in various stages of this process, and often there are setbacks; but overall there has been progress. A key question remains whether the developing countries will keep their long-term interests in focus by continuing the sometimes-difficult adjustment steps necessary to return to stable, sustained growth. With the continued cooperation of all parties—the developing countries, creditor governments, international financial agencies, and creditor banks—there should be further progress in the year ahead.

CROSS-BORDER AND FOREIGN CURRENCY OUTSTANDINGS

When funds are loaned, placed, or invested across a national border or in a currency that is foreign to the customer, the risk arises that exchange controls or other circumstances may prevent the customer from obtaining and transferring the foreign exchange necessary to service its obligations, even though the customer remains creditworthy in terms of local currency. Citicorp manages this risk by evaluating the economic climate and prospects for individual countries and by imposing limits on total cross-border and foreign currency amounts that may be lent within each country.

At the end of 1987, Citicorp's outstandings included $42.9 billion that were cross-border and foreign currency outstandings and were therefore exposed to this risk. The following table shows how these outstandings have changed in recent years as well as the composition of the total, broken down among the countries of the OECD, other emerging economies of the world, and countries that are currently in the process of refinancing their external debt or have completed such refinancings.

As the table shows, the largest of these categories is the OECD countries, where Citicorp's outstandings stood at $24.0 billion at year-end 1987. Citicorp's largest exposure was to the United Kingdom, where outstandings were $5.4 billion, or approximately 3% of total assets.

Cross-Border and Foreign Currency Outstandings(1)

IN BILLIONS OF DOLLARS, AT YEAR END	1987	1986	1985
OECD Countries	**$24.0**	$26.7	$26.0
Other Emerging Economies	**5.6**	6.4	7.3
Refinancing Countries	**13.3**	14.9	15.0
TOTAL	**$42.9**	$48.0	$48.3

(1) Outstandings are presented on a regulatory basis and include all loans, deposits placed with banks, acceptances, other interest-bearing investments and other monetary assets. Adjustments are made to include the excess of local currency outstandings over local currency liabilities, if any, for each country included in a category and to allow for external guarantees and collateral

The other emerging economies represent all other countries where Citicorp has a presence except for the refinancing countries. Outstandings in these countries totalled $5.6 billion at December 31, 1987.

Outstandings in the refinancing countries have declined significantly in absolute terms and in relation to stockholders' equity, reaching $13.3 billion at the end of 1987. The decrease reflects a number of factors, including loan sales, repayments, reductions in the excess of local currency outstandings over local currency liabilities, increased levels of external guarantees, and write-offs.

The following table provides a breakdown of Citicorp's outstandings in the refinancing countries and shows that 20% of Citicorp's outstandings represent trade financing, interbank placements and other short-term outstandings, and dollar as well as other foreign currency investment in and funding of local currency activities.

Outstandings in Refinancing Countries

IN BILLIONS OF DOLLARS, AT YEAR END	1987	1986	1985
Medium- and Long-Term Loans and Placements	**$10.7**	$11.7	$12.0
Trade and Other Short-Term Outstandings	**1.8**	2.2	2.0
Investment in and Funding of Local Franchises	**0.8**	1.0	1.0
TOTAL	**$13.3**	$14.9	$15.0

As further discussed in the Portfolio Risk Analysis beginning on page 31, Citicorp's credit loss allowance at December 31, 1987 includes $3,275 million attributable to cross-border and foreign currency outstandings in the refinancing countries. This amount, when taken together with approximately $300 million of previous write-offs based on the countries' foreign currency debt-servicing problems (but excluding all other credit write-offs), represented 33% of the medium- and long-term outstandings and 26% of the total outstandings to the refinancing countries at year-end 1987.

The refinancing country portion of the allowance was established in May 1987. At that time, $500 million of the existing allowance was identified as attributable to the refinancing countries' cross-border and foreign currency outstandings. This portion of the allowance at year-end 1987 also reflects provisions charged to expense of $2,989 million, credit losses of $258 million, and credit recoveries of $44 million related to refinancing country outstandings since May 1987.

The $258 million of gross credit losses charged to the refinancing country portion of the allowance since May 1987 includes $225 million of losses on sales and swaps of loans to refinancing countries and write-offs based on countries' foreign currency debt-servicing problems and $33 million of other credit write-offs. The recorded principal amounts involved in these loan swaps and sales totalled approximately $77 million and $572 million, respectively. Loan swap transactions were accounted for according to the estimated fair values involved, which averaged approximately 56% of the par amount. Citicorp will account for the temporary holdings of equity securities obtained in debt-for-equity swaps at the lower of aggregate cost or market

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

IN BILLIONS OF DOLLARS AT YEAR END	CROSS-BORDER AND FOREIGN CURRENCY OUTSTANDINGS(1)					1987	1986	1985
	BANKS	PUBLIC SECTOR	PRIVATE SECTOR	TOTAL(2)	ADJUST-MENTS(3)	TOTAL OUTSTANDINGS(4)	TOTAL OUTSTANDINGS	TOTAL OUTSTANDINGS
United Kingdom	**$1.2**	**$ —**	**$1.5**	**$2.7**	**$2.7**	**$5.4**	$5.0	$3.6
Brazil	**0.5**	**3.0**	**0.7**	**4.2**	**0.1**	**4.3**	4.6	4.7
Japan	**1.7**	**—**	**1.1**	**2.8**	**1.4**	**4.2**	5.7	5.8
Federal Republic of Germany	**0.2**	**—**	**0.6**	**0.8**	**2.1**	**2.9**	2.8	2.4
Mexico	**0.4**	**1.8**	**0.6**	**2.8**	**(0.2)**	**2.6**	2.8	2.8
Canada(6)	0.4	—	0.8	1.2	0.4	1.6	2.8	2.8
Philippines(5)	0.1	0.6	0.5	1.2	0.2	1.4	1.8	1.8
Australia(5)	—	—	0.5	0.5	0.5	1.0	1.1	1.8

(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.
(2) Amounts primarily represent excess of local currency outstandings over local currency liabilities, if any. Additionally, adjustments are made to assign externally guaranteed outstandings and outstandings for which tangible, liquid collateral is held outside of the obligor's country to the country of the guarantor and the country in which the collateral is held, respectively.
(3) Legally binding cross-border and foreign currency commitments, including irrevocable letters of credit and commitments to extend credit, after adjustment to assign externally guaranteed commitments to the country of the guarantor amounted to $0.4 billion in Australia, $0.1 billion in Brazil, $0.7 billion in Canada, $0.5 billion in the Federal Republic of Germany, $0.6 billion in Japan, $0.1 billion in Mexico, $0.2 billion in the Philippines, and $2.8 billion in the United Kingdom at December 31, 1987.
(4) At December 31, 1987 and 1986 there were no countries with cross-border and foreign currency outstandings between 3/4 of 1% and 1% of total assets, other than Canada. At December 31, 1985, such outstandings amounted to $1.4 billion in Argentina, $1.5 billion in France, and $1.4 billion in Korea.
(5) Less than 1% of total assets at December 31, 1987 and 1986.
(6) Between 3/4 of 1% and 1% of total assets at December 31, 1987, and over 1% of total assets at December 31, 1986 and 1985.

At December 31, 1987, Citicorp's cross-border and foreign currency outstandings to Brazil and Mexico exceeded 1% of total assets, and there were no other refinancing countries where outstandings exceeded 3/4 of 1% of total assets.

The following is a summary of developments in the major refinancing countries concerning efforts toward the resolution of payment problems experienced by those countries. Citicorp management continues to evaluate these developments and their possible impact on its financial condition.

Brazil

In February 1987, the Government of Brazil announced a suspension of the payment of interest on intermediate- and long-term public- and private-sector foreign currency obligations to banks. As a result of the suspension of interest payments, Citicorp placed $3.8 billion of intermediate- and long-term Brazilian outstandings on a cash basis. The impact of this action is a reduction in after-tax earnings of $200 million for the year 1987.

Interest payments on trade and interbank outstandings continue to be made while such outstandings have been frozen at previously committed levels. The related trade and interbank agreements, which total $16 billion (Citicorp's share $661 million), expired on March 31, 1987, and the Government of Brazil requested in lieu of a formal agreement that banks maintain outstandings at the previously committed levels through June 16, 1988.

In April 1987, approximately $9.6 billion of medium-term public- and private-sector debt came due under the 1986 restructuring agreement. In a telex to the creditor banks, the Government of Brazil requested that the banks extend the maturity of such debt to July 15, 1988. Additionally, the Central Bank of Brazil requested the banks to accept interim measures for the maturities of other public- and private-sector debt falling due in 1987 and the first half of 1988.

In November 1987, the Central Bank of Brazil, the Government of Brazil, and the Bank Advisory Committee for Brazil reached an agreement on the basic terms for a $4.5 billion interim financing arrangement to cover a portion of Brazil's 1987 external financing needs, including interest payments due on medium-term debt. This arrangement, which became effective in December 1987, provides for a total interim financing by participating banks of approximately $3 billion with the remaining financing of $1.5 billion being provided by Brazil.

As part of the arrangement, the banks disbursed $715 million (Citicorp's share $62 million) in December 1987 and $240 million (Citicorp's share $21 million) in January 1988. The bank disbursements were matched by payments from Brazil of $357 million in December and $206 million in January 1988. In addition, in February 1988 Brazil made a payment of $350 million to cover part of the interest due in January 1988. The disbursement of the remaining bank commitment of approximately $2 billion (Citicorp's share approximately $174 million), which is expected to occur during the second half of 1988, is conditional on an agreement among Brazil and creditor banks with respect to the refinancing of medium- and long-term debt and all new money agreements among Brazil and the creditor banks becoming effective. Due to the interim nature of the financing, Citicorp intends to defer income recognition of the payments received and will not return the loans to a performing basis as a result of the interim financing.

Mexico

In April 1987, a new money agreement between Mexico and its foreign creditor banks became effective, including new money facilities providing new loans of up to $5.75 billion (Citicorp's share $260 million) at an interest margin of 13/16% over the London Interbank Offered Rate (LIBOR). Of this amount, $4.75 billion is to be repaid over 12 years with five years' grace, and $1 billion (a co-financing 50% guaranteed by the World Bank) is to be repaid over 15 years with nine years' grace. At December 31, 1987, a total reduction of $656 million of commitments to the new money facility had occurred (Citicorp's share $29 million), and drawdowns of $4.37 billion had been made.

The new money agreement also includes a $500 million commercial bank growth contingency facility (Citicorp's share $22 million), a co-financing 50% guaranteed by the World Bank, to be repaid over 12 years with seven years' grace. A commercial bank contingent investment support facility included in the agreement was subsequently cancelled by the Mexican government.

In October 1987, amendments implementing an agreement affecting $52.3 billion of existing Mexican public-sector debt to banks (Citicorp's share $1,492 million) became effective. No loans were removed from the cash basis of accounting as a result of the restructuring, which is summarized in the following table:

AMOUNT IN MILLIONS	WEIGHTED AVERAGE RATE MARGIN		WEIGHTED AVERAGE YEAR OF MATURITY	
	BEFORE	AFTER	BEFORE	AFTER
$1,150	1.125% over LIBOR(1)	0.8125% over LIBOR(3)	1995	2002
342	1.125% over Prime	0.8125% over LIBOR(2)(3)	1992	1992
$1,492				

(1) Rate margins before restructuring were to have been 0.875% over LIBOR (or a comparable domestic reference rate) through 1986, 1.125% over LIBOR as shown for the period 1987-1991, and 1.250% over LIBOR for the period 1992-1998.
(2) Or over domestic cost of funds.
(3) At December 31, 1987, prime exceeded LIBOR by approximately 1.25%.

In February 1988, the agreement to refinance payments due under the Government's foreign exchange program (FICORCA) for certain private-sector borrowers became effective. The FICORCA agreement will refinance an estimated $4.5 billion of private-sector debt (Citicorp's share approximately $300 million) and provides for payments under the program to be refinanced on terms comparable to the multiyear rescheduling applicable to Citicorp's $1,150 million of outstandings shown in the preceding table, including interest rates of 13/16% over LIBOR and final maturity in 2006. During this period, banks will have the ability to re-lend these funds to public- or private-sector borrowers under specified conditions.

Changes in Outstandings in Brazil and Mexico

IN MILLIONS OF DOLLARS	BRAZIL	MEXICO
Total Outstandings at December 31, 1986	$4,560	$2,774
Short-Term Outstandings(1)		
Net Change(2)	(73)	—
Other Outstandings		
Additional Outstandings	1,083	198
Interest Income Accrued(2)	(71)	206
Collections of Principal	(1,083)	(68)
Collections of Accrued Interest(2)	—	(202)
Other Changes	(145)	(281)
TOTAL OUTSTANDINGS AT DECEMBER 31, 1987(3)	$[illegible],271	$2,627

(1) Represents trade credits and interbank deposits with original maturities of one year or less
(2) In 1987, total interest on total cross-border and foreign currency outstandings included in income was $211 million in Mexico and $60 million in Brazil, and such interest received in cash was $208 million in Mexico and $64 million in Brazil.
(3) Includes short-term outstandings of $453 million in Brazil (none in Mexico).

Countries Under 3/4 of 1% of Assets

The following summarizes developments in certain other refinancing countries where Citicorp's cross-border and foreign currency outstandings were less than 3/4 of 1% of total assets.

Argentina

In August 1987, Argentina and its creditor banks started the signing of agreements relating to the restructuring of its public- and private-sector debts. Under the agreements, maturities totalling $25.3 billion (Citicorp's share $818 million) are rescheduled over 19 years with seven years' grace and an interest margin of 13/16% over LIBOR; maturities of the 1983 $500 million term loan and the 1985 $3.7 billion term loan (Citicorp's share $208 million) are rescheduled over 12 years with five years' grace and an interest margin of 13/16% over LIBOR; and the maturity of the 1985 $500 million trade credit and deposit facility (Citicorp's share $22 million) is extended by approximately two years through June 1991. In addition, the agreements include a trade credit maintenance facility and a standby money market facility which would expire in 1989.

In addition, in August 1987, Argentina and its creditor banks started the signing of new money agreements. The agreements include a new term loan of $1.05 billion (Citicorp's share $59 million), and a parallel co-financing of $500 million with the World Bank (Citicorp's share $28 million), each with a maturity of 12 years including five years' grace and an interest margin of 7/8% over LIBOR, and a $400 million trade credit and deposit facility with a four-year term and an interest margin of 13/16% over LIBOR. At December 31, 1987, drawdowns totalling $1,262 million had been made from the new money agreements.

The agreement to restructure maturities of the 1983 $500 million term loan and the 1985 $3.7 billion term loan and to extend the maturity of the 1985 $500 million trade credit and deposit facility became effective in September 1987. Pending the effectiveness of the remaining restructuring agreements, Citicorp has granted the Argentine government request to roll over public- and private-sector maturities due since January 1, 1986.

Philippines

In December 1987, the bank creditors of the Philippines approved agreements that provide restructuring and repricing terms affecting public-sector debts with post-1986 maturities, the 1985 $925 million term loan (Citicorp's share $122 million), $5.8 billion of previously restructured debts (Citicorp's share $571 million), and $2.9 billion of a short-term trade credit facility (Citicorp's share $711 million). The unrestructured maturities scheduled to come due in the period 1987-1992 will be restructured serially in three tranches to provide for repayment from 1994 to 2003, and existing maturities under the 1983-1986 public-sector restructuring agreements are restructured with the same grace period, term, and amortization. The trade facility commitment has been extended for a period of four years through June 1991. The interest margin on the restructured debt and 1985 term loan is 1%, except that if (as was the case for 1987) the Philippines make certain optional prepayments in years up to 1989 and scheduled amortization payments in 1990 and thereafter, then the interest margin drops to ⅞%. The trade deposit with the Philippine Central Bank, representing unused amounts under the trade facility, is priced at an interest margin of ¾ of 1%.

Venezuela

In November 1987, agreements covering $20.3 billion of Venezuelan public-sector debt (Citicorp's share $646 million) that had been restructured in 1986 were amended to reflect an adjusted interest margin of ⅞% over LIBOR, an extension of maturities to 1999, and a payment of principal of $250 million.

Risk Management

The management of risk is a fundamental concern at all levels at Citicorp. As in previous years, the Corporation's risk management philosophy and processes are discussed in some detail.

Balancing risks versus rewards is becoming increasingly complicated in today's financial environment. As the environment continues to change, Citicorp's task is twofold: 1) it must continue to develop innovative ways to meet its customers' growing needs, and 2) it must ensure that new risk management techniques continue to evolve. Good risk management demands a certain flexibility. It cannot rest on a static adherence to rules, for the future does not lend itself to such simple solutions. Instead, Citicorp strives to remain sensitive to its environment and to develop techniques that are applicable.

Citicorp's basic approach continues to stress clear sound management principles and their effective communication to all levels of the Corporation. These principles are diversification, decentralization, strong controls, conservative accounting policies, and an independent review process.

Citicorp has always emphasized the importance of **diversification** with respect to products, customers, currency, and geographic areas. This diversification, referred to as the "actuarial base," hedges against the adverse impact to the institution from any one event or set of conditions.

Decentralization of management keeps decision-making as close to the marketplace as possible. Because Citicorp's business is so geographically dispersed, analysis and decision-making are the responsibility of the people on the scene who have a personal feel for the environment. This ensures that decisions are based on the best available information and on a close understanding of the changes that could affect us.

To make the approach of diversification and decentralization work, however, **strong financial and operating controls** are absolutely essential. These include highly formalized credit and operating policies and procedures, developed over a long period of time. Appropriate limits are established for liquidity, interest rate gaps, foreign exchange, and trading exposure for all Citicorp units. Similarly, sovereign risk and cross-border risks are also subject to a formal review process by senior management. Documented operational procedures that specify levels of approval authority, separation of duties, and other sound practices are required for all businesses.

Citicorp adheres to **conservative accounting policies,** particularly in early recognition of write-offs. Aggressive identification of write-offs and well-developed procedures for managing problem credits lead to a higher probability of principal recovery.

An **independent review process** supports Citicorp's strict controls and procedures. Our internal audit staff numbers over 700. Further examination is provided by external auditors and regulatory bodies all over the world.

But management policies amount to little without quality information and people. As for the former, Citicorp has made a major investment in information systems and leads the industry in investment in technology. Citicorp's people represent one of the best hedges against risk. The wealth of their experience is not centralized in corporate headquarters but dispersed all over the world and throughout the businesses. Training at all levels ensures that skills are constantly upgraded.

Finally, Citicorp continues to believe that strong and growing earnings, in conjunction with a large capital base, provide the ability to absorb unforeseen risks or losses.

On page 31 we describe the credit process, one of Citicorp's most established and formalized risk management processes. An analysis of the consumer and commercial portfolios follows. Other discussions pertaining to areas of

Citicorp's risk management are capital analysis (page 35), liquidity management (page 36), and management of interest rate exposure (page 36). A discussion of sovereign and cross-border exposure risk can be found on page 26, accounting policies on page 49, and non-funds related financial products on page 63.

THE CREDIT PROCESS AT CITICORP

Citicorp's comprehensive credit process operates on a system of checks and balances. The focus is on the decision-making skills of the line business managers, the people who are closest to the customers and marketplace. Their decisions are supported by a staff of credit specialists who not only monitor the quality of the credit but insure that policies and procedures are followed at every step. Line managers are held accountable for staying within defined target markets and approved product types as well as for quality of credit.

Every credit transaction must have the approval of three lending officers, each exercising independent judgment. For large loans, two of the three lending officers must be senior credit officers. Two thirds of the senior credit officers have direct business management responsibilities, while the other third are in full-time risk-control assignments, managing credit policy and audit staffs. All senior credit officers are themselves subject to review annually.

All large or unusual transactions must be approved by the Credit Policy Committee, a group of 14 of Citicorp's most senior credit professionals. This committee oversees the maintenance of sound portfolio standards in each of our businesses and also constantly monitors risk by industry and geographic area.

Within Citicorp's audit division, the Risk Asset Review group conducts periodic independent examinations of both credit quality and credit process at the lending unit level. The members of the group are senior officers from the line businesses who are on two- or three-year auditing assignments. They are also responsible for recognizing any problem loan situations not yet identified by line management as well as any substandard elements of the credit process.

In consumer lending, our credit process is based on the same concepts as for commercial loans, but the actuarial nature of consumer banking gives us additional credit management tools. Rather than monitoring the credit quality of separate loans, Citicorp monitors the quality of the overall portfolio monthly, using a centralized management information system that identifies trends, delinquencies, or write-offs by product. Whenever levels deviate from business profit models, the reasons for the variance are analyzed and remedial action is undertaken. This monthly review also enables the line businesses to continuously fine tune and improve their credit criteria.

PORTFOLIO RISK ANALYSIS

While actions related to the cross-border portfolio dominated 1987 results, Citicorp's management philosophy continued to emphasize the importance of asset and earnings diversification, the immediate recognition as losses of all credits judged to be uncollectible, and the building of an allowance by charges to current earnings over and above the amount of identified losses, in anticipation of additional losses that may exist in the portfolio at a point in time but have not been specifically identified.

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 any and all credit losses. However, for analytical purposes, Citicorp views its allowance as attributable to the following portions of its credit portfolios:

Allowance for Possible Credit Losses

IN MILLIONS OF DOLLARS, AT YEAR END	1987	1986	1985
Attributable to:			
Consumer Credits	**$ 819**	$ 769	$ 472
Commercial Credits:			
Refinancing Countries	**3,275**	929	763
Other	**524**		
TOTAL	**$4,618**	$1,698	$1,235

Expressed as a percentage of loans and leases, the total allowance stood at 3.34% at year-end 1987, up from 1.30% in 1986 and 1.06% in 1985. The consumer portion was 1.03% of consumer loans and leases at the end of 1987, compared with 1.12% in 1986 and .84% in 1985. The commercial portion totaled 6.53% of commercial loans and leases, versus 1.50% in 1986 and 1.26% in 1985.

Within the commercial portion of the allowance, the amount attributable to cross-border and foreign currency loans in the refinancing countries (when taken together with approximately $300 million of previous charge-offs based on the countries' foreign currency debt-servicing problems) was equivalent to 33% of Citicorp's medium- and long-term loans and placements and 26% of total outstandings in those countries at December 31, 1987. The amount attributable to other commercial credits stood at 1.10% of related loans and leases.

CONSUMER PORTFOLIO ANALYSIS

The profit dynamics of consumer lending are such that each product has an expected level of credit loss that is generally a statistically predictable expense of doing business. For example, loans with low loss experience include home mortgage loans (first and second) and government-guaranteed student loans. Loans with medium loan loss experience are secured products, such as mobile home loans and automobile loans. The Private Banking receivables are included in the medium loan loss experience and have increased 33% during 1987. The category of high loan loss experience includes such unsecured products as credit cards, travel and entertainment cards, and other personal revolving-credit products. Pricing and marketing policies reflect the loss experience of each particular product.

Citicorp follows a write-off policy that requires that most consumer loans, with the exception of adequately secured consumer mortgages, be written off when payments are delinquent by a predetermined number of days after the contractual payment date. The number of days is set at a level appropriate to loan product and environmental characteristics. Those loans not yet written off and with principal or interest payment delinquencies of 90 days or more comprised 1.90% of the total year-end 1987 consumer loan portfolio, a decrease from the comparable 1986 ratio of 1.93%. The policy for suspending accruals of interest on consumer loans varies depending on the terms, security, and loan loss experience characteristics of each product and in consideration of write-off criteria in place. Consumer loans for which accruals of interest had been suspended were $942 million at year-end 1987. Foregone interest revenue resulting from suspension of interest accruals was not material in 1987. Consumer loans with delinquencies of 90 days or more for which interest continued to be accrued were $581 million at year-end 1987.

Losses as a percentage of average loans and leases were down substantially from 1.56% in 1986 to 1.43% in 1987. The decrease primarily reflects an improvement in credit card receivables due to a generally maturing portfolio. Increased collection efforts and appropriate modification of credit criteria have stabilized this segment of the portfolio. The lower risk, secured lending segment (mostly mortgage) which is 47% of the worldwide portfolio continues to perform at stable and very low credit loss expense levels.

Domestic Loan Portfolio

The average domestic loan portfolio increased by $6.7 billion to $56.3 billion.

	1987 AVERAGE LOANS IN BILLIONS	1987 NET LOSSES IN MILLIONS	1987 CREDIT LOSS RATIO	1986 CREDIT LOSS RATIO
Credit loss expense experience:				
Higher	$15.7	$749	4.8	4.9
Medium	12.6	111	0.9	1.5
Lower	28.0	30	0.1	0.1
TOTAL	$56.3	$890	1.6	1.8

The relative year-to-year comparisons in the portfolio are shown in the following table:

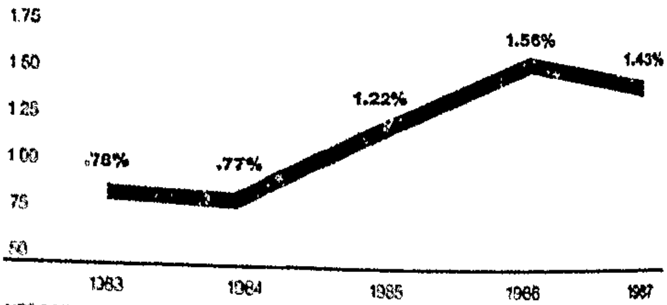
PERCENT OF AVERAGE LOANS	1987	1986	1985
Higher	**28**	29	28
Medium	**22**	22	22
Lower	**50**	49	50
TOTAL	**100**	100	100

International Loan Portfolio

The average international loan portfolio volume rose from $11.1 billion to $14.6 billion. The portfolio remains concentrated in the major industrial nations of Europe and Asia.

EUROPE	AVERAGE LOANS IN BILLIONS	%	ASIA/PACIFIC	AVERAGE LOANS IN BILLIONS	%	LATIN AMERICA	AVERAGE LOANS IN BILLIONS	%
Germany	$4.3	30	Australia	$0.7	5	Puerto Rico	$0.8	5
U.K.	2.9	20	Hong Kong	0.8	5	Other	0.7	5
Other	2.8	19	Other	1.6	11			
TOTAL	$10.0	69	TOTAL	$3.1	21	TOTAL	$1.5	10

Percent of Consumer Credit Losses to Average Loans and Leases



	1983	1984	1985	1986	1987
NET CREDIT LOSSES, IN MILLIONS OF DOLLARS	$196	$286	$585	$958	$1,024
AVERAGE LOANS AND LEASES, NET OF UNEARNED DISCOUNT IN MILLIONS OF DOLLARS	$25,106	$36,953	$48,021	$61,247	$71,732

COMMERCIAL PORTFOLIO ANALYSIS

In commercial lending, the amount of losses as a percentage of outstanding loans and leases can vary widely from period to period and is particularly sensitive to fluctuations caused by changing economic conditions. In order to assess the risk characteristics of the commercial portfolio at year-end 1987, Citicorp believes it is appropriate to view the portfolio according to the elements shown in the accompanying table.

COMMERCIAL PORTFOLIO

NET OF UNEARNED DISCOUNT

	1987				1986		
IN MILLIONS OF DOLLARS	LOANS AND LEASES AT DECEMBER 31 1987	AVERAGE LOANS AND LEASES	NET CREDIT LOSSES	LOSSES TO AVERAGE LOANS AND LEASES	AVERAGE LOANS AND LEASES	NET CREDIT LOSSES	LOSSES TO AVERAGE LOANS AND LEASES
In Domestic Offices							
Commercial and Industrial(1)(3)	**$15,280**	**$16,640**	**$ 67**	**.4%**	$15,465	$ 73	.5%
Mortgage and Real Estate(2)	**8,689**	**8,947**	**4**	**—**	6,974	(1)	—
Financial Institutions(3)	**609**	**635**	**—**	**—**	482	—	—
Governments and Official Institutions(2)	**314**	**354**	**—**	**—**	327	—	—
TOTAL	**$24,892**	**$26,576**	**$ 71**	**.3%**	$23,248	$ 72	.3%
In Overseas Offices							
Commercial and Industrial(1)(3)	**$22,064**	**$23,070**	**$244**	**1.1%**	$25,421	$259	1.0%
Mortgage and Real Estate(2)	**2,431**	**2,366**	**19**	**.8%**	2,107	30	1.4%
Financial Institutions(3)	**4,093**	**4,068**	**23**	**.6%**	4,507	19	.4%
Governments and Official Institutions(2)	**4,730**	**4,343**	**116**	**2.7%**	4,749	33	.7%
TOTAL	**$33,318**	**$33,847**	**$402**	**1.2%**	$36,784	$341	.9%
TOTAL COMMERCIAL	**$58,210**	**$60,423**	**$473**	**.8%**	$60,032	$413	.7%

(1) Includes loans not otherwise separately categorized
(2) Loan classifications are based on Comptroller of the Currency definitions
(3) 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

Domestic Portfolio

Citicorp's commercial and industrial loan and lease portfolio is broadly diversified in terms of industry, geography, and size of customer. None of the major industry segments in Citicorp's commercial and industrial loan and lease portfolio represents a significant concentration.

This diversification has proven to be a successful factor in controlling risk. The amount of net credit losses on domestic commercial and industrial loans and leases, expressed as a percentage of average loans and leases, was .4% in 1987, compared with .5% in 1986. Including the other commercial categories (mortgage and real estate, financial institutions, and governments and official institutions) where losses were minimal, the corresponding ratios for total domestic commercial loans and leases were .3% in 1987 and 1986.

Net losses on commercial lending can vary widely, particularly within any given narrowly defined sector. While losses in commercial lending cannot be accurately predicted, Citicorp expects that over the next 12 to 18 months its net credit losses in the domestic commercial portfolio will remain substantially below one percent of average loans and leases.

Overseas Portfolio

While the principle of broad diversification acts to control risk in the overseas commercial portfolio as it does in the domestic portfolio, actions taken with respect to the refinancing countries led to increased levels of net credit losses in 1987.

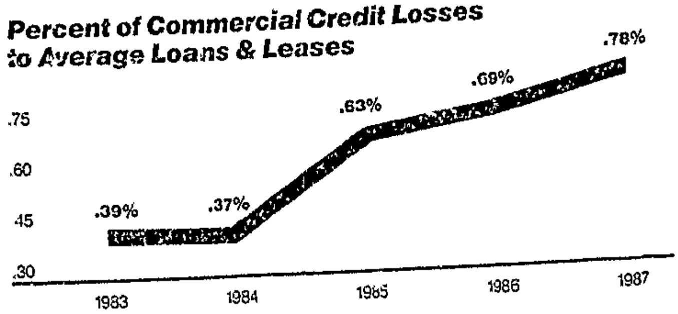
Overseas Commercial Net Credit Losses

IN MILLIONS OF DOLLARS	1987	1986
Cross-Border Refinancing Countries	**$279**	$134
All Other	**123**	207
TOTAL	**$402**	$341

In the refinancing countries, net credit losses include losses on sales and swaps of loans, write-offs taken based on countries' foreign currency debt servicing problems, and other net credit write-offs on cross-border and foreign currency loans. Net credit losses in the refinancing countries increased in 1987 and are expected to increase further in 1988, as Citicorp continues to use the added flexibility provided by its $3.0 billion addition to the credit loss allowance in restructuring its exposure to these countries.

Excluding the refinancing countries' cross-border and foreign currency loans and leases, net credit losses on the overseas commercial portfolio were well below one percent of average loans and leases in 1987, and while losses in commercial lending cannot be accurately predicted, Citicorp expects such net credit losses to remain under one percent of average loans and leases over the next 12 to 18 months.

Percent of Commercial Credit Losses to Average Loans & Leases



NET CREDIT LOSSES, IN MILLIONS OF DOLLARS				
$241	$221	$377	$413	$473

AVERAGE LOANS AND LEASES, NET OF UNEARNED DISCOUNT IN MILLIONS OF DOLLARS				
$62,172	$59,729	$60,223	$60,032	$60,423

Real estate acquired in settlement of loans, included in other assets in the financial statements, totalled $286 million at December 31, 1987, up $12 million from $274 million at December 31, 1986. Domestic real estate represented $253 million of the total real estate at year end, and overseas real estate accounted for $33 million.

Cash Basis and Renegotiated Commercial Loans

Cash basis (nonaccrual) loans are those on which, as a result of doubt as to collection, income is recognized only to the extent cash is received. 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.

The classification of loans as cash basis and renegotiated is a specialized diagnostic tool used by financial institutions. Citicorp's experience as well as the experience of others, generally has shown that a substantial percentage of cash basis and renegotiated loans are ultimately collected.

Citicorp's policy of placing loans on cash basis status embraces all loans on which principal or interest is 90 days past due, or when payment of interest or principal is determined to be doubtful of collection. Even if a cash payment may be anticipated, accrued interest is reversed and the loan is put on cash basis status after a 90-day period has elapsed.

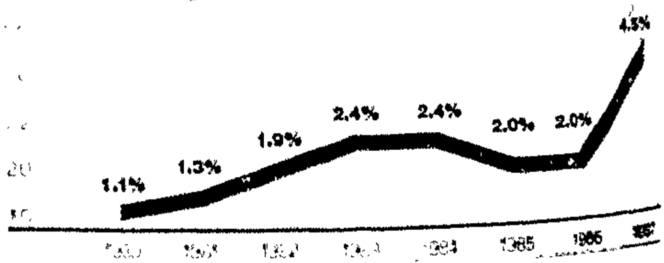
Cash basis and renegotiated commercial loans were $6,029 million, or 4.5% of total loans, at the end of 1987. Without the impact of Brazil's suspension of interest payments, cash basis and renegotiated loans were $2,355 million, down $199 million from 1986. The year-to-year decline (excluding Brazil) was spread over all geographic areas except Latin America, which increased due to Ecuador.

Cash Basis and Renegotiated Commercial Loans

IN MILLIONS OF DOLLARS	1987 CASH BASIS LOANS	1987 RENEGOTIATED LOANS	1987 TOTAL	1986	1985	1984	TOTAL 1983
Cash Basis and Renegotiated Loans							
In Domestic Offices							
Real Estate Loans	$ 251	$ —	$ 251	$ 304	$ 101	$ 233	$ 127
Other Commercial Loans	607	9	616	575	392	302	345
In Overseas Offices(1)	5,157	5	5,162	1,675	1,755	1,883	1,638
TOTAL CASH BASIS AND RENEGOTIATED LOANS	$6,015	$14	$6,029	$2,554	$2,248	$2,418	$2,110
Cash Basis and Renegotiated Loans as a % of Commercial Loans			10.8%	4.3%	3.9%	4.1%	3.5%
Cash Basis and Renegotiated Loans as a % of Total Loans			4.5%	2.0%	2.0%	2.4%	2.4%

(1) Includes $1,125 million of Bank Placements at December 31, 1987

Cash Basis and Renegotiated Commercial Loans as a Percentage of Total Loans



Details of Refinancing Countries

	CROSS-BORDER AND FOREIGN CURRENCY OUTSTANDINGS(1)	CASH BASIS LOANS(2)	ESTIMATED AFTER-TAX IMPACT OF CASH BASIS LOANS ON EARNINGS(3)
	BILLIONS	MILLIONS	MILLIONS
Argentina	$ 1.4	$ 9	$ (0.4)
Brazil(5)	4.3	3,731	(176.5)
Chile	0.5	11	0.1
Dominican Republic	0.1	—	—
Ecuador	0.3	307	(9.1)
Gabon	0.1	9	—
Mexico	2.6	81	(3.0)
Morocco	0.1	—	—
Nigeria	0.1	133	1.8
Panama	0.1	6	(0.2)
Philippines	1.4	65	4.3
Poland	0.1	80	3.3
South Africa	0.7	—	—
Uruguay	0.3	1	—
Venezuela	0.8	44	6.9
Yugoslavia	0.2	—	—
All Other(4)	0.2	164	(3.6)
TOTAL	**$13.3**	**$4,641**	**$(176.4)**

(1) Outstandings exclude legally binding cross-border and foreign currency commitments. Such commitments which include irrevocable letters of credit and commitments to extend credit, after adjustment to assign externally guaranteed commitments to the country of the guarantor, amounted to $0.1 billion in Argentina, $0.1 billion in Brazil, $0.1 billion in Mexico, and $0.2 billion in the Philippines at December 31, 1987. Commitments were not material in relation to adjusted outstandings in any other refinancing country.
(2) Includes both local and foreign currency loans.
(3) Brackets reflect a reduction of earnings.
(4) 14 countries under $50 million of Cross-Border and Foreign Currency Outstandings: Bolivia, Costa Rica, Honduras, Ivory Coast, Jamaica, Liberia, Madagascar, Mozambique, Nicaragua, Peru, Senegal, Sudan, Zaire, and Zambia.
(5) The $200 million after tax earnings impact from Brazil reported elsewhere in the annual report includes the negative effects of interest margin over carrying cost.

Included in overseas cash basis loans are a number of loans in countries that are currently in the process of refinancing their external debt or that have completed such refinancings. In view of investor interest in this aspect of Citicorp's activities, the above table provides additional details of cross-border and foreign currency outstandings and also local and foreign currency cash basis loans in the affected countries; the third column of the table shows the impact on our earnings, spread among various countries. 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.

CAPITAL ANALYSIS

In 1987, Citicorp's stockholders' equity declined $250 million to $8,810 million. This reflected the net reduction of $1,618 million in retained earnings including the $3.0 billion charge to earnings to increase the allowance for possible credit losses, and the sale of $1.1 billion common stock, and $225 million of perpetual preferred stock. The ratio of stockholders' equity to total assets at year-end 1987 was 4.33%, down from 4.62% at year-end 1986.

In September, Citicorp sold 20 million shares (40 million after the stock split) of common stock in a worldwide offering which emphasized distribution to individual stockholders. This issue added $1.1 billion to stockholders' equity. This was the largest single sale ever of common stock (other than an initial public offering) by a U.S. company. Common equity at year-end of $7,220 million declined $475 million from 1986. The ratio of common stockholders' equity to total assets declined from 3.92% to 3.55% at December 31, 1987.

During 1987, Citicorp increased primary capital $3,281 million, or 24%, to a year-end total of $16,771 million, 8.05% of total assets, compared with a ratio of 6.82% at year-end 1986. Included in primary capital are $600 million in subordinated mandatorily convertible capital notes sold during the year.

In May, Citicorp charged current earnings $3.0 billion to increase its allowance for possible credit losses to provide for the risks associated with the sovereign debt portfolio. While this reduced Citicorp's stockholders' equity, there was no immediate effect on primary or total capital (as defined by banking regulators).

In addition to the components of primary capital, Citicorp issued $400 million of non-convertible subordinated long-term debt which, under existing regulatory guidelines, is included in total capital. The total capital ratio increased to 11.75%, up from 10.88% at year-end 1986.

Both total and primary capital ratios were well above the regulators' minimum requirements of 6.0% for total capital and 5.5% for primary capital for national banks and bank holding companies. In addition, the capital ratios for each of Citicorp's domestic subsidiary banks and savings and loan associations also were maintained above the regulatory minimum requirements. The amount of capital maintained by Citicorp adequately considers the increased amount of non-funds related credit, interest, and foreign exchange products that contribute to our businesses.

Banking industry regulators have indicated there will be new guidelines for capital for banks and bank holding companies in the U.S. and in countries overseas. The objective is to arrive, over time, at capital ratios for all major international banks which are more comparable and thus less likely to give the banks in one country a competitive edge as a result of lower capital requirements. Another objective of these proposals is to incorporate risk-weighted capital guidelines that consider both on-balance sheet assets and off-balance sheet activities, such as letters of credit, swaps and foreign exchange, and interest rate forward contracts. Because the guidelines have not yet been finalized, Citicorp is unable to estimate with accuracy the impact on its capital position. However, no significant difficulty is anticipated in meeting the new requirements.

Components of Capital

IN MILLIONS OF DOLLARS	DEC. 31 1987	DEC 31 1986	$ CHANGE	% CHANGE
Common Stock and Surplus	**$ 2,779**	$ 1,636	$1,143	70
Retained Earnings	**4,441**	6,059	(1,618)	(27)
Preferred Stock	**1,590**	1,365	225	16
TOTAL STOCKHOLDERS' EQUITY	**$ 8,810**	$ 9,060	$ (250)	(3)
Allowance for Possible Credit Losses	**4,618**	1,698	2,920	—
Mandatory Convertible Subordinated Notes	**3,248**	2,648	600	23
Minority Interest in Consolidated Subsidiaries	**95**	84	11	13
PRIMARY CAPITAL	**$16,771**	$13,490	$3,281	24
Redeemable Preferred Stock	**$ 40**	$ 40	$ —	—
Qualifying Debt	**7,651**	8,001	(350)	(4)
SECONDARY CAPITAL	**$ 7,691**	$ 8,041	$ (350)	(4)
TOTAL CAPITAL	**$24,462**	$21,531	$2,931	14

Primary Capital and Secondary Capital components and ratios are as defined in accordance with Federal Reserve Board guidelines.

LIQUIDITY MANAGEMENT

Citicorp defines adequate liquidity as having funds available at all times to repay fully and promptly all maturing liabilities in accordance with their terms including customer demand deposits. One economic function performed by financial intermediaries is to assume liquidity risk by borrowing for shorter terms than they lend. 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. The liquidity of each individual business and legal entity within Citicorp must be managed to ensure that all fund withdrawals are met promptly.

The management of liquidity exposure is facilitated by forecasting the maximum outflow of funds. Calculating the maximum cumulative outflow of funds net of anticipated receipt of funds permits managers to anticipate well in advance potential liquidity problems.

Citicorp's strategy is to enhance liquidity two ways: by extending the maturities of liabilities, and by diversifying funding sources. In 1987, Citicorp raised a total of $2.4 billion of debt with a maturity of one year or longer including $1.0 billion with final maturities of 10 years or longer. Because of Citicorp's highly liquid position this was substantially less than 1986 borrowings of $7.4 billion. High levels of liquidity were a result primarily of 1) the $1.1 billion common stock and $225 million perpetual preferred stock issued, 2) the continuing beneficial effect of longer term funds raised in recent years, 3) continued emphasis on direct access to consumers' savings, and 4) sales of assets.

Extensive diversification by market, by currency, by lender, by maturity, and by instrument enhances liquidity. Over the years, Citicorp has been able to react quickly to changing market conditions including the development of new funding sources. Importantly, liquidity has been enhanced through the growth of consumer liabilities that have added further stability and depth to Citicorp's funding profile. In 1987, average U.S. consumer liabilities grew by $3 billion to $34 billion. In addition, securitization of assets including single family home mortgages ($8 billion were sold in 1987) and sales of participations in commercial loans have significantly improved liquidity.

The combination of issuance of long-term debt, increased customer deposits in several countries around the world, particularly in the U.S., and creation of assets that could be sold readily in the market has given Citicorp an unprecedented ability to manage liquidity.

MANAGEMENT OF INTEREST RATE EXPOSURE

Interest rate exposure is the sensitivity of earnings to changes in interest rates. This exposure exists when market interest movements affect assets and liabilities differently. Financial intermediaries assume interest rate risk as a basic economic function and derive income for undertaking this risk. The less interest rate risk assumed, the less income is likely to be earned. Activities that neutralize interest rate exposure are also likely to minimize earnings potential.

Citicorp senior management has established parameters for Citicorp worldwide within which interest rate exposure is to be managed. Thus, Citicorp manages the portion of earnings that will be exposed to interest rate movements in the expectation of taking advantage of the opportunities to increase earnings resulting from properly anticipated movements in interest rates.

It is the responsibility of Citicorp's Finance Committee to establish and oversee policy regarding interest rate exposures. The committee, which meets monthly, is composed primarily of members of Citicorp's Policy Committee. The committee reviews the institution's total worldwide interest rate exposure and ensures that the potential impact on earnings from future changes in interest rates is kept within approved limits.

The Finance Committee's analysis of Citicorp's overall interest rate position breaks interest rate exposure into two repricing ranges: by month up to one year (short-term exposure) and longer than one year (long-term exposure). The analysis focuses on expected behavior of assets and liabilities rather than contractual terms. The purpose of this analysis is to be certain that the maximum potential risk on future earnings resulting from the impact of possible future changes in interest rates on currently existing net asset or net liability positions is dimensioned and managed.

Interest rate exposure is also created in Citicorp's trading portfolios, which are managed to take advantage of short-term market opportunities. Trading portfolios, which include non-funds related products, are revalued to market with gains and losses reflected in earnings on a current basis. Trading positions are managed under a separate process of specific portfolio limits.

While overall interest rate exposure targets are established by the Finance Committee, Citicorp's basic strategy of diversification and decentralization permits the business and country treasurers to take interest rate positions they deem appropriate to the size and nature of their businesses within the limits approved by the Finance Committee for that unit. Local asset and liability committees establish and monitor these limits. Overseas units are not permitted to maintain significant long-term U.S. dollar interest rate exposure.

Because the net exposure of the sum of the individual units' interest rate positions will not necessarily match the overall corporate objectives, the Finance Committee is responsible for taking actions which will adjust Citicorp's total U.S. dollar interest rate exposure to meet the corporate objective. These actions include the issuance of fixed and floating rate debt and interest rate hedges using non-funds related products such as interest rate swaps, futures, and options.

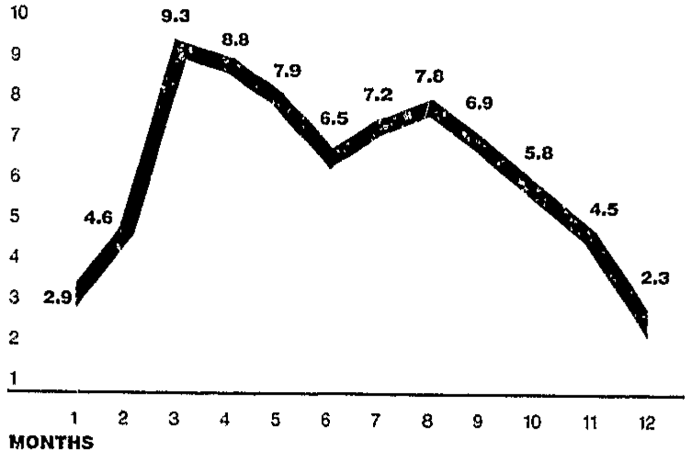
As a consequence of the size and diversity of Citicorp's customer base for both assets and sources of funds, there are offsetting rate exposure factors among our assets, liabilities, and certain non-funds related activities. A factor that might have an adverse effect on earnings from one asset or liability may be beneficial to earnings of another asset or liability and this cushions the exposure of Citicorp's earnings.

A small portion of Citicorp's total earnings at risk is denominated in currencies other than U.S. dollars, including Deutsche marks, yen, pounds sterling, Australian dollars, and Canadian dollars. These exposures tend to be offsetting in the longer term, as interest rates in all currencies do not move in the same magnitude, or even in the same direction, at the same time.

The accompanying charts illustrate Citicorp's long-term and short-term dollar interest rate positions, as well as long-term interest rate positions in selected other currencies. Trading positions, including non-funds related products, are not included in the accompanying interest rate positions since the effects of interest rate changes are recognized in earnings on a current basis. While the charts capture Citicorp's position at a point in time these positions are constantly changing with the flow of assets and liabilities.

Short-Term Worldwide Dollar Interest Rate Gap*

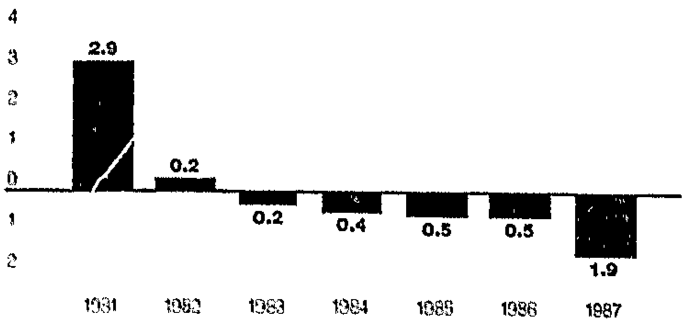
IN BILLIONS OF DOLLARS, AT YEAR END



*Excess of assets over liabilities, including the effects of non-funds related products utilized for hedging purposes, with repricing dates beyond the month shown.

Long-Term Domestic U.S. Dollar Interest Rate Gap*

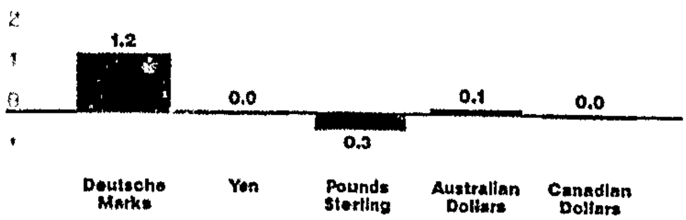
IN BILLIONS OF DOLLARS, AT YEAR END



*[illegible]

Long-Term Interest Rate Gap* in Selected Currencies

[illegible]



*[illegible]

Summary of Financial Results

CITICORP AND SUBSIDIARIES

SELECTED FINANCIAL INFORMATION

IN MILLIONS OF DOLLARS EXCEPT PER SHARE AMOUNTS	1987 AMOUNT	1987 % CHANGE	1986 AMOUNT	1986 % CHANGE	1985 AMOUNT	1985 % CHANGE	1984 AMOUNT	1984 % CHANGE	1983 AMOUNT	1983 % CHANGE
Net Interest Revenue	**$ 6,466**	**6**	$ 6,128	13	$ 5,446	26	$ 4,319	7	$ 4,043	15
Fees, Commissions, and Other Revenue	**5,994**	**40**	4,272	41	3,030	32	2,300	25	1,840	15
TOTAL REVENUE	**$ 12,460**	**20**	$ 10,400	23	$ 8,476	28	$ 6,619	13	$ 5,883	15
Provision for Possible Credit Losses	**$ 4,410**	**—**	$ 1,825	47	$ 1,243	—	$ 619	19	$ 520	10
Operating Expense	**8,290**	**21**	6,875	25	5,517	24	4,456	19	3,757	11
TOTAL EXPENSE	**$ 12,700**	**46**	$ 8,700	29	$ 6,760	33	$ 5,075	19	$ 4,277	10
Income (Loss) Before Taxes	**$ (240)**	**—**	$ 1,700	(1)	$ 1,716	11	$ 1,544	(4)	$ 1,606	28
Income Taxes	**898**	**40**	642	(11)	718	10	654	(12)	746	42
NET INCOME (LOSS)	**$ (1,138)**	**—**	$ 1,058	6	$ 998	12	$ 890	3	$ 860	19
Per Share[1]										
Earnings (Loss) Per Share[2]	**$ (4.26)**	**—**	$ 3.57	—	$ 3.56	11	$ 3.22	(1)	$ 3.24	16
Dividends Declared Per Common Share[3]	**$ 1.32**	**43**	$ 0.92	(18)	$ 1.13	10	$ 1.03	10	$ 0.94	9
TOTAL ASSETS	**$203,607**	**4**	$196,124	13	$173,597	15	$150,586	12	$134,655	4
DEBT[4]	**$ 24,364**	**4**	$ 23,383	28	$ 18,255	24	$ 14,682	20	$ 12,221	16

(1) All per share amounts have been restated to reflect the Two-for-One stock split

(2) On Net Income (Loss) available for Common Stockholders after deducting Total Preferred Stock Dividends of $92 million in 1987, $75 million in 1986, $63 million in 1985, $60 million in 1984, and $37 million in 1983

(3) Beginning in the second quarter of 1986, common dividends are considered for declaration in July, October, January, and April, instead of June, September, December, and March. As a result only three dividends were declared in 1986 as compared with four dividends each in 1987, 1985, 1984, and 1983

(4) Includes Long-Term Debt, Subordinated Capital Notes, and Redeemable Preferred Stock

Statement of Operations Analysis

NET INTEREST REVENUE TAXABLE EQUIVALENT BASIS

The continued increase in consumer loan volumes drove net interest revenue up $269 million, or 4%, over 1986 to total $6.6 billion in 1987. Net interest revenue growth was driven principally by a 10% increase in average interest earning assets and offset by the impact of nonaccrual loans to Brazil which decreased total net interest revenue by $333 million.

The net rate spread was 3.75% for the year, 20 basis points lower than last year's spread of 3.95% and down from 3.98% in 1985. The domestic spread decreased from 4.42% in 1986 to 4.25% due to a lower yield on consumer loans. The overseas spread decreased from 3.39% to 3.12%, reflecting the impact of the nonaccrual status of Brazil. The lack of interest payments from Brazil reduced the 1987 spread by 19 basis points.

The average interest-earning assets volume of $176 billion in 1987 was up $16 billion, or 10%, over last year. The volume increases in 1986 and 1985 were 14% and 13%, respectively. A $10 billion increase in consumer loans accounted for most of this increase. Average investment securities volume increased $3 billion over 1986, while average interest-bearing deposits (principally in overseas offices) rose $2 billion. Overseas asset volumes were also increased by the appreciation of several key currencies against the U.S. dollar.

Net Rate Spread Taxable Equivalent Basis

	1987	1986	1985
In Domestic Offices	**4.25**	4.42	4.48
In Overseas Offices	**3.12**	3.39	3.45
TOTAL	**3.75**	3.95	3.98

FEES, COMMISSIONS, AND OTHER REVENUE

Total fees, commissions and other revenue of $6.0 billion in 1987 increased 40%, or $1,722 million, over 1986; the total in 1986 was up $1,242 million, or 41%, over 1985

Fees and Commissions

Revenues from fees and commissions totalled $3.6 billion in 1987, up $605 million, or 20%, over the $3.0 billion earned last year. Driven by credit card and merchant discount fees, Individual Bank fees contributed $405 million to this increase. The Information Business had a $172 million year-to-year increase in fees, which included a full year of Quotron's fees in 1987. Last year, only six months of Quotron's annual fees and commissions were included in Citicorp's revenues. Fees and commissions earned through Institutional Relationships were flat to 1986 as a marked increase in North America and a moderate increase in Europe were offset by lower fees in Asia and Latin America Investment Bank fees and commissions were up $78 million from last year, mainly due to increases from equity products.

During 1986, fees and commissions grew 40% over 1985 as a result of strong consumer spending, overseas acquisitions, and corporate restructuring and other advisory activities in the Investment Bank.

Statement of Financial Accounting Standards (SFAS) No. 91 "Accounting for Nonrefundable Fees and Costs Associated with Originating or Acquiring Loans and Initial Direct Costs of Leases" establishes accounting rules for fees received related to lending activities, including origination, commitment, and credit guarantee fees. The provisions require that all fees and the incremental direct costs of originating loans be recognized as earnings over the appropriate lending or commitment period. Citicorp's present practices are substantially in compliance with the new rules other than certain aspects of its practices in its credit card and consumer mortgage businesses.

Citicorp will adopt SFAS No. 91 in 1988 on a retroactive basis and will at that time restate financial statements for 1987 and prior years to apply the new rules. As a result, the net income in prior years will be reduced and the net loss for 1987 increased. Citicorp is in the process of determining the impact of implementing the new standard but does not expect the impact to be material on the net income of any one year. The cumulative reduction in retained earnings due to the retroactive restatement at January 1, 1988 is expected to approximate $200 million.

Securities Trading

Despite difficult market conditions during 1987, securities trading revenues increased 9% over last year to total $177 million in 1987. Trading performance in North America was flat to 1986, while revenues in the Asia/Pacific region roughly doubled and results in Europe and Latin America were significantly lower. Last year, trading revenues of $162 million dipped $48 million below their 1985 level of $210 million, mainly due to declines in Europe and North America. Non-funds related financial products, including interest rate swaps, forwards, futures, and options, continued to play an increasingly significant role in the securities trading business; the effect of these transactions is included in the above results.

Foreign Exchange

Global foreign exchange revenue from both customer commercial transactions and interbank trading increased 10% over last year. Diversified across many units around the world, Citicorp's foreign exchange revenues totalled $453 million in 1987. Foreign exchange trading profits were particularly strong in the United Kingdom, United States, and Japan. In 1986, foreign exchange revenues of $412 million increased $54 million over 1985 as a result of strong gains in Asia and Europe. Foreign exchange trading revenue includes significant activity in foreign exchange spot, forward, and option contracts.

Investment Securities

At $195 million, the net gain on investment securities transactions was down from the strong gain of $214 million in 1986. Investment Bank gains were slightly down from the high level of last year, while gains from the corporate portfolio offset lower gains on securities transactions in the Individual Bank. The 1986 gain represented a $155 million increase over the $59 million posted in 1985.

Other Revenue

Other revenue totalled $1,585 million in 1987, up $1,080 million over 1986, largely as a result of steps taken to offset the effects of the $3.0 billion addition to the allowance for possible credit losses. Other revenue included a $301 million gain recognized for pension plan restructuring and a total of $727 million from asset sale transactions, which principally included $469 million from the sale of a condominium interest in Citicorp's headquarters complex. Among other asset sale transactions were the sale of buildings in Japan ($89 million), Spain, and New York, the partial sale of an overseas leasing business ($26 million), the sale of mortgage servicing rights ($50 million), and the sales of overseas subsidiaries ($64 million).

Other revenue also increased as a result of strong gains from the sale of mortgages, which totalled $229 million for the year—up $51 million, or 29%, over 1986. This reflected unusually high spreads on mortgage pass-throughs during the first quarter. Venture capital gains were also strong, up $75 million to total $147 million for the full year. Affiliate earnings totalled $81 million, up $25 million, or 45%, over 1986. Gains on the sale of lease residuals were slightly lower than in 1986. The net of all other items was lower than 1986, which included revenues from last year's sale of Signature magazine.

In 1986, other revenue totalled $505 million, up $225 million over 1985. Last year's other revenue was dominated by revenues from the sale of mortgage pass-throughs, the sale of a building in Japan and strong venture capital gains. In 1985, other revenue of $280 million consisted principally of revenues from the sale of mortgages and other assets, amounts received in a contract settlement, affiliate earnings, and gains on the sales of aircraft and railcar lease residuals.

Other Revenue

IN MILLIONS OF DOLLARS	1987	1986	1985
Affiliate Earnings	**$ 81**	$ 56	$ 68
Gains on Sale of Residual Value of Leased Equipment	**42**	51	43
Net Gains on Sale/Disposition of Assets	**727**	62	23
Net Gains on Sale of Mortgage Pass-Throughs	**229**	178	43
Venture Capital Gains	**147**	72	25
Gain on Pension Plan Restructuring	**301**	—	—
Other Items	**58**	86	78
TOTAL	**$1,585**	$505	$280

PROVISION FOR POSSIBLE CREDIT LOSSES

Citicorp has continued its policy of reflecting all known losses in current earnings. Of major significance in 1987's earnings was the $3.0 billion addition to the allowance for possible credit losses. This increase was taken to provide for the risks associated with the sovereign debt portfolio, given the reality of recent agreements with borrowers, the situation in Brazil, and the likely evolution of the global economy. The $3.0 billion addition to the allowance offers Citicorp new flexibility in restructuring its exposure to refinancing countries.

Net Write-Offs and Provision for Possible Credit Losses

IN MILLIONS OF DOLLARS	1987	1986*	1985*
Net Write-offs:			
Individual Bank	**$1,024**	$ 958	$ 585
Institutional Relationships:			
Refinancing Countries	**279**	134	163
Other Commercial	**190**	264	217
Other	**4**	15	(3)
TOTAL	**$1,497**	$1,371	$ 962
Provision (pre-tax):			
Individual Bank	**$1,066**	$1,243	$ 728
Institutional Relationships	**3,334**	546	516
Other	**10**	36	(1)
TOTAL	**$4,410**	$1,825	$1,243

*Prior year results have been changed to conform to the current year's presentation.

The total provision for possible credit losses was $4,410 million in 1987 and included $1,497 million in net credit losses and $2,913 million in additions to the allowance. In 1986, the provision for possible credit losses was $1,825 million and consisted of $1,371 million of net credit losses and $454 million in additions to the allowance. The 1985 provision was $1,243 million and included $962 million of net credit losses and $281 million in additions to the allowance.

The net consumer credit losses rose 7% on a 17% increase in average consumer loans and leases in 1987. The consumer provision for possible credit losses was $1,066 million, consisting of $1,024 million in net write-offs and $42 million in additions to the allowance. The 1986 provision was $1,243 million and included $958 million in net write-offs and $285 million in additions to the allowance, while 1985's consumer provision of $728 million consisted of $585 million in net write-offs and $143 million in additions to the allowance. The increase in net write-offs reflects higher credit volumes. The ratio of net consumer credit losses as a percentage of average consumer outstandings declined to 1.43% in 1987 from 1.56% in 1986. This ratio was 1.22% in 1985. The improvement in the current year's credit performance resulted from the shift in the credit card portfolio to a higher proportion of more mature cards, which have a historically lower credit loss experience. Reflecting the improvement in the consumer business's credit loss experience, the reserve for possible credit losses was reduced to 1.03% of consumer loans and leases from 1.12% in 1986, resulting in lower additions to the allowance during 1987.

The commercial provision for possible credit losses was $3,344 million in 1987, consisting of $473 million in net write-offs and $2,871 million in additions to the allowance (reflecting the second quarter's $3.0 billion addition to the allowance). Nineteen eighty seven's net commercial write-offs consisted of $279 million in net write-offs which were related to loans in refinancing countries, as well as $194 million in net write-offs related to other commercial debt. The net commercial write-offs associated with debt to non-refinancing countries declined by $85 million. The 1986 commercial provision of $582 million was composed of $413 million in net write-offs (including $134 million of net write-offs of loans in refinancing countries) and $169 million in additions to the allowance and 1985's provision of $515 million was made up of $377 million in net write-offs and $138 million additions to the allowance. The ratio of net credit losses as a percentage of average commercial loans and leases was .78% in 1987, compared with .69% in 1986 and .63% in 1985.

Recoveries on commercial loans and leases were up 89% over the prior year. This is evidence of Citicorp's conservative write-off policy and rigorous processes in place to monitor and assess emerging credit issues.

OPERATING EXPENSE

The Corporation's total operating expense of $8.3 billion in 1987 increased 21% over the $6.9 billion level recorded last year. Nineteen eighty six total operating expense rose 25% over 1985.

The Individual Bank's activities continued to expand and, as a result, operating expenses increased, reflecting higher volumes, infrastructure expansion, higher marketing and program expenses, and the effect of the weaker U.S. dollar abroad. Operating expenses within the Institutional Bank remained flat compared with 1986, reflecting cost control measures and the effect of staff reductions of well over 5,000 people during the past two years. The Investment Bank's operating expenses were up 31% over last year, reflecting the high costs of continuing business expansion, including costs associated with acquisitions, systems development, operating controls, and increased staff levels. Expenses within the Information Business were up $227 million over last year, reflecting the costs associated with the purchase of Quotron as well as continuing investment in product development and technology.

Total staff expense was $3.9 billion in 1987, up 21% over 1986, while staff expense of $3.2 billion in 1986 was up 28% over 1985. The 1987 increase reflects additional staff to support growing businesses, plus normal compensation increments and higher benefit expenses.

Net premises expense rose $95 million to total $707 million in 1987. This represented a 16% year-to-year increase over 1986. The comparable rate of growth in 1986 was 28%. At $759 million, equipment expenses were up $129 million in 1987, reflecting a 20% rate of growth over 1986. This compared with a 31% rate of growth last year. The current year's increases in net premises and equipment expenses were largely attributable to costs associated with business expansion.

Other expenses of $2.9 billion rose $508 million, or 21%, over last year, mainly due to increased advertising and marketing expenses and costs associated with increased volumes. Last year, other expenses of $2.4 billion rose 19% over 1985.

INCOME TAXES

Income tax expense for 1987 was $898 million, compared with $642 million in 1986 and $718 million in 1985. Income tax expense was recognized in 1987 despite the $3.0 billion addition to the allowance for possible credit losses because only $259 million of tax benefits attributable to the addition to the allowance could be recognized. Unrecognized tax benefits will be used in future years to reduce Federal income tax at the then prevailing rates. Income tax expense for 1987 was also affected by the composition of the earnings base (including significant asset transactions in the second half of the year) which had an impact on state and local taxes as well as foreign taxes paid. In comparison, income tax expense for 1986 included a reduction of $55 million due to the application of the lower tax rates effected by the Tax Reform Act of 1986 to the leveraged lease portfolio.

The Tax Reform Act includes many provisions that will affect Citicorp, its customers, and the way business is conducted in general. Among the more relevant provisions is the reduction of the Federal income tax rate from 46% to 40% for 1987 and 34% for 1988. The Tax Reform Act precluded the deductibility of additions to the bad debt reserve and required that deductions previously claimed for additions to the bad debt reserve be restored to taxable income.

Other new provisions that have affected Citicorp's businesses are the elimination of the investment tax credit, the elimination of the deduction for interest expense attributable to newly acquired state and municipal tax-exempt securities, and the elimination of the beneficial treatment of long-term capital gains. The most potentially significant new rules in the Tax Reform Act are those dealing with the U.S. taxation of foreign income and new limitations on the use of foreign tax credits. Finally, the Tax Reform Act expanded the Alternative Minimum Tax, increasing its scope and applicability. The Corporation is of the view that the Tax Reform Act will not have a materially adverse impact on its liquidity or income from continuing operations.

In December 1987, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards (SFAS) No. 96 "Accounting for Income Taxes." SFAS No. 96 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 will be 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 whose realization is dependent on taxable earnings of future years will not be recognized.

Citicorp intends to adopt SFAS No. 96 in 1989 on a retroactive basis. It is expected that the principal effect will be a reduction in the net income originally reported for 1986 and prior years, resulting in a cumulative reduction in retained earnings, primarily as a result of the more restrictive criteria under the new standard for recognizing certain deferred tax assets. While Citicorp cannot yet determine the impact of implementing the new standard, it is expected that the cumulative reduction will be less than 10% of common stockholders' equity. However, Citicorp expects that it will ultimately realize, at prevailing tax rates, deferred tax assets whose recognition may be delayed under the new standard.

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

Citicorp attributes its earnings to geographic regions based on the domicile of the customer. United States possessions are included in their respective geographic areas. In the accompanying table, the North American region includes the United States and Canada. Refer to page 62 for further discussion of the principal adjustments and allocations that are made to present results on a geographic basis.

North American earnings were $1,189 million in 1987, an increase of $647 million over the prior year. The significant year-to-year increase in North American earnings was shaped by 1987's gains from the sale of a condominium interest in Citicorp's headquarters complex ($283 million after-tax) and gains from the restructuring of pension liabilities ($163 million after-tax), as well as improved net interest revenues, notably higher fees and commissions, and a lower provision for possible credit losses. In 1986, results from North American operations rose $79 million, or 17%, over the prior year, primarily on the basis of higher net interest revenues, increased fees and commissions, proceeds from asset sales, and venture capital gains.

Strong asset growth wit[illegible]n the North American Individual Bank—particularly i[illegible] finance and card products—contributed to the [illegible]rest revenues. Revenues from the consumer b[illegible]so buoyed by gains from the sale of mortgage [illegible]ghts and mortgage pass-throughs. North American revenues of the Institutional Bank were up over the prior year, reflecting increased net interest revenues from specialized finance and higher fees and commissions, partially offset by lower other revenue. Investment Bank revenues rose, fuelled by increased revenues from the Sector's funding activities, revenues from foreign exchange trading, and gains from venture capital transactions, countered by reduced fees and commissions, plus slightly lower securities trading revenues.

The provision for possible credit losses for North America declined in 1987 as credit performance improved, mainly in the credit card portfolio.

Operating expenses related to North American operations were higher in 1987 largely as a result of continued business expansion and development. The increase also reflected the expenses required to support substantially higher volumes—particularly within the consumer business.

North American earnings also included the results of Citicorp's Information Business, which recorded a loss of $85 million mainly due to the funding costs of the Quotron acquisition and the related amortization of goodwill.

Total North American average assets increased 11% in 1987 and 18% in 1986. Asset growth in both years stemmed from higher consumer loan volumes.

Citicorp's operations overseas posted a $2,327 million loss in 1987, reflecting the $3.0 billion addition to the allowance for possible credit losses. Overseas operations earned $516 million in 1986 and $535 million in 1985. International revenues were higher in 1987, driven by improved fees and commissions, higher foreign exchange revenues, and increased other revenues, offset by the lower net interest revenue resulting from the suspension of interest payments by Brazil. Operating expenses from overseas operations grew in comparison with the prior year largely in support of continued business development, investments in product delivery, and the weakening of the U.S. dollar. Results from international operations benefited from the $259 million in tax benefits related to the $3.0 billion addition to the credit loss allowance.

Excluding the impact of the $3.0 billion reserve increase, earnings from Asia/Pacific of $277 million were up strongly from 1986, while earnings in Latin America of $44 million and Europe, Middle East and Africa of $93 million were both lower than last year. The increase in Asia/Pacific reflected higher securities and foreign exchange trading revenues, increased net interest revenues, sizable other revenues (including gains from the sale of assets in Japan), a lower provision for credit losses not related to refinancing countries, and flat operating expenses. In 1987, Latin American results were down due to the placement of Brazilian outstandings on nonaccrual which reduced after-tax earnings by $200 million. Earnings from Europe, Middle East and Africa reflected substantially higher fees and commissions in the consumer business and improved revenues from foreign exchange trading, outweighed by the impact of lower securities trading revenues and increased expenses.

Total overseas average assets grew 4% in 1987, principally as a result of higher assets within the consumer business. In 1986, overseas assets increased 10%.

NET INCOME (LOSS)

IN MILLIONS OF DOLLARS	1987	1986[1]	1985[1]
North America	**$ 1,189**	$ 542	$463
Caribbean, Central and South America	**(2,102)**	268	245
Europe, Middle East and Africa	**(250)**	98	191
Asia/Pacific	**25**	150	99
TOTAL	**$(1,138)**	$1,058	$998

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

FINANCIAL REPORTING RESPONSIBILITY

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 financial control system of Citicorp is designed 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 76. 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 risk asset reviews worldwide, carried out by a staff of resident inspectors and reviewers and traveling teams. In addition, Peat Marwick Main & Co., independent certified public accountants, is engaged to examine our financial statements.

Peat Marwick Main & Co. obtains and maintains an understanding of our accounting and financial controls and conducts such tests and other auditing procedures as they consider necessary in the circumstances to express the opinion in their report that follows. Peat Marwick Main & Co. has free access to the Audit Committee, with no members of management present, to discuss their examination 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
A Principal Financial Officer

REPORT OF INDEPENDENT AUDITORS

KPMG Peat Marwick

Peat Marwick Main & Co.
Certified Public Accountants

The Board of Directors and Stockholders of Citicorp:

We have examined the consolidated balance sheet of Citicorp and subsidiaries as of December 31, 1987 and 1986, the related consolidated statements of operations, changes in stockholders' equity and changes in financial position for each of the years in the three-year period ended December 31, 1987, and the consolidated balance sheet of Citibank, N.A. and subsidiaries as of December 31, 1987 and 1986. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the aforementioned consolidated financial statements present fairly the financial position of Citicorp and subsidiaries at December 31, 1987 and 1986, and the results of their operations and the changes in their financial position for each of the years in the three-year period ended December 31, 1987, and the financial position of Citibank, N.A. and subsidiaries at December 31, 1987 and 1986, in conformity with generally accepted accounting principles applied on a consistent basis.

Peat Marwick Main & Co.

New York, New York
January 19, 1988

CONSOLIDATED STATEMENT OF OPERATIONS

CITICORP AND SUBSIDIARIES

IN MILLIONS OF DOLLARS, EXCEPT PER SHARE AMOUNTS	1987	1986	1985
Interest Revenue			
Interest and Fees on Loans and Lease Financing	**$17,293**	$15,675	$15,528
Interest on Deposits with Banks	**1,261**	1,072	1,156
Interest on Federal Funds Sold and Securities Purchased Under Resale Agreements	**725**	692	1,087
Interest and Dividends on Investment Securities (Note 1)	**1,236**	1,033	843
Interest on Trading Account Assets	**1,479**	752	860
	$21,994	$19,224	$19,474
Interest Expense			
Interest on Deposits	**$ 9,109**	$ 8,191	$ 8,865
Interest on Other Borrowed Money (Note 7)	**3,920**	2,828	3,356
Interest on Long-Term Debt and Subordinated Capital Notes (Notes 8 and 9)	**2,499**	2,077	1,807
	$15,528	$13,096	$14,028
NET INTEREST REVENUE	**$ 6,466**	$ 6,128	$ 5,446
Provision for Possible Credit Losses (Note 4)	**$ 4,410**	$ 1,825	$ 1,243
NET INTEREST REVENUE AFTER PROVISION FOR POSSIBLE CREDIT LOSSES	**$ 2,056**	$ 4,303	$ 4,203
Fees, Commissions, and Other Revenue			
Fees and Commissions (Note 13)	**$ 3,584**	$ 2,979	$ 2,123
Trading Account	**177**	162	210
Foreign Exchange	**453**	412	358
Investment Securities Transactions (Note 15)	**195**	214	59
Other Revenue (Notes 5 and 14)	**1,585**	505	280
	$ 5,994	$ 4,272	$ 3,030
Other Operating Expense			
Salaries	**$ 3,251**	$ 2,739	$ 2,116
Staff Benefits (Note 14)	**671**	500	424
Total Staff Expense	**$ 3,922**	$ 3,239	$ 2,540
Net Premises Expense (Notes 5 and 19)	**707**	612	483
Equipment Expense (Notes 5 and 19)	**759**	630	481
Other Expense	**2,902**	2,394	2,016
	$ 8,290	$ 6,875	$ 5,517
Income (Loss) Before Taxes	**$ (240)**	$ 1,700	$ 1,716
Income Taxes (Note 15)	**898**	642	718
NET INCOME (LOSS)	**$ (1,138)**	$ 1,058	$ 998
Earnings (Loss) Per Share (Note 16)	**$(4.26)**	$3.57	$3.56

Accounting policies and explanatory notes on pages 43-66 form an integral part of the financial statements

CONSOLIDATED BALANCE SHEET

IN MILLIONS OF DOLLARS	DECEMBER 31 1987	DECEMBER 31 1986
Assets		
Cash and Due from Banks	**$ 5,029**	$ 5,181
Deposits at Interest with Banks	**14,706**	15,692
Investment Securities (Market value $15,438 in 1987 and $13,537 in 1986) (Note 1)	**15,396**	12,880
Trading Account Assets	**5,594**	8,896
Federal Funds Sold and Securities Purchased Under Resale Agreements	**7,552**	5,688
Loans and Lease Financing, Net (Notes 2, 3, and 4)		
Consumer (Net of unearned discount of $3,674 in 1987 and $4,154 in 1986)	**$ 78,959**	$ 68,243
Commercial (Net of unearned discount of $598 in 1987 and $467 in 1986)	**55,754**	59,439
Lease Financing	**3,372**	3,222
Loans and Lease Financing	**$138,085**	$130,904
Allowance for Possible Credit Losses	**(4,618)**	(1,698)
Total Loans and Lease Financing, Net	**$133,467**	$129,206
Customers' Acceptance Liability	**5,219**	4,769
Premises and Equipment, Net (Note 5)	**3,365**	3,177
Interest and Fees Receivable	**3,230**	2,887
Other Assets (Note 6)	**10,049**	7,748
TOTAL	**$203,607**	$196,124
Liabilities		
Non-Interest-Bearing Deposits in Domestic Offices	**$ 11,241**	$ 12,666
Interest-Bearing Deposits in Domestic Offices	**44,731**	41,796
Non-Interest-Bearing Deposits in Overseas Offices	**4,004**	3,791
Interest-Bearing Deposits in Overseas Offices	**59,585**	56,436
Total Deposits	**$119,561**	$114,689
Purchased Funds and Other Borrowings (Note 7)	**31,690**	33,731
Acceptances Outstanding	**5,250**	4,912
Accrued Taxes and Other Expenses (Note 15)	**4,521**	3,969
Other Liabilities	**9,411**	6,380
Long-Term Debt (Note 8)	**21,076**	20,695
Subordinated Capital Notes (Note 9)	**3,248**	2,648
Redeemable Preferred Stock (Note 10)	**40**	40
Stockholders' Equity		
Preferred Stock (Note 11)	**$ 1,590**	$ 1,365
Common Stock (Par value of $1.00 in 1987 and $4.00 in 1986) (Note 12) Issued Shares: 343,995,863 in 1987 and 150,577,830 in 1986	**344**	602
Surplus	**2,866**	1,421
Retained Earnings	**4,441**	6,059
Common Stock in Treasury, at Cost. Shares: 27,767,138 in 1987 and 12,962,986 in 1986	**(431)**	(387)
Total Stockholders' Equity	**$ 8,810**	$ 9,060
TOTAL	**$203,607**	$196,124

Accounting policies and explanatory notes on pages 49-66 form an integral part of the financial statements

Citibank N.A.
120/257550

CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

CITICORP AND SUBSIDIARIES

IN MILLIONS OF DOLLARS

	1987	1986	1985
Preferred Stock (Note 11)			
Balance at Beginning of Year	**$1,365**	$1,215	$ 640
Issuance of Stock	**225**	150	575
BALANCE AT END OF YEAR	**$1,590**	$1,365	$1,215
Common Stock (Note 12)			
Balance at Beginning of Year Shares: 150,577,830 in 1987, 142,265,429 in 1986, and 138,970,558 in 1985	**$ 602**	$ 569	$ 556
Sale of Stock: Shares 20,000,000 in 1987 and 5,000,000 in 1986	**20**	20	—
Issuance of Stock under Savings Incentive, Stock Option and Stock Purchase Plans and Conversion of Convertible Notes (Notes 8 and 14) Shares: 1,547,958 in 1987, 3,312,401 in 1986, and 3,294,871 in 1985	**3**	13	13
Issuance Pursuant to the Two-for-One Stock Split (Note 12) Shares: 171,870,075	**172**	—	—
Reduction of Par Value	**(453)**	—	—
BALANCE AT END OF YEAR	**$ 344**	$ 602	$ 569
Shares: 343,995,863 in 1987, 150,577,830 in 1986, and 142,265,429 in 1985			
Surplus			
Balance at Beginning of Year	**$1,421**	$1,056	$ 958
Preferred Stock Issuance Cost	**(3)**	(2)	(9)
Sale of Common Stock	**1,116**	265	-
Issuance of Stock under Savings Incentive, Stock Option, Stock Purchase, Executive Incentive Compensation and Restricted Stock Plans and Conversion of Convertible Notes (Notes 8 and 14)	**52**	108	107
Issuance Pursuant to the Two-for-One Stock Split (Note 12)	**(172)**	—	—
Increase Due to the Reduction of Par Value	**453**	—	—
Restricted Stock Plan Grants—Net of Amortization (Note 14)	**(1)**	(6)	—
BALANCE AT END OF YEAR	**$2,866**	$1,421	$1,056
Retained Earnings			
Balance at Beginning of Year	**$6,059**	$5,300	$4,637
Net Income (Loss)	**(1,138)**	1,058	998
Cash Dividends Declared (including preferred dividends of $88 in 1987, $71 in 1986, and $59 in 1985, and redeemable preferred dividends of $4 in 1987, 1986, and 1985) (Note 12)	**(471)**	(325)	(353)
Foreign Currency Translation (Accumulated amount of ($85) at December 31, 1987)	**(9)**	26	18
BALANCE AT END OF YEAR	**$4,441**	$6,059	$5,300
Common Stock in Treasury, at Cost			
Balance at Beginning of Year Shares: 12,962,986 in 1987, 12,888,539 in 1986, and 12,702,161 in 1985	**$ (387)**	$ (375)	$ (365)
Treasury Stock Transactions, at Cost Shares: 1,931,183 in 1987, 74,447 in 1986, and 186,378 in 1985	**([illegible]4)**	(12)	(10)
Issuance Pursuant to the Two-for-One Stock Split (Note 12) Shares: 12,872,969	**—**	—	—
BALANCE AT END OF YEAR	**$ (431)**	$ (387)	$ (375)
Shares: 27,767,138 in 1987, 12,962,986 in 1986, and 12,888,539 in 1985			
Total Stockholders' Equity			
Balance at Beginning of Year	**$9,060**	$7,765	$6,426
Changes During the Year, Net	**(250)**	1,295	1,339
BALANCE AT END OF YEAR	**$8,810**	$9,060	$7,765

Accounting policies and explanatory notes on pages 43-66 form an integral part of the financial statements

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

IN MILLIONS OF DOLLARS

CITICORP AND SUBSIDIARIES

Funds Provided	**1987**	1986	1985
Operations:			
Net Income (Loss)	**$ (1,138)**	$ 1,058	$ 998
Non-Cash Charges			
Depreciation and Amortization of Premises and Equipment	**560**	450	349
Provision for Possible Credit Losses	**4,410**	1,825	1,243
Funds Provided from Operations	**3,832**	3,333	2,590
Increase in			
Deposits	**4,872**	9,730	14,610
Purchased Funds and Other Borrowings	**—**	7,115	2,226
Long-Term Debt	**381**	4,379	3,323
Subordinated Capital Notes	**600**	749	250
Preferred Stock	**225**	150	575
Proceeds from Sale of Common Stock	**1,136**	285	—
Decrease in			
Investment Securities and Trading Account Assets	**786**	—	—
Federal Funds Sold and Securities Purchased Under Resale Agreements	**—**	655	—
Cash and Due from Banks and Deposits at Interest with Banks	**1,138**	—	—
Other, Net	**825**	—	548
TOTAL	**$13,795**	$26,396	$24,122
Funds Used			
Cash Dividends Declared	**$ 471**	$ 325	$ 353
Increase in			
Cash and Due from Banks and Deposits at Interest with Banks	**—**	2,962	3,626
Investment Securities and Trading Account Assets	**—**	5,721	4,388
Federal Funds Sold and Securities Purchased Under Resale Agreements	**1,864**	—	1,202
Loans and Lease Financing	**8,671**	15,767	13,800
Premises and Equipment	**748**	1,083	753
Decrease in			
Purchased Funds and Other Borrowings	**2,041**	—	—
Other, Net	**—**	538	—
TOTAL	**$13,795**	$26,396	$24,122

Accounting policies and explanatory notes on pages 49-68 form an integral part of the financial statements

IN MILLIONS OF DOLLARS	DECEMBER 31 1987	DECEMBER 31 1986
Assets		
Cash and Due from Banks	**$ 4,193**	$ 4,110
Deposits at Interest with Banks	**14,757**	15,929
Investment Securities (Market value $12,457 in 1987 and $10,938 in 1986)	**12,328**	10,427
Trading Account Assets	**3,303**	4,645
Federal Funds Sold and Securities Purchased Under Resale Agreements	**7,407**	7,440
Loans and Lease Financing	**$ 96,072**	$ 90,633
Less: Allowance for Possible Credit Losses	**(3,528)**	(842)
Unearned Discount on Loans	**(2,368)**	(2,256)
Loans and Lease Financing, Net	**$ 90,176**	$ 87,535
Customers' Acceptance Liability	**5,441**	5,982
Premises and Equipment, Net	**2,119**	2,052
Interest and Fees Receivable	**2,379**	2,008
Other Assets	**5,982**	4,680
TOTAL	**$148,085**	$144,808
Liabilities		
Non-Interest-Bearing Deposits in Domestic Offices	**$ 9,670**	$ 10,763
Interest-Bearing Deposits in Domestic Offices	**30,122**	29,193
Non-Interest-Bearing Deposits in Overseas Offices	**3,972**	3,749
Interest-Bearing Deposits in Overseas Offices	**59,370**	56,203
Total Deposits	**$103,134**	$ 99,908
Purchased Funds and Other Borrowings	**18,132**	20,679
Acceptances Outstanding	**5,472**	6,126
Accrued Taxes and Other Expenses	**2,595**	2,812
Other Liabilities	**7,480**	4,058
Long-Term Debt	**3,670**	3,216
Stockholder's Equity (Note 21)		
Capital Stock ($20.00 par) Outstanding Shares: 37,534,553 in 1987 and 1986	**$ 751**	$ 751
Surplus	**3,203**	2,015
Retained Earnings	**3,648**	5,243
Total Stockholder's Equity	**$ 7,602**	$ 8,009
TOTAL	**$148,085**	$144,808

[illegible] and explanatory notes on pages 43-66 form an integral part of these statements.

Statement of Accounting Policies

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.

Affiliates which are 20%- to 50%-owned 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.

Gains and losses on disposition of branches, subsidiaries, affiliates and other equity investments (including venture capital investments) and charges for management's estimate of permanent impairment in value 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 primary or 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 primary or functional currency, including those operating in a highly inflationary environment, are included in foreign exchange revenue, along with related hedge effects. 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.

INVESTMENT SECURITIES AND TRADING ACCOUNT ACTIVITIES
Debt securities 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 securities and money market instruments, are presented net of obligations to deliver assets sold but not yet purchased and are valued at market. Gains and losses, both realized and unrealized, are included in trading account revenue. Interest on trading account assets, net, is included in interest revenue.

Financial futures and forward contracts, interest rate swaps, and options 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 financial futures and forward contracts, interest rate swaps, and options that are designated as hedges are deferred and reflected as an adjustment to interest revenue or expense. Fees related to these financial products are considered an integral part of the market value and are recognized over the term of the agreements.

It is Citicorp's policy not to make transfers between investment securities and the trading account. However, in 1986 certain securities were transferred (see Note 1 on page 51).

CONSUMER LOANS
Consumer loans are stated at their face amount, net of unearned discount.

Consumer loans are written off upon reaching 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, and loan loss experience characteristics of each product and in consideration of write-off criteria in place.

Interest on discount loans is accrued on a basis which results in an approximate level rate of return over the term of the loan. Interest accrued on nondiscount loans is based on the principal amount of loans outstanding.

Loan fees are recognized in current earnings to the extent of determinable related direct costs with the balance amortized as an interest yield adjustment over the expected loan term.

COMMERCIAL LOANS
Commercial loans are stated at their face amount, net of unearned discount.

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 (nonaccrual) basis. In any case where interest or principal is past due for 90 days or more, the loan is automatically placed on a cash basis irrespective of collateral or other favorable prospects. 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.

Fees related to binding loan commitments or guarantees are amortized over the commitment or guarantee period, with other loan fees amortized as an interest yield adjustment over the loan term. Loan syndication fees are deferred to the extent required to produce a yield on the portion of the loan retained that is equal to the average yield on the loans held by the other syndication participants with the remaining fee recognized in current earnings.

LEASE FINANCING

Lease financing 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 POSSIBLE CREDIT LOSSES

Additions to the allowance are made by means of the provision for possible 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 possible credit losses. Based on management's judgment as to the appropriate level of the allowance for possible 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 domestic and international economic conditions, changes in the character and size of the portfolios and non-funds related financial products, including commitments, guarantees, swaps, options, futures and forward agreements, past and expected future loss 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

STAFF BENEFITS AND EARNINGS (LOSS) PER SHARE

In 1986, Citicorp adopted the new pension accounting rules contained in the Financial Accounting Standards Board's Statement of Financial Accounting Standards No. 87 (see Note 14).

Staff benefits expense includes prior and current service costs of retirement plans, which are accrued on a current basis, contributions under the savings incentive plan, awards under the executive incentive compensation plan, and costs of other staff benefits. No charges are reflected in earnings due to the granting or exercise of options under the stock option plans or the subscription for or purchase of stock under the stock purchase plans.

Common equivalent shares are included in the calculation of earnings per share to the extent that they are not antidilutive. Common equivalent shares represent shares issuable under the executive incentive compensation plan and the dilutive effect of options and subscriptions to purchase shares under the stock option and stock purchase plans. Certain staff benefit plans permit options or subscriptions to purchase, or elections to invest in, either market value or book value stock. Market value stock is Citicorp common stock that is not restricted by Citicorp as to resale but 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 be resold only to Citicorp at the per-share book value at the time of sale but which has the same voting, dividend, and liquidation rights as market value stock. Subsequent to December 31, 1987, no further options will be granted, subscriptions entered into, or new investment elections permitted for the purchase of book value stock.

For outstanding options and subscriptions involving only market value shares, common equivalent shares are computed using the treasury stock method.

Under the stock option and stock purchase plans, options have also been granted in tandem, and subscription agreements have also been entered into that give the staff member the alternative to purchase either market value or book value shares up to the end of the option or subscription period at exercise or purchase prices fixed at the date of grant or subscription.

If circumstances are such that purchase of market value shares clearly represents the economically preferable alternative to the staff member, the earnings-per-share calculation includes common equivalent shares representing the dilutive effect, computed by the treasury stock method, of the market value shares under option or subscription. If circumstances indicate that purchase of book value shares is the staff member's preferable alternative, the book value shares under option or subscription enter into the earnings-per-share calculation according to the two-class method. This method recognizes the fact that there are effectively two classes of stock participating in earnings: one, outstanding shares of stock which share in all earnings, and another, book value shares under option or subscription which share only in undistributed earnings.

For the year ended December 31, 1987 common equivalent shares are not included in the calculation of loss per share since they are antidilutive.

After issuance, book value shares are included in the weighted average number of shares of common stock outstanding used to calculate earnings (loss) per share.

Upon issuance of shares under the savings incentive, stock option, 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 plan, the excess of the amount of the awards over the average cost of treasury shares is credited to surplus.

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. Other investment tax credits are recognized in the year the asset is placed in service. Investment tax credits were repealed under the Tax Reform Act of 1986 and hence have not been recorded for property placed in service after December 31, 1985 (except as permitted by the Act's transition rules)

Notes to Financial Statements

1. INVESTMENT SECURITIES

IN MILLIONS OF DOLLARS, AT YEAR END	1987 CARRYING VALUE	1987 MARKET VALUE	1986 CARRYING VALUE	1986 MARKET VALUE
U.S. Treasury and Federal Agencies	$ 3,627	$ 3,686	$ 3,228	$ 3,415
State and Municipal	1,793	1,730	1,955(1)	1,980(1)
Other	9,976(2)	10,022(2)	7,697	8,142
TOTAL	$15,396	$15,438	$12,880	$13,537

Interest and Dividends on Investment Securities

IN MILLIONS OF DOLLARS FOR THE YEAR	1987	1986	1985
U.S. Treasury and Federal Agencies	$ 288	$ 236	$ 268
State and Municipal (Substantially all exempt from federal income tax)	124	65	34
Other	824	732	541
TOTAL	$1,236	$1,033	$ 843

(1) Certain state and municipal securities were transferred at their market value of $599 million from Trading to Investment Securities to reflect Citicorp's intention to hold these securities as long-term investments in consideration of certain provisions of the Tax Reform Act of 1986. Other than in this instance, no transfers are made between investment and trading portfolios.

(2) Other investment securities at December 31, 1987 include holdings in Treasury Bonds issued by the Government of Italy with an aggregate carrying value of $1,054 million and market value of $1,062 million.

2. CONSUMER LOANS

The consumer loan category represents loans managed by Citicorp's Individual Banking 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.

Consumer Loans Outstanding

IN MILLIONS OF DOLLARS, AT YEAR END	1987	1986
In Domestic Offices		
Mortgage and Real Estate(1)	$31,523	$27,991
Installment, Revolving Credit and Other Consumer Loans	31,479	29,700
	$63,002	$57,691
In Overseas Offices		
Mortgage and Real Estate(1)	$ 7,130	$ 5,017
Installment, Revolving Credit and Other Consumer Loans	12,501	9,689
	$19,631	$14,706
	$82,633	$72,397
Unearned Discount	(3,674)	(4,154)
CONSUMER LOANS, NET OF UNEARNED DISCOUNT	$78,959	$68,243

(1) Includes only loans secured primarily by real estate

3. COMMERCIAL LOANS

Commercial Loans Outstanding

IN MILLIONS OF DOLLARS, AT YEAR END	1987	1986
In Domestic Offices		
Commercial and Industrial(1)	**$14,109**	$16,994
Mortgage and Real Estate(2)	**8,759**	7,637
Loans to Financial Institutions	**611**	884
Governments and Official Institutions	**315**	415
	$23,794	$25,930
In Overseas Offices		
Commercial and Industrial(1)	**$21,257**	$23,101
Mortgage and Real Estate(2)	**2,441**	2,330
Loans to Financial Institutions	**4,110**	4,375
Governments and Official Institutions	**4,750**	4,170
	$32,558	$33,976
	$56,352	$59,906
Unearned Discount	**(598)**	(467)
COMMERCIAL LOANS, NET OF UNEARNED DISCOUNT	**$55,754**	$59,439

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

Citicorp's cash basis and renegotiated commercial loans amounted to $6,029 million, $2.554 million, and $2,248 million at December 31, 1987, 1986, and 1985, 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 FOR THE YEAR	1987	1986	1985
Interest Income that Would Have Been Accrued at Original Contractual Rates(1)	**$701**	$344	$397
Amount Recognized as Interest Income(2)	**250**	250	279
FOREGONE REVENUE	**$451**	$ 94	$118

(1) $88 million, $72 million and $73 million in domestic offices, $613 million, $272 million and $324 million in overseas offices in 1987, 1986, and 1985, respectively
(2) Represents interest collected on cash basis loans, and interest accrued at reduced rates on renegotiated loans: $58 million, $38 million, and $32 million in domestic offices, $192 million, $212 million, and $247 million in overseas offices in 1987, 1986 and 1985, respectively

4. CHANGES IN THE ALLOWANCE FOR POSSIBLE CREDIT LOSSES

IN MILLIONS OF DOLLARS	1987	1986	1985
Balance at Beginning of Year	**$1,698**	$1,235	$ 917
Deductions			
Consumer Credit Losses	**1,271**	1,172	719
Consumer Credit Recoveries	**(247)**	(214)	(134)
Net Consumer Credit Losses	**$1,024**	$ 958	$ 585
Commercial Credit Losses	**$ 617**	$ 489	$ 442
Commercial Credit Recoveries	**(144)**	(76)	(65)
Net Commercial Credit Losses	**$ 473**	$ 413	$ 377
Additions			
Provision for Possible Credit Losses	**$4,410**	$1,825	$1,243
Other (Principally from allowance balances of acquired companies and translation of overseas allowance balances)	**7**	9	37
BALANCE AT END OF YEAR	**$4,618**	$1,698	$1,235

5. PREMISES AND EQUIPMENT

Depreciation and amortization of premises and equipment was $560 million in 1987, $450 million in 1986, and $349 million in 1985. Generally, depreciation and amortization are computed on the straight-line basis over the estimated useful life of the asset or the lease term.

In December 1987, Citicorp sold a condominium interest in its headquarters complex in Manhattan. The sale resulted in a gain of $469 million ($283 million after tax), which is recorded in other revenue.

6. 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, 1987 and 1986, goodwill amounted to $1,130 million and $977 million, respectively. 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, approximates 16 years.

7. PURCHASED FUNDS AND OTHER BORROWINGS

Purchased Funds and Other Borrowings, *Original Maturities of Less Than One Year*

IN MILLIONS OF DOLLARS	1987	1986	1985
Federal Funds Purchased and Securities Repurchase Agreements(1)(4)			
Amount Outstanding at Year End	**$11,733**	$13,365	$ 7,421
Average Outstanding During the Year	**$13,490**	$10,433	$10,064
Maximum Outstanding at Any Month End	**$14,759**	$13,365	$10,769
Commercial Paper(2)			
Amount Outstanding at Year End	**$ 9,058**	$ 9,291	$ 7,172
Average Outstanding During the Year	**$ 9,326**	$ 6,208	$ 4,977
Maximum Outstanding at Any Month End	**$10,374**	$ 9,291	$ 7,172
Other Funds Borrowed(3)			
Amount Outstanding at Year End	**$10,899**	$11,075	$12,023
Average Outstanding During the Year	**$10,261**	$10,899	$10,485
Maximum Outstanding at Any Month End	**$12,566**	$12,643	$12,023

(1) Weighted average interest rate was 13.94% during 1987, 7.09% during 1986, and 8.50% during 1985; 6.50% at year-end 1987, 11.95% at year-end 1986, and 8.43% at year-end 1985.
(2) Weighted average interest rate was 6.68% during 1987, 6.60% during 1986, and 8.34% during 1985; 7.62% at year-end 1987, 11.07% at year-end 1986, and 8.29% at year-end 1985.
(3) Weighted average interest rate was 13.80% during 1987, 15.21% during 1986, and 19.55% during 1985.
(4) 1986 and 1985 include only domestic offices.

8. LONG-TERM DEBT

Long-Term Debt, *Original Maturities of One Year or More*[1]

IN MILLIONS OF DOLLARS, AT YEAR END	1987 VARIOUS FIXED-RATE DEBT OBLIGATIONS	1987 VARIOUS FLOATING-RATE DEBT OBLIGATIONS	1987 TOTAL	1986 TOTAL
Parent Company				
Due in 1987	$ —	$ —	**$ —**	$ 1,707
Due in 1988	1,019	1,652	**2,671**	1,303
Due in 1989	1,110	1,060	**2,170**	2,443
Due in 1990	1,855	59	**1,914**	1,194
Due in 1991	1,297	290	**1,587**	1,470
Due in 1992	512	150	**662**	368
Due in 1993-1997	3,198	243	**3,441**	3,262
Due in 1998-2002	447	1,142	**1,589**	2,062
Due in 2003 and Thereafter	729	1,045	**1,774**	1,888
	$10,167	$ 5,641	**$15,808**	$15,697
Subsidiaries				
Due in 1987	$ —	$ —	**$ —**	$ 1,029
Due in 1988	1,113	451	**1,564**	971
Due in 1989	478	438	**916**	651
Due in 1990	412	442	**854**	761
Due in 1991	194	80	**274**	202
Due in 1992	270	106	**376**	279
Due in 1993-1997	287	908	**1,195**	1,009
Due in 1998-2002	42	42	**84**	47
Due in 2003 and Thereafter	4	1	**5**	49
	$ 2,800	$ 2,468	**$ 5,268**	$ 4,998
TOTAL	$12,967	$ 8,109	**$21,076**	$20,695

(1) Maturity distribution is based upon contractual maturities or call 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

Fixed-rate long-term debt matures over the period to 2017. The interest rates on fixed-rate debt issues ranged from 2.78% to 22.50% at December 31, 1987 and 3.00% to 24.10% at December 31, 1986, representing rates on issues denominated in various currencies. The weighted average interest rates were 9.20% and 9.56% at December 31, 1987 and 1986, respectively.

Floating-rate long-term debt 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 3.00% to 28.40% at December 31, 1987 and 3.00% to 25.60% at December 31, 1986, representing rates on issues denominated in various currencies. The weighted average interest rates were 7.62% and 6.67% at December 31, 1987 and 1986, respectively.

At December 31, 1987 and 1986, $187 million and $270 million, respectively, of subsidiary long-term debt were not guaranteed by Citicorp. The weighted average interest rates on such long-term debt were 10.34% and 10.44% at December 31, 1987 and 1986, respectively. Substantially all long-term debt issued by subsidiaries not guaranteed by Citicorp is secured by the assets of the subsidiary.

At December 31, 1987 and 1986, outstanding 5¾% convertible subordinated notes due in 2000 were $4 million and $5 million, respectively. Noteholders converted $1 million of convertible notes into 71,681 shares of common stock in 1987 and $3 million of convertible notes into 154,540 shares of common stock in 1986. The notes are convertible at the option of the holder into Citicorp common stock at a conversion price of $20.50 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 Citibank capital stock and from creating encumbrances on such shares.

The Company has debt denominated in Swiss francs, yen, Deutsche marks, ECU's, pounds sterling, and Australian dollars equal to approximately 5% of total long-term debt.

9. SUBORDINATED CAPITAL NOTES

IN MILLIONS OF DOLLARS, AT YEAR END	1987	1986
Parent Company		
Floating-Rate Subordinated Capital Notes with No Stated Maturity	$ 500	$ 500
Floating-Rate Subordinated Capital Notes Due 1996	500	—
9% Subordinated Capital Notes Due 1999	300	—
9¾% Subordinated Capital Notes Due 1999	300	—
	$1,600	$ 500
Subsidiaries		
12½% Subordinated Capital Notes Due 1996	$ 349	$ 349
Floating-Rate Subordinated Capital Notes Due 1996	550	1,050
Floating-Rate Subordinated Capital Notes Due 1997	500	500
8¾% Subordinated Capital Notes Due 1998	249	249
	$1,648	$2,148
TOTAL	$3,248	$2,648

Subordinated capital notes of subsidiaries are unconditionally guaranteed on a subordinated basis by Citicorp. Citicorp issued $600 million of subordinated capital notes in 1987 and $500 million in 1986, and a subsidiary issued an additional $249 million of these notes in 1986. Also, during 1987, Citicorp assumed $500 million of subordinated capital notes issued by a subsidiary.

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 any class of Citicorp stock in the preceding six months. The interest rates on floating-rate issues ranged from 7.160% to 8.875% at December 31, 1987 and 6.188% to 7.090% at December 31, 1986. The weighted average interest rates were 8.111% at December 31, 1987 and 6.520% at December 31, 1986.

At maturity of the subordinated capital notes, or in the case of the subordinated capital notes with no stated maturity at the election of the holders in each year commencing in 2016 or at the election of Citicorp in each year commencing in 1991, the notes will be exchanged for a security of Citicorp that qualifies as primary capital then having a market value equal to the principal amount of the notes, or under certain circumstances redeemed, in whole or in part, for cash. At the option of the issuer, the exchange may be for common stock, nonredeemable preferred stock, or other marketable permanent primary capital securities of Citicorp.

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 the marketable permanent primary 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, 1987 and 1986, 400,000 shares of non-voting redeemable preferred stock were issued and outstanding, subject to redemption at a price of $100 per share through a mandatory sinking fund. From 1990 through 2005, $1 million must be retired each year and from 2006 to 2013, $3 million must be retired each year. Dividends, which are cumulative, are payable semiannually. Beginning in 1985 the dividend rate is determined every three years until 2009 by a formula based on certain money market rates. The dividend rate established in 2009 will be applicable until 2013. Prior to November 1985, dividends were paid at a fixed annual rate. Dividends amounted to $10.45 per share in 1987, $10.45 per share in 1986, and $10.91 per share in 1985. Citicorp may be required to repurchase the preferred stock at $100 per share if loans are not extended to the preferred stockholder, under certain circumstances.

11. PREFERRED STOCK

IN MILLIONS OF DOLLARS, AT YEAR END	1987	1986
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
Money Market Cumulative Preferred Stock Series 5A through 5G, 5,750 Shares[1]	**575**	575
Series 6A and 6B, 1,500 Shares	**150**	150
Remarketed Preferred Stock Series 6C through 6E, 2,250 Shares	**225**	—
TOTAL	**$1,590**	$1,365

(1) Restated for Five-for-One stock split.

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 agreements governing the respective instruments. The weighted-average dividend rates on the Second, Third, and Fourth Series were 6.000%, 7.000%, and 5.950%, respectively, for 1987.

Dividends on Money Market Cumulative Preferred Stock, Series 5A through 5G and Series 6A and 6B and Remarketed Preferred Stock, Series 6C through 6E are cumulative. Rates are determined every 49 days by auction unless Citicorp fails to pay any dividend or redeem any shares for which it has given notice of redemption, in which case the dividend rate will be set at 150% of London Interbank Offered Rate (LIBOR). On Remarketed Preferred Stock, holders may elect a 49-day dividend period or a 7-day dividend period. The current maximum dividend rate in any auction is 120% of the 60-day "AA" Composite Commercial Paper Rate. During 1987, the weighted-average dividend rates on Money Market Cumulative Preferred Stock Series 5A, 5B, 5C, 5D, 5E, 5F, and 5G, which have different dividend reset dates, were 5.228%, 5.425%, 5.061%, 5.125%, 5.140%, 5.321%, and 5.249%, respectively. The weighted-average dividend rates on Money Market Cumulative Preferred Stock Series 6A and 6B were 5.193% and 5.337%, respectively, and Remarketed Preferred Stock Series 6C through 6E was 5.343%.

Citicorp may, at its option, redeem the Second Series on or after February 28, 1988 at $103 per share through February 28, 1993 and at $100 per share thereafter; may, at its option, redeem the Third Series on or after September 1, 1988 at $103 per share until August 31, 1989 and at amounts declining thereafter to $100 per share beginning September 1, 1992; and may, at its option, redeem the Fourth Series at any time at $100 per share.

Effective April 22, 1987, the Money Market Cumulative Preferred Stock Series 5A through 5G were adjusted for a Five-for-One stock split.

Citicorp may, at its option, redeem the Money Market Cumulative Preferred Stock Series 5A through 5G for $100,000 per share beginning on various dates in 1988. These shares are also redeemable at the option of Citicorp, in whole but not in part, at $100,000 per share, plus accrued dividends, in the event that the dividend rate should equal or exceed the 60-day "AA" Composite Commercial Paper Rate.

Citicorp may, at its option, redeem the Money Market Cumulative Preferred Stock Series 6A and 6B and the Remarketed Preferred Stock, Series 6C through 6E, in whole or in part, at $100,000 per share, plus accrued dividends on any dividend payment date.

All series rank prior to Common Stock as to dividends and liquidation and do not have general voting rights.

Authorized preferred stock (issuable as either redeemable or nonredeemable) was 50 million shares at December 31, 1987 and 20 million in 1986. At December 31, 1987 and 1986, 6,409,500 shares and 6,407,250 shares, respectively, of nonredeemable preferred stock were issued and outstanding, and 400,000 shares of redeemable preferred stock were issued and outstanding.

12. COMMON STOCK

During 1987, Citicorp restated and amended its certificate of incorporation by increasing its authorized common stock to 500 million shares at December 31, 1987 as compared with 325 million at December 31, 1986.

A Two-for-One common stock split in the form of a 100% common stock dividend was declared on October 5, 1987 to holders of record on October 30, 1987.

The outstanding shares at December 31, 1987 and 1986 include 6.0 million and 6.4 million book value shares, respectively, issued in connection with certain staff benefit plans. Under the terms of the plans the payment for book value shares sold back to Citicorp can be settled in cash or in market value shares at the option of Citicorp. See Note 14.

At December 31, 1987, shares were reserved for issuance as fo[illegible]n conversion of convertible notes, [illegible].2 million shares; under the savings incentive plan, 24.0 million book value shares; under the 1973 stock option plan, a maximum of 4.2 million shares if issued at market value and a maximum of 9.6 million shares if issued at book value; under the 1983 stock option plan, under which options have been granted in tandem, a maximum of 16.5 million shares if issued at market value and a maximum of 27.0 million shares if issued at book value; under the stock purchase plan, 8.0 million shares; under the restricted stock plan, .4 million shares; and under the executive incentive compensation plan, 1.5 million shares.

Beginning with the second quarter of 1986, common dividends are considered for declaration in July, October, January, and April, instead of June, September, December, and March. As a result, only three dividends were declared in 1986 as compared with four dividends each in 1987 and 1985.

13. FEES AND COMMISSIONS

Trust, agency and custodial fees, included in fees and commissions, were $514 million in 1987, $381 million in 1986, and $254 million in 1985.

14. STAFF BENEFITS

Following are descriptions of certain 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 stock of Citicorp. Subsequent to December 31, 1987, no further options will be granted, subscription agreements entered into, or new investment elections permitted for the purchase of book value stock.

Retirement Plans. There are a number of noncontributory pension plans covering substantially all domestic staff members. The employees of foreign operations participate in various local plans.

With regard to all domestic plans, Citicorp elected to apply the provisions of Statement of Financial Accounting Standards No. 87, "Employers' Accounting for Pensions," effective January 1, 1986. As a result, the cost of the principal plan in 1987 and 1986 was reduced, resulting in pension income of $9 million in 1987 and $44 million in 1986, respectively. Pension expense was $8 million in 1985. Under the principal plan retirement benefits are based on years of credited service, the highest average compensation (as defined) and the primary social security benefit. Citicorp's funding strategy has been to maintain plan assets sufficient to provide not only for benefits based on service to date, but also for those expected to be earned in the future.

The following table presents the principal benefit plan's funded status and amounts recognized in Citicorp's consolidated financial statements at December 31, 1987 and 1986.

Funded Status

IN MILLIONS OF DOLLARS	1987	1986
Plan Assets at Fair Value, Primarily Listed Stocks, Fixed Income Securities and Commingled Funds Managed by Citibank, N.A.	**$ 912**	$1,327
Actuarial Present Value of Benefits for Service Rendered to Date:		
Accumulated Benefits Based on Salaries to Date, Including Vested Benefits of $147 in 1987 and $612 in 1986	**$ 250**	$ 719
Additional Benefits Based on Estimated Future Salary Levels	**341**	237
Projected Benefit Obligation	**$ 591**	$1,006
Plan Assets in Excess of Projected Benefit Obligation	**321**	321
Unrecognized Net Actuarial Loss	**255**	168
Unamortized Transition Net Asset	**(222)**	(445)
PREPAID PENSION COST INCLUDED IN OTHER ASSETS	**$ 354**	$ 44
Components of Net Pension Income		
Service Cost—Benefits Earned During the Period	**$ (50)**	$ (34)
Interest Cost on Projected Benefit Obligation	**(70)**	(68)
Expected Return on Plan Assets (Actual Return $4 in 1987 and $172 in 1986)	**105**	112
Net Amortization and Deferral	**24**	34
NET PENSION INCOME	**$ 9**	$ 44

The weighted-average discount rate used in determining the actuarial present value of the projected benefit obligation was 8.3% in 1987 and 8.0% in 1986. For both years, the rate of increase in future compensation levels was 6.5%. The expected long-term rate of return on assets used in determining net pension income was 9.65% in 1987 and 11% in 1986. The transition net asset is being amortized over a 14-year period.

In 1987, Citicorp settled certain pension obligations of the principal plan through the purchase of a nonparticipatory annuity contract. As a result, a gain of $301 million ($163 million after tax) was recognized as other revenue.

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, which the fund acquires in the open market, and, for investment elections in place prior to December 31, 1987, book value shares issued by Citicorp. The expense associated with the plan amounted to $64 million in 1987, $56 million in 1986, and $48 million in 1985.

Stock Option Plans. During 1983, the shareholders of Citicorp approved a new stock option plan, which became effective March 31, 1983. No further options may be granted pursuant to previous stock option plans. Options previously granted under a stock option plan that became effective April 2, 1973 and was extended and amended effective April 1, 1977 do not fully expire until 1992. Under both the 1983 plan and 1973 plan, as extended and amended, 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. In addition, the 1983 plan and 1973 plan, as extended and amended, provided for the granting in tandem of options to purchase market value shares of common stock at not less than the market value at the date of grant or a proportionate number of book value shares of common stock at not less than the book value per share at the date of grant. Such a proportionate number of book value shares is determined based on the ratio of market value to book value per share at the date of grant. Under the 1983 plan and 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 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, 1987, options to purchase 11,199,188 shares were exercisable. At that date, 845,863 shares were available to grant options to purchase market value shares. Additional shares may become available for options to purchase market value shares under the plan to the extent presently outstanding options under the 1983 plan terminate or expire unexercised.

Changes In Options And Shares Under Options

	[illegible]	[illegible]
Shares Under Option at		
December 31, 1987	20,736,879	$ 9 to $25
December 31, 1986	16,366,188	$ 9 to $25
Options Granted		
1987	7,569,633	$19 to $25
1986	4,952,974	$25 to $27
1985	4,041,022	$20 to $25
Options Exercised		
1987	2,379,799	$ 9 to $32
1986	3,604,522	$ 9 to $27
1985	3,035,596	$ 9 to $22

Stock Purchase Plan. The plan permits all eligible staff members (two years employment with Citicorp or its subsidiaries) to purchase shares within a specified period not to exceed 24 months under agreements entered into with all such staff members from time to time at the fair market value or for subscription agreements entered into prior to December 31, 1987, book value per share at the dates of the agreements.

Agreements aggregating $117 million were entered into on June 30, 1986. Outstanding subscriptions, which aggregated $70 million at December 31, 1987, may be used for the purchase of market value shares at $29.625 per share, book value shares at $26.784 per share or a combination of both. Under the terms of the June 30, 1986 agreements, 52,778 market shares and 73,218 book value shares were purchased in 1987, and 214 market shares and 17,378 book value shares were purchased in 1986. These agreements expire on March 31, 1988.

Under the agreements entered into on June 30, 1984 for the purchase of market value shares at $15.379 per share and book value shares at $21.894 per share, 2,231,658 market value and 59,220 book value shares were purchased in 1986, 2,012,218 market value and 1,798 book value shares were purchased in 1985. These agreements expired on March 31, 1986.

Executive Incentive Compensation Plan. Under the Executive Incentive Compensation Plan, awards are made to key staff members, payable at the election of the participants, in cash, or in market value or, for elections in place prior to December 31, 1987, book value shares of Citicorp common stock, in two installments for awards made in 1987 and 1986, in three installments for awards made in 1985 or on a deferred basis.

The aggregate amount of the awards was approximately $12 million in 1987, $15 million in 1986, and $14 million in 1985.

Restricted Stock Plan. During 1986, the shareholders of Citicorp approved the Restricted Stock Plan which grants awards of market value shares 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. Sixty four thousand shares at an aggregate market value of approximately $1.7 million were granted in 1987 and 224,000 shares at an aggregate market value of approximately $7 million were granted in 1986. The expense recognized for the plan amounted to $1.0 million in 1987 and $0.4 million in 1986.

15. INCOME TAXES

IN MILLIONS OF DOLLARS FOR THE YEAR	1987	1986	1985
Provision for Taxes on Income	$ 898	$ 642	$718
Income Tax Benefits Related to Foreign Currency Translation Reported in Stockholders' Equity	(43)	(94)	(46)
TOTAL INCOME TAXES	$ 855	$ 548	$672
Domestic			
Current			
Federal	$ 56	$ 33	$ 10
State and Local	124	75	50
	$ 180	$ 108	$ 60
Deferred			
Federal	$ (74)	$(167)	$ 29
State and Local	13	(27)	(16)
	$ (61)	$(194)	$ 13
Total Domestic	$ 119	$ (86)	$ 73
Foreign (Substantially Current)	736	634	599
TOTAL INCOME TAXES	$ 855	$ 548	$672

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 1986 and 1985 to reflect the tax returns as filed.

Within the total provision, the tax effect of investment securities transactions amounted to a provision of $88 million in 1987, $60 million in 1986, and $23 million in 1985

As a U.S. corporation, all of Citicorp's foreign pre-tax earnings are subject to domestic taxation currently 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 domestic 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 (loss) approximated $(2,004) million in 1987, $1,021 million in 1986, and $1,159 million in 1985.

Deferred taxes result from timing differences in the recognition of revenue and expense for tax and financial accounting purposes.

Components Of Deferred Taxes

IN MILLIONS OF DOLLARS FOR THE YEAR	1987	1986	1985
Lease Financing Transactions	$ 121	$130	$105
Effect of Changes in Tax Rates on Leveraged Lease Portfolio	—	(55)	(19)
Credit Loss Deduction	(1,241)	(204)	(55)
Interest Income	(104)	(20)	(29)
Domestic Taxes on Overseas Income	21	(21)	9
Pension Settlement	149	—	—
Mortgage Pass-Through Sales	48	51	20
Other	(77)	(75)	(18)
Net Deferred Tax (Benefits) Liabilities Available	$(1,083)	$(194)	$ 13
Less Deferred Tax Benefits Not Recognized	1,022	—	—
	$ (61)	$(194)	$ 13

The following table reconciles the income tax provision (benefit) on operations computed at the applicable United States statutory rate to total income taxes.

Analysis Of Effective Tax

IN MILLIONS OF DOLLARS FOR THE YEAR	1987	1986	1985
Statutory Federal Income Tax Provision (Benefit)	$ (96)	$782	$789
Tax Effect of:			
Tax-Exempt Interest Income	(75)	(90)	(80)
Income Subject to Tax at Capital Gains Rates	(46)	(25)	(7)
State and Local Income Taxes, Net of U.S. Federal Income Tax Benefit	108	39	17
Taxes on Income of Overseas Operations	(97)	(101)	(53)
Income from 20%-50% Owned Affiliates Included on an After-Tax Basis	(16)	(15)	(20)
Effect of Changes in Tax Rates on Leveraged Lease Portfolio	—	(55)	(19)
Tax Benefits Not Recognized	1,022	—	—
Other	55	13	45
TOTAL INCOME TAXES	$ 855	$548	$672

16. EARNINGS (LOSS) PER SHARE

The accompanying table shows the calculation of earnings (loss) per share on common and common equivalent shares for net income (loss) after deduction of dividends on redeemable preferred stock and preferred stock. Common equivalent shares are not included in the 1987 loss per share calculation because they would be antidilutive. For 1986 and 1985, shares issuable under stock option grants and stock purchase plan subscriptions 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. See Note 14.

Calculation of Earnings (Loss) Per Share

(IN MILLIONS, EXCEPT PER SHARE AMOUNTS)[1]

	1987	1986	1985
Net Income (Loss) Available for Common Stockholders			
a. Distributed Portion (dividends)	**$ 379**	$ 250	$ 290
b. Undistributed Portion	**(1,609)**	733	645
TOTAL	**$(1,230)**	$ 983	$ 935
Shares			
Weighted Average Common Shares Outstanding—Market Value	**282.9**	262.4	250.8
Weighted Average Common Shares Outstanding—Book Value	**6.1**	6.2	5.0
Common Stock Equivalents[2]	**—**	3.6	3.6
c. Shares Applicable to Distributed Portion	**289.0**	272.2	259.4
Book Value Shares Issuable Under Stock Option and Stock Purchase Plans	**—**	4.8	5.2
d. Shares Applicable to Undistributed Portion	**289.0**	277.0	264.6
Earnings (Loss) Per Share			
a ÷ c Distributed Portion	**$ 1.31**	$ .92	$ 1.12
b ÷ d Undistributed Portion	**(5.57)**	2.65	2.44
TOTAL	**$ (4.26)**	$ 3.57	$ 3.56

(1) Amounts restated to reflect the Two for One [illegible]

(2) Common stock equivalents represent [illegible] market value shares issuable under stock option and stock purchase plans computed using the treasury [illegible] method

Fully diluted earnings per share assuming conversion of all outstanding convertible notes and the maximum dilutive effect of common stock equivalents have not been presented because the effects are not material and, for 1987, would be antidilutive. The fully diluted earnings per share computation would entail adding the number of shares issuable on conversion of the notes (.3 million in 1986 and .4 million in 1985) and the additional common stock equivalents (.2 million in 1986 and 1985) to the number of shares included in the earnings per share calculation (resulting in a total of 277.5 million shares in 1986 and 265.2 million shares in 1985), and eliminating the related after-tax interest expense ($.2 million in 1986 and $.3 million in 1985).

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

Citicorp attributes total revenue, income (loss) before taxes, 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 to be used in presenting this data.

The principal allocations and adjustments are: (1) charges for all funds employed that are not generated locally are 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, including allocation to foreign activities of tax benefits related to the $3.0 billion provision for possible credit losses recorded in the second quarter of 1987; (4) allocation of the difference between actual net credit losses and the provision for possible credit losses; and (5) allocation of corporate staff costs (other than those charged to the core businesses) and other corporate items. The prior years' disclosures have been reclassified to conform with the current year's presentation.

No portion of Citicorp's credit loss allowance 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 include year-end allowance amounts of $3,723 million for 1987, $630 million for 1986 and $486 million for 1985, and credit loss provision amounts of $3,336 million for 1987, $473 million for 1986 and $502 million for 1985. In addition, approximately $300 million of the existing allowance was transferred to the portion of the allowance attributed to foreign operations in 1987.

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

IN MILLIONS OF DOLLARS	TOTAL REVENUE[1]			INCOME (LOSS) BEFORE TAXES			NET INCOME (LOSS)			AVERAGE TOTAL ASSETS		
	1987	1986	1985	1987	1986	1985	1987	1986	1985	1987	1986	1985
North America[2]	**$ 8,152**	$ 6,373	$4,938	**$2,090**[4]	$ 770[4]	$ 762[4]	**$1,189**	$ 542	$463	**$112,421**	$101,432	$ 85,653
Caribbean, Central and South America[3]	**714**	1,192	1,183	**(2,334)**	453	403	**(2,102)**	268	245	**18,822**	19,016	19,094
Europe, Middle East and Africa	**2,368**	1,873	1,567	**(168)**	188	364	**(250)**	98	191	**44,095**	40,678	33,899
Asia/Pacific	**1,226**	962	788	**172**	289	187	**25**	150	99	**23,345**	22,887	21,859
TOTAL	**$12,460**	$10,400	$8,476	**$ (240)**	$1,700	$1,716	**$(1,138)**	$1,058	$998	**$198,683**	$184,013	$160,505

(1) Includes Net Interest Revenue and Fees, Commissions and Other Revenue.
(2) Includes amounts attributable to United States operations [illegible] total revenue [illegible] $9,608 million [illegible] $4,043 million income before taxes, $2,034 million, $711 million and $728 million [illegible] $459 [illegible] average total assets $109,098 [illegible] $97,626 [illegible] and $82,240 million.
(3) Includes amounts attributable to Brazil [illegible] million and $202 million [illegible] $444 [illegible] $375 million income (loss) before taxes, $(854) million, $208 [illegible] $6,375 million.
(4) In North America, income before taxes [illegible] $144 [illegible] 1987 [illegible] 1985 of tax-exempt income reducing the federal income tax provision attributed to the United States.

18. NON-FUNDS RELATED FINANCIAL PRODUCTS

Citicorp offers various financial products to its customers to meet their needs for liquidity, credit enhancement, foreign exchange, and interest rate protection. Many of these products were developed in response to the growing sophistication of the financial markets and customers' needs for flexible ways to manage funding costs and foreign exchange exposure. In addition, the offering of these products may serve to reduce rather than increase Citicorp's own exposure to movements in interest and foreign exchange rates.

All products offered by Citicorp are subject to its normal stringent credit standards, financial controls, and risk limiting and monitoring procedures. Many of these products do not entail present or future funded asset or liability positions but are instead in the nature of commitments, guarantees, or executory contracts.

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, or to extend credit in the form of lease financing of $40.3 billion at December 31, 1987 and $36.8 billion at December 31, 1986. Substantially all

Standby Letters of Credit

N MILLIONS OF DOLLARS, AT YEAR END	DUE WITHIN 1 YEAR	AFTER 1 BUT WITHIN 5 YEARS	AFTER 5 YEARS	PERCENTAGE COLLATER-ALIZED	1987 AMOUNT OUT-STANDING	1986 AMOUNT OUT-STANDING
Type						
3id Guara·‘ ·ee, Performance	$2,338	$1,969	$1,111	6.9%	$ 5,418	$ 5,354
Clean F·ayment	1,512	517	189	56.3%	2,218	3,217
Options, Purchased Securities, Escrow	92	31	35	44.5%	158	295
nsurance, Surety	3,819	656	899	32.5%	5,374	4,156
Backstop State, County, and Municipal Securities	56	103	1,378	69.0%	1,537	3,622
All Other Deb‘ Related	1,827	3,192	3,606	21.7%	8,625	5,728
TOTAL	$9,644	$6,468	$7,218	27.3%	$23,330	$22,372

of these commitments are contingent upon customers' main-aining specific credit standards. In addition, Citicorp and its subsidiaries are obligated under various recourse provisions elated to sales of loans or sales of participations in pools of oans. The maximum obligation under recourse provisions was 66.3 billion at December 31, 1987 and $4.9 billion at December 31, 1986. Of these amounts, approximately 93% at December 31, 1987 and 91% at December 31, 1986 related to sales of res-dential mortgages. Citicorp also has secondary recourse obligations under servicing agreements with the Government National Mortgage Association (GNMA) covering approxi-nately $7.0 billion of residential mortgages at December 31, 987 and $6.1 billion at December 31, 1986. Losses under all ecourse obligations have not been material.

Standby Letters of Credit. 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 Citibank customer cannot perform its obligations to third parties.

Citibank issues standby letters of credit on behalf of its cus-omers for four primary purposes: to ensure contract perfor-nance and irrevocably assure payment by the customer under upply, service, and maintenance contracts or construction rojects; to provide a payment mechanism for a customer's hird-party obligations or act as a substitute for an escrow ccount; to assure payment by a foreign reinsurer to a domes-c insurer; and to assure payment of specified financial obliga-ons of a customer. Fees are recognized ratably over the term f the standby letter of credit. Losses have not been material.

Municipal Bond Insurance. AMBAC, a majority-owned ubsidiary of Citibank, provides default insurance on bonds issued by U.S. municipali·‘·· Under municipal bond insur-ance policies, if a bond is· ·er defaults on an insured issue, the insurer promises to pay the principal and interest in accor-dance with the original payment schedule. Acceleration of payment under the insurance policy by the insured is not permitted.

AMBAC's insurance underwriting procedures include a rigorous credit review along with an ongoing risk monitoring process. AMBAC limits its exposure to losses by underwriting only investment grade municipal bonds, by diversifying its risk geographically, by type of bond and by single issue limitations, and by obtaining reinsurance. Premiums are recognized over the term of the insurance policy. Reserves for losses are pro-vided for when default by the bond issuer is reasonably anti-cipated; such losses have not been material. The principal amount of municipal bond insurance in force retained by AMBAC was $29.6 billion at December 31, 1987 and $30.8 bil-lion at December 31, 1986. The municipal bonds insured had a weighted average life of 16.7 years at December 31, 1987 and 16.9 years at December 31, 1986.

Interest Rate and Foreign Exchange Products. Citicorp offers interest rate and foreign exchange futures, for-wards, 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 con-tracted 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 finan-cial 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 and may also settle 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 positions 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. These products are also utilized by Citicorp to reduce exposures outside the trading portfolios, as hedges of interest rate gaps and foreign exchange positions.

The market 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. Notional principal amounts are often used to express the volume of these transactions but do not represent the much smaller amounts potentially subject to risk.

Market 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. Market risk is affected by the mix of the aggregate portfolio and the extent to which positions have offsetting exposures. The market 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 exposures. 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 market risk.

A variety of monitoring procedures are used to control the overall exposure to market risk. These monitoring procedures include risk points, a system that measures the exposure to movements in market interest rates; cost to close, a concept that determines the cost of covering an open position, and earnings at risk which estimates the earnings impact of changes in market interest rates based on historical interest rate volatility.

Credit risk is the exposure to loss in the event of nonperformance 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 amounts due from or due to the counterparty will change as a result of movements in market rates, and the amount subject to credit risk is limited to this fluctuating amount. Citicorp controls credit risk 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. Credit losses related to these interest rate and foreign exchange products have not been material.

Citicorp has significant presence in the markets for these interest rate and foreign exchange products. The notional principal amount of Citicorp's outstanding interest rate swaps was $116.0 billion and $63.4 billion at December 31, 1987 and 1986, respectively. At December 31, 1987, an estimate of the related credit risk equalled $2.9 billion. This measure of credit risk related to interest rate swaps can be estimated by calculating the present value of the cost of replacing at market rates all outstanding agreements; this estimate of credit risk does not consider the impact that future changes in interest rates will have on such cost.

Commitments to purchase and sell money market instruments or securities and commitments to settle against financial indices under interest rate futures, forward, and option contracts were $94.7 billion and $78.9 billion at December 31, 1987 and 1986, respectively, and commitments to purchase and sell currencies under foreign currency spot, forward, and option transactions were $341.8 billion and $216.3 billion at December 31, 1987 and 1986, respectively. These amounts are gross volume indicators only and do not reflect the extent to which positions may offset one another. As discussed above, the amounts potentially subject to market and credit risk are substantially smaller than the gross volumes indicated here.

19. COMMITMENTS AND CONTINGENT LIABILITIES

Citicorp and its subsidiaries are obligated under a number of noncancelable operating leases for premises and equipment, most of which have renewal or purchase options. Minimum rental commitments on noncancelable operating leases, net of sublease income, are $324 million in 1988, $287 million in 1989, $207 million in 1990, $175 million in 1991, $141 million in 1992, and $498 million thereafter, totalling $1,632 million. Rental expense was $372 million in 1987 net of $66 million sublease rental income, $351 million in 1986 net of $57 million sublease rental income, and $256 million in 1985 net of $55 million sublease rental income.

At December 31, 1987, certain investment securities, trading account assets, and other assets with a carrying value of $13,088 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. Management of Citicorp considers that the aggregate liability, if any, resulting from these proceedings will not be material.

20. FUTURE IMPACT OF RECENTLY ISSUED ACCOUNTING STANDARDS

The Financial Accounting Standards Board has issued two new accounting standards—Statement of Financial Accounting Standards (SFAS) No. 91, "Accounting for Nonrefundable Fees and Costs Associated with Originating or Acquiring Loans and Initial Direct Costs of Leases" and SFAS No. 96, "Accounting for Income Taxes." The following is a brief description of the standards and a discussion of the impact that adoption of each is expected to have on future financial statements.

SFAS No. 91 establishes accounting rules for fees received related to lending activities, including origination, commitment, and credit guarantee fees. The provisions require that all fees and the incremental direct costs of originating loans be recognized as earnings over the appropriate lending or commitment period. Citicorp's present practices are substantially in compliance with the new rules, other than certain aspects of its practices in its credit card and consumer mortgage businesses.

Citicorp will adopt SFAS No. 91 in 1988 on a retroactive basis and will at that time restate financial statements for 1987 and prior years to apply the new rules. As a result, the net income in prior years will be reduced and the net loss for 1987 increased. Citicorp is in the process of determining the impact of implementing the new standard but does not expect the impact to be material on the net income of any one year. The cumulative reduction in retained earnings due to the retroactive restatement at January 1, 1988 is expected to approximate $200 million.

SFAS No. 96 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 will be 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 whose realization is dependent on taxable earnings of future years will not be recognized.

Citicorp intends to adopt SFAS No. 96 in 1989 on a retroactive basis. It is expected that the principal effect will be a reduction in the net income originally reported for 1988 and prior years, resulting in a cumulative reduction in retained earnings, primarily as a result of the more restrictive criteria under the new standard for recognizing certain deferred tax assets. While Citicorp cannot yet determine the impact of implementing the new standard, it is expected that the cumulative reduction will be less than 10% of common stockholders' equity. However, Citicorp expects that it will ultimately realize, at prevailing tax rates, deferred tax assets whose recognition may be delayed under the new standard.

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

Authorized capital stock of Citibank was 40 million shares at December 31, 1987, 1986, and 1985.

Changes in Stockholder's Equity

IN MILLIONS OF DOLLARS	1987	1986	1985
Balance at Beginning of Year	**$ 8,009**	$7,037	$6,318
Additions			
Net Income (Loss)	**$(1,055)**	$ 803	$ 807
Contribution from Parent Company	**1,178**	508	405
Other Additions, Net	**11**	14	10
	$ 134	$1,325	$1,222
Deductions			
Dividends Declared	**$ 500**	$ 325	$ 360
Foreign Currency Translation	**52**	18	29
Net Write-off (Amortization) of Intangibles Associated with Acquisition of Subsidiaries and Affiliates	**(11)**	10	114
	$ 541	$ 353	$ 503
BALANCE AT END OF YEAR	**$ 7,602**	$8,009	$7,037

Citibank charges retained earnings with the amount of goodwill associated with investments by Citibank in subsidiaries and affiliates to the extent required to carry the investments at a value not in excess of underlying book value. 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 $352 million, $316 million, and $256 million at December 31, 1987, 1986, and 1985, respectively, are included in other assets in the Citicorp consolidated balance sheet. Citicorp's equity investment in Citibank amounted to $7,954 million, $8,325 million, and $7,293 million at December 31, 1987, 1986, and 1985, respectively.

22. CITICORP (PARENT COMPANY ONLY)

Condensed Balance Sheet

IN MILLIONS OF DOLLARS	DECEMBER 31 1987	DECEMBER 31 1986
Assets		
Deposits with Subsidiary Banks, principally interest-bearing	**$ 3,605**	$ 3,937
Investment Securities at Cost (Market value $825 in 1987 and $399 in 1986)	**907**	421
Investments in and Advances to Subsidiaries Other Than Banks	**28,971**	24,948
Investments in and Advances to Citibank, N.A. and Other Subsidiary Banks	**10,191**	12,507
Other Assets	**714**	451
TOTAL	**$44,388**	$42,264
Liabilities and Stockholders' Equity		
Purchased Funds and Other Borrowings	**$13,675**	$13,569
Advances from Subsidiaries	**3,423**	2,339
Other Liabilities	**1,032**	1,059
Long-Term Debt, Subordinated Capital Notes, and Redeemable Preferred Stock (Notes 8, 9, and 10)	**17,448**	16,237
Stockholders' Equity	**8,810**	9,060
TOTAL	**$44,388**	$42,264

Condensed Statement of Operations

IN MILLIONS OF DOLLARS	1987	1986	1985
Revenue			
Dividends from Subsidiary Banks	**$ 500**	$ 625	$ 360
Dividends from Subsidiaries Other Than Banks	**508**	300	—
Interest from Subsidiaries	**1,964**	1,509	1,295
Other (Principally interest on investment securities)	**99**	13	34
	$ 3,071	$2,447	$1,689
Expense			
Interest on Other Borrowed Money	**$ 994**	$ 830	$ 857
Interest and Fees Paid to Subsidiaries	**263**	191	167
Interest on Long-Term Debt and Subordinated Capital Notes	**1,509**	1,325	1,005
Other Expense	**21**	23	11
	$ 2,787	$2,369	$2,040
Income (Loss) before Taxes and Equity in Undistributed Net Income (Loss) of Subsidiaries	**$ 284**	$ 78	$ (351)
Income Tax Benefit—Current	**320**	433	367
Equity in Undistributed Net Income (Loss) of Subsidiaries	**(1,742)**	547	982
NET INCOME (LOSS)	**$(1,138)**	$1,058	$ 998

Condensed Statement of Changes in Financial Position

IN MILLIONS OF DOLLARS	1987	1986	1985
Funds Provided			
Net Income (Loss)	**$(1,138)**	$1,058	$ 998
Deduct Equity in Undistributed Net Income (Loss) of Subsidiaries	**(1,742)**	547	982
Funds Derived from Operations	**$ 604**	$ 511	$ 16
Increase in			
Purchased Funds and Other Borrowings	**106**	2,106	2,399
Long-Term Debt, Subordinated Capital Notes, and Redeemable Preferred Stock	**1,211**	4,909	3,421
Preferred Stock	**225**	150	575
Advances from Subsidiaries	**1,084**	1,341	—
Common Stock	**1,136**	285	—
Decrease in			
Deposits with Subsidiary Banks	**332**	136	245
Investment Securities	**—**	—	163
Other, Net	**—**	—	87
TOTAL	**$ 4,698**	$9,438	$6,906
Funds Used			
Cash Dividends Declared	**$ 471**	$ 325	$ 353
Increase in			
Investment Securities	**486**	304	—
Investments in and Advances to Subsidiaries	**3,449**	8,458	6,057
Decrease in			
Advances from Subsidiaries	**—**	—	496
Other, Net	**292**	351	—
TOTAL	**$ 4,698**	$9,438	$6,906

Various legal restrictions limit the extent to which certain subsidiaries of Citicorp can supply funds to Citicorp or its other subsidiaries and affiliates. In addition, the approval of the Comptroller of the Currency is required if total dividends declared by a national bank in any calendar year exceed the bank's net profits (as defined) for that year combined with its retained net profits for the preceding two calendar years. Under the formula as it applies to Citicorp's national bank subsidiaries (which at December 31, 1987 had combined net assets of approximately $9.2 billion), such bank subsidiaries can declare dividends in 1988 without approval of the Comptroller of the Currency of approximately $2.0 billion, plus an additional amount equal to their net profits for 1988 up to the date of any such dividend declaration.

Financial Statistics

QUARTERLY FINANCIAL INFORMATION

CITICORP AND SUBSIDIARIES

IN MILLIONS OF DOLLARS EXCEPT PER SHARE AMOUNTS	1987				1986			
	4th	3rd	2nd	1st	4th	3rd	2nd	1st
Net Interest Revenue	$1,736	$1,603	$ 1,552	$1,575	$1,662	$1,571	$1,464	$1,431
Fees, Commissions, and Other Revenue	1,818	1,599	1,320	1,257	1,230	1,070	1,013	959
TOTAL REVENUE	$3,554	$3,202	$ 2,872	$2,832	$2,892	$2,641	$2,477	$2,390
Provision for Possible Credit Losses	$ 213	$ 320	$ 3,403	$ 474	$ 508	$ 431	$ 457	$ 429
Operating Expense	2,285	2,119	1,975	1,911	1,981	1,784	1,611	1,499
TOTAL EXPENSE	$2,498	$2,439	$ 5,378	$2,385	$2,489	$2,215	$2,068	$1,928
Income (Loss) Before Taxes	$1,056	$ 763	$(2,506)	$ 447	$ 403	$ 426	$ 409	$ 462
Income Taxes	414	222	79	183	97	179	174	192
NET INCOME (LOSS)	$ 642	$ 541	$(2,585)	$ 264	$ 306	$ 247	$ 235	$ 270
Earnings (Loss) Per Share[1][2]	$ 1.89	$1.82	$(9.44)	$0.86	$1.01	$0.82	$0.80	$0.94
TOTAL ASSETS	$203,607	$199,963	$194,415	$197,363	$196,124	$186,047	$183,388	$181,896
Cash Dividends Declared								
Redeemable Preferred and Preferred Stock	$ 26	$23	$24	$19	$19	$17	$19	$20
Common Stock[3]	$107	$94	$93	$85	$85	$85	—	$80
Common Stock, Per Share[1][3]	$.3375	$.3375	$.3375	$.3075	$.3075	$.3075	—	$.3075
Common Stock Price Range[1]								
High	29½	34¼	32	30½	27¾	30½	31¾	31⅞
Low	15⅞	27¾	24	25	23⅜	24⅝	27¾	23½
Close	18⅝	28¾	29½	25¼	26½	25⅛	29⅞	31¼

(1) All per share amounts have been [illegible]
(2) On Net Income (Loss) [illegible]
(3) Beginning in the second quarter of 1986 [illegible] June September December and March
As a result only three [illegible]

RATIOS

	1987	1986	1985
Return on Average Total Assets[1]	(.57)%	.58%	.62%
Return on Common Stockholders' Equity[2]	(18.5)%	13.8%	15.1%
Return on Total Stockholders' Equity[3]	(13.9)%	12.6%	14.1%
Average Common Stockholders' Equity as a Percentage of Average Total Assets	3.34%	3.9%	3.9%
Average Total Stockholders' Equity as a Percentage of Average Total Assets	4.12%	4.6%	4.4%
Dividends Per Common Share as a Percentage of Net Income (Loss) Per Common Share[4]	N/M	25.9%	31.7%

(1) Net Income (Loss) as a percentage of Average Total Assets
(2) Net Income (Loss) less Total Preferred Stock Dividends as a percentage of Average [illegible]
(3) Net Income (Loss) less Redeemable Preferred Stock Dividends as a percentage of [illegible]
(4) Beginning in the second quarter of 1986 common dividends [illegible] September December and March
As a result only three dividends were declared in 1986 [illegible]
N/M Not meaningful

10-K Cross-Reference Index

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 1987 results.

*Citicorp's 1988 Proxy Statement is incorporated herein by reference.

Certain statistical data required by the Securities and Exchange Commission are included on pages 26 to 35, and pages 67 to 77.

Financial Data Supplement

AVERAGE BALANCES AND INTEREST RATES

TAXABLE EQUIVALENT BASIS[1]

IN MILLIONS OF DOLLARS

INTEREST REVENUE	
Loans and Lease Financing (Net of Unearned Discount)[2]	Consumer Loans
	In Domestic Offices
	In Overseas Offices
	Total Consumer Loans
	Commercial Loans
	In Domestic Offices
	Commercial and Industrial
	Mortgage and Real Estate
	Loans to Financial Institutions
	In Overseas Offices
	Total Commercial Loans
	Total Loans
	Lease Financing
	Total Loans and Lease Financing
Funds Sold and Resale Agreements	(Principally in domestic offices)
Investment Securities	In Domestic Offices
	U.S. Treasury and Federal Agencies
	State and Municipal
	Other
	In Overseas Offices
	(Principally local government issues)
	Total
Trading Account Assets	U.S. Treasury and Federal Agencies
	State and Municipal
	Other (Principally in overseas offices)
	Total
Interest-Bearing Deposits	(Principally in overseas offices)
	Total Interest-Earning Assets
	Non-Interest-Earning Assets
	TOTAL ASSETS
INTEREST EXPENSE	
Deposits	In Domestic Offices
	Savings Deposits[3]
	Negotiable Certificates of Deposit
	Other Time Deposits
	Total Domestic Interest-Bearing Deposits
	In Overseas Offices
	Total
Funds Borrowed	In Domestic Offices
	Purchased Funds and Other Borrowings
	Federal Funds Purchased and Securities Sold Under Agreements to Repurchase
	Commercial Paper
	Other Purchased Funds
	Long-Term Debt, Convertible Notes and Subordinated Capital Notes
	Total in Domestic Offices
	In Overseas Offices
	Total
	Total Interest-Bearing Liabilities
	Demand Deposits in Domestic Offices
	Other Non-Interest-Bearing Liabilities
	Total Stockholders' Equity
	TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY
NET INTEREST REVENUE AS A PERCENTAGE OF AVERAGE INTEREST-EARNING ASSETS	In Domestic Offices
	In Overseas Offices
	TOTAL

1987 Average Volume	1987 Interest	1987 % Average Rate	1986 Average Volume	1986 Interest	1986 % Average Rate	1985 Average Volume	1985 Interest	1985 % Average Rate
$ 56,341	$ 7,002	12.43	$ 49,607	$ 6,624	13.35	$ 40,566	$ 5,735	14.14
14,607	2,050	14.03	11,099	1,562	14.07	7,171	1,186	16.54
$ 70,948	$ 9,052	12.76	$ 60,706	$ 8,186	13.48	$ 47,737	$ 6,921	14.50
$ 15,351	$ 1,604	10.45	$ 14,603	$ 1,504	10.30	$ 13,212	$ 1,822	13.79
8,947	826	9.23	6,974	676	9.69	5,300	591	11.15
849	96	11.31	482	62	12.86	604	84	13.91
32,806	5,081	15.49	35,650	4,922	13.81	38,967	5,738	14.73
$ 57,953	$ 7,607	13.13	$ 57,709	$ 7,164	12.41	$ 58,083	$ 8,235	14.18
$128,901	$16,659	12.92	$118,415	$15,350	12.96	$105,820	$15,156	14.32
3,254	694	21.33	2,864	413	14.42	2,424	463	19.10
$132,155	$17,353	13.13	$121,279	$15,763	13.00	$108,244	$15,619	14.43
$ 8,156	$ 725	8.89	$ 7,652	$ 692	9.04	$ 6,835	$ 1,087	15.90
$ 3,221	$ 272	8.44	$ 2,550	$ 245	9.61	$ 2,505	$ 268	10.70
1,355	125	9.23	537	54	10.06	395	48	12.15
1,683	114	6.77	1,330	117	8.80	788	105	13.32
7,251	776	10.70	5,984	680	11.36	3,448	466	13.52
$ 13,510	$ 1,287	9.53	$ 10,401	$ 1,096	10.54	$ 7,136	$ 887	12.43
$ (515)	$ (30)	5.83	$ 269	$ 39	13.49	$ 817	$ 98	12.00
570	61	10.70	1,204	144	11.96	864	71	8.22
7,160	1,477	20.63	6,628	627	9.46	4,888	709	14.50
$ 7,215	$ 1,508	20.90	$ 8,121	$ 810	9.97	$ 6,569	$ 878	13.37
$ 15,326	$ 1,261	8.23	$ 13,051	$ 1,072	8.21	$ 11,811	$ 1,156	9.79
$176,362	$22,134	12.55	$160,504	$19,433	12.11	$140,595	$19,627	13.96
22,321			23,509			19,910		
$198,683			$184,013			$160,505		
$ 19,680	$ 1,057	5.37	$ 17,219	$ 977	5.67	$ 14,295	$ 968	6.77
1,972	186	9.43	1,953	182	9.32	2,314	241	10.41
20,115	1,677	8.34	21,108	1,824	8.64	19,553	1,895	9.69
$ 41,767	$ 2,920	6.99	$ 40,280	$ 2,983	7.41	$ 36,162	$ 3,104	8.58
59,965	6,189	10.32	56,534	5,208	9.21	50,328	5,761	11.45
$101,732	$ 9,109	8.95	$ 96,814	$ 8,191	8.46	$ 86,490	$ 8,865	10.25
$ 11,206	$ 791	7.06	$ 10,433	$ 740	7.09	$ 10,064	$ 855	8.50
9,309	622	6.68	6,208	422	6.80	4,977	415	8.34
6,225	560	9.00	5,865	552	9.41	6,396	597	9.33
20,541	1,773	8.63	17,075	1,611	9.43	12,032	1,335	11.10
$ 47,281	$ 3,746	7.92	$ 39,581	$ 3,325	8.40	$ 33,469	$ 3,202	9.57
9,892	2,673	27.02	9,046	1,580	17.47	7,915	1,961	24.78
$ 57,173	$ 6,419	11.23	$ 48,627	$ 4,905	10.09	$ 41,384	$ 5,163	12.48
$158,905	$15,528	9.77	$145,441	$13,096	9.00	$127,874	$14,028	10.97
10,076			9,428			7,258		
21,508			20,750			18,349		
8,194			8,394			7,024		
$198,683			$184,013			$160,505		
$ 97,887	$ 4,156	4.25	$ 87,105	$ 3,847	4.42	$ 72,965	$ 3,267	4.48
78,475	2,450	3.12	73,399	2,490	3.39	67,630	2,332	3.45
$176,362	$ 6,606	3.75	$160,504	$ 6,337	3.95	$140,595	$ 5,599	3.98

(1) The taxable equivalent adjustment is based on the marginal tax rate of 40% in 1987 and 46% in 1986 and 1985.
(2) Loans and lease financing, and interest-bearing deposits in the table above include cash basis loans and leases and cash basis bank placements, respectively.
(3) 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

IN MILLIONS OF DOLLARS	1987 vs. 1986 Increase (Decrease) Due to Change in: Average Volume	1987 vs. 1986 Increase (Decrease) Due to Change in: Average Rate	1987 vs. 1986 Net Change(1)	1986 vs. 1985 Increase (Decrease) Due to Change in: Average Volume	1986 vs. 1985 Increase (Decrease) Due to Change in: Average Rate	1986 vs. 1985 Net Change(1)
Loans—Consumer						
In Domestic Offices	$ 858	$ (480)	$ 378	$1,221	$ (332)	$ 889
In Overseas Offices	492	(4)	488	574	(198)	376
Total	$1,350	$ (484)	$ 866	$1,795	$ (530)	$ 1,265
Loans—Commercial						
In Domestic Offices	$ 310	$ (26)	$ 284	$ 350	$ (605)	$ (255)
In Overseas Offices	(411)	570	159	(471)	(345)	(816)
Total	$ (101)	$ 544	$ 443	$ (121)	$ (950)	$(1,071)
Lease Financing						
In Domestic Offices	$ 35	$ 12	$ 47	$ 39	$ (49)	$ (10)
In Overseas Offices	4	230	234	18	(58)	(40)
Total	$ 39	$ 242	$ 281	$ 57	$ (107)	$ (50)
Total Loans and Lease Financing	$1,288	$ 302	$1,590	$1,731	$(1,587)	$ 144
Funds Sold & Resale Agreements (Principally in domestic offices)	$ 45	$ (12)	$ 33	$ 118	$ (513)	$ (395)
Investment Securities						
In Domestic Offices	$ 156	$ (61)	$ 95	$ 75	$ (80)	$ (5)
In Overseas Offices	137	(41)	96	298	(84)	214
Total	$ 293	$ (102)	$ 191	$ 373	$ (164)	$ 209
Trading Account Assets						
In Domestic Offices	$ (186)	$ —	$ (186)	$ 6	$ (44)	$ (38)
In Overseas Offices	179	705	884	209	(239)	(30)
Total	$ (7)	$ 705	$ 698	$ 215	$ (283)	$ (68)
Interest-Bearing Deposits (Principally in overseas offices)	$ 187	$ 2	$ 189	$ 114	$ (198)	$ (84)
TOTAL INTEREST REVENUE	$1,806	$ 895	$2,701	$2,551	$(2,745)	$ (194)
Deposits						
In Domestic Offices	$ 108	$ (171)	$ (63)	$ 331	$ (452)	$ (121)
In Overseas Offices	328	653	981	657	(1,210)	(553)
Total	$ 436	$ 482	$ 918	$ 988	$(1,662)	$ (674)
Funds Borrowed						
In Domestic Offices	$ 618	$ (197)	$ 421	$ 542	$ (419)	$ 123
In Overseas Offices	160	933	1,093	253	(634)	(381)
Total	$ 778	$ 736	$1,514	$ 795	$(1,053)	$ (258)
TOTAL INTEREST EXPENSE	$1,214	$1,218	$2,432	$1,783	$(2,715)	$ (932)
NET INTEREST REVENUE	$ 592	$ (323)	$ 269	$ 768	$ (30)	$ 738

(1) Rate/Volume variance is allocated based on the percentage relationship of changes in volume and changes in rate to the total Net Change

INVESTMENT SECURITIES

CARRYING VALUE AND YIELD(1) BY MATURITY DATE AS OF DECEMBER 31, 1987

IN MILLIONS OF DOLLARS	U.S. TREASURY AND FEDERAL AGENCIES AMOUNT	YIELD	STATE AND MUNICIPAL AMOUNT	YIELD	OTHER (PRINCIPALLY IN OVERSEAS OFFICES) AMOUNT*
Due Within 1 Year	$ 400	9.62%	$ 67	4.39%	$ 2,577
After 1 but Within 5 Years	527	10.06%	82	4.78%	3,607
After 5 but Within 10 Years	397	10.17%	327	6.58%	2,423
After 10 Years	2,303	9.64%	1,317	7.41%	1,369
TOTAL	**$3,627**	**9.67%**	**$1,793**	**7.15%**	**$9,976(3)**
Carrying Value and Yield(1) as of December 31, 1986	$ 3,228	9.22%	$ 1,955(2)	5.79%	$ 7,697
Carrying Value and Yield(1) as of December 31, 1985	$ 2,818	9.90%	$ 825	6.19%	$ 6,004

(1) Computed by dividing annual interest (net of amortization of premium or accretion of discount) by the carrying value of the respective investment securities at December 31, 1987, 1986, and 1985.
(2) See (1) in Note 1 of notes to the financial statements.
(3) See (2) in Note 1 of notes to the financial statements.
**Yield information not readily available.*

LOANS AND LEASE FINANCING OUTSTANDING

IN MILLIONS OF DOLLARS, AT YEAR END	1987	1986	1985	1984	1983
Consumer Loans					
In Domestic Offices					
Mortgage and Real Estate(1)	**$ 31,523**	$ 27,991	$ 21,719	$ 17,679	$10,751
Installment, Revolving Credit and Other	**31,479**	29,700	27,490	21,913	15,418
	$ 63,002	$ 57,691	$ 49,209	$ 39,592	$26,169
In Overseas Offices	**19,631**	14,706	10,727	7,593	6,856
	$ 82,633	$ 72,397	$ 59,936	$ 47,185	$33,025
Unearned Discount	**(3,674)**	(4,154)	(4,418)	(4,524)	(4,030)
Consumer Loans, Net of Unearned Discount	**$ 78,959**	$ 68,243	$ 55,518	$ 42,661	$28,995
Commercial Loans					
In Domestic Offices					
Commercial and Industrial(2)	**$ 14,109**	$ 16,994	$ 13,514	$ 16,028	$14,910
Mortgage and Real Estate(1)	**8,759**	7,637	6,165	4,912	3,975
Loans to Financial Institutions	**611**	884	919	730	1,866
Government and Official Institutions	**315**	415	434	273	475
	$ 23,794	$ 25,930	$ 21,032	$ 21,943	$21,226
In Overseas Offices					
Commercial and Industrial(2)	**$ 21,257**	$ 23,101	$ 25,683	$ 25,235	$27,592
Mortgage and Real Estate(1)	**2,441**	2,330	2,143	1,906	1,822
Loans to Financial Institutions	**4,110**	4,375	5,363	5,827	5,914
Governments and Official Institutions	**4,750**	4,170	4,434	4,298	4,074
	$ 32,558	$ 33,976	$ 37,623	$ 37,266	$39,402
	$ 56,352	$ 59,906	$ 58,655	$ 59,209	$60,628
Unearned Discount	**(598)**	(467)	(483)	(410)	(386)
Commercial Loans Net of Unearned Discount	**$ 55,754**	$ 59,439	$ 58,172	$ 58,799	$60,242
Lease Financing					
Lease Financing, Net of Unearned Income	**$ 3,372**	$ 3,222	$ 2,809	$ 2,164	$ 1,817
Allowance for Possible Credit Losses	**$ (4,618)**	$ (1,698)	$ (1,235)	$ (917)	$ (771)
TOTAL LOANS AND LEASE FINANCING, NET	**$133,467**	$129,206	$115,264	$102,707	$90,283

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

DETAIL OF CREDIT LOSS EXPERIENCE

IN MILLIONS OF DOLLARS	1987	1986	1985	1984	1983
ALLOWANCE FOR POSSIBLE CREDIT LOSSES AT BEGINNING OF YEAR	**$1,698**	$1,235	$ 917	$771	$687
Deductions					
Gross Credit Losses					
Consumer[1]					
In Domestic Offices	**$1,075**	$1,050	$ 642	$320	$210
In Overseas Offices	**196**	122	77	66	73
Commercial					
Mortgage and Real Estate:					
In Domestic Offices	**4**	—	2	5	3
In Overseas Offices	**33**	33	15	3	11
Governments and Official Institutions (in overseas offices)	**136**	37	44	40	47
Loans to Financial Institutions (in overseas offices)	**29**	19	19	9	23
Commercial and Industrial:					
In Domestic Offices	**107**	100	84	83	81
In Overseas Offices	**308**	300	278	137	127
	$1,888	$1,661	$1,161	$663	$575
Credit Recoveries					
Consumer[1]					
In Domestic Offices	**$ 184**	$ 174	$ 111	$ 81	$ 67
In Overseas Offices	**63**	40	23	19	20
Commercial					
Mortgage and Real Estate:					
In Domestic Offices	**—**	1	2	6	10
In Overseas Offices	**14**	3	1	4	1
Governments and Official Institutions (in overseas offices)	**20**	4	8	—	—
Loans to Financial Institutions:					
In Domestic Offices	**—**	—	—	—	8
In Overseas Offices	**6**	—	—	—	—
Commercial and Industrial:					
In Domestic Offices	**40**	27	25	25	11
In Overseas Offices	**64**	41	29	21	21
	$ 391	$ 290	$ 199	$156	$138
Net Credit Losses					
In Domestic Offices	**$ 962**	$ 948	$ 590	$296	$198
In Overseas Offices	**535**	423	372	211	239
	$1,497	$1,371	$ 962	$507	$437
Additions					
Provision for Possible Credit Losses	**$4,410**	$1,825	$1,243	$619	$520
Other (Principally from allowance balances of acquired companies and translation of overseas allowance balances)	**7**	9	37	34	1
	$4,417	$1,834	$1,280	$653	$521
ALLOWANCE FOR POSSIBLE CREDIT LOSSES AT END OF YEAR	**$4,618**	$1,698	$1,235	$917	$771
Excess of Provision over Net Credit Losses	**$2,913**	$ 454	$ 281	$112	$ 83
Cumulative Excess of Provision over Net Credit Losses (since 1981)	**$3,940**	$1,027	$ 573	$292	$180
Cumulative Increase in Allowance (since 1981)	**$4,037**	$1,117	$ 654	$336	$190

(1) Consumer loan losses primarily relate to installment and revolving credit loans

LOAN MATURITIES AND SENSITIVITY TO CHANGES IN INTEREST RATES

THE MATURITIES OF THE GROSS COMMERCIAL LOAN PORTFOLIO AS OF DECEMBER 31, 1987

IN MILLIONS OF DOLLARS	DUE WITHIN 1 YEAR	OVER 1 BUT WITHIN 5 YEARS	OVER 5 YEARS	TOTAL
In Domestic Offices				
Commercial and Industrial Loans	$ 8,166	$ 3,625	$2,318	**$14,109**
Mortgage and Real Estate	4,842	2,698	1,219	**8,759**
All Other Loans	540	228	158	**926**
In Overseas Offices	19,925	7,562	5,071	**32,558**
TOTAL	$33,473	$14,113	$8,766	**$56,352**
The Following Table Represents the Sensitivity of the Above Loans Due After One Year to Changes in Interest Rates:				
Loans at Predetermined Interest Rates		$ 3,534	$1,385	
Loans at Floating or Adjustable Interest Rates		10,579	7,381	
TOTAL		$14,113	$8,766	

TIME DEPOSITS IN DOMESTIC OFFICES AS OF DECEMBER 31, 1987

($100,000 OR MORE)

IN MILLIONS OF DOLLARS	CERTIFICATES OF DEPOSIT	OTHER TIME DEPOSITS
Under 3 Months	$2,738	$1,687
3 to 6 Months	1,140	763
6 to 12 Months	627	840
Over 12 Months	397	1,799

AVERAGE DEPOSIT LIABILITIES IN OVERSEAS OFFICES

	1987		1986		1985	
IN MILLIONS OF DOLLARS	AVERAGE BALANCE	% AVERAGE INTEREST RATE	AVERAGE BALANCE	% AVERAGE INTEREST RATE	AVERAGE BALANCE	% AVERAGE INTEREST RATE
Banks[1]	**$17,222**	**15.06**	$17,729	9.65	$17,501	11.37
Other Demand Deposits	**13,549**	**4.38**	8,330	4.73	6,470	4.20
Other Time and Savings Deposits[1]	**33,283**	**9.02**	33,961	9.15	28 958	12.04
TOTAL	**$64,054**	**9.66**	$60,020	8.68	$5[illegible],929	10.86

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

EFFECTS OF INFLATION

The impact of inflation on Citicorp and other financial institutions is significantly different from the impact in 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 interest rate risk management on page 36, illustrate how Citicorp operates in an environment of changing interest rates and inflationary trends.

CONSENT OF INDEPENDENT AUDITORS

KPMG Peat Marwick

Peat Marwick Main & Co.
Certified Public Accountants

The Board of Directors
Citicorp:

We consent to incorporation by reference of our report dated January 19, 1988 relating to the consolidated balance sheet of Citicorp and subsidiaries as of December 31, 1987 and 1986 and the related consolidated statements of operations, changes in stockholders' equity and changes in financial position for each of the years in the three-year period ended December 31, 1987 and the consolidated balance sheet of Citibank, N.A. and subsidiaries as of December 31, 1987 and 1986, which report appears on page 43 of the 1987 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, and 33-5564 on Form S-8 and Nos. 33-11927, 33-3114, 33-11928, 33-15896, 33-18754, 2-96725, and 33-784 on Form S-3; and of Citicorp Mortgage Securities Inc., Citibank, N.A., and other affiliates, Nos. 33-6979, 33-5702, 33-12788, 33-16349, 33-18481, 33-3161, 33-6358, 33-8718, 33-16870, and 33-9711 on Form S-11.

Peat Marwick Main & Co.

New York, New York
February 26, 1988

PROPERTIES

The principal offices of Citicorp and Citibank, N.A. ("Citibank") are located at 399 Park Avenue, New York, New York, a 39-story building of which approximately two thirds is owned by Citibank. Citibank also owns approximately one third of Citicorp Center, a 59-story building located at 153 East 53rd Street across from 399 Park Avenue. Citicorp occupies all of the owned space and leases back all of the recently sold space it occupies in both buildings. The primary term of the lease is two years with three 1-year options. Citibank is also constructing a 50-story office building in Long Island City, Queens, which will become part of the New York headquarters complex. The new building, which is projected to be fully occupied by Citicorp, will be ready for initial occupancy in early 1989. Citibank also owns 111 Wall Street in New York which is totally occupied by Citicorp and its affiliates. Citicorp also has major domestic corporate real estate holdings in Los Angeles, San Francisco, and Sioux Falls, South Dakota.

Internationally, Citicorp owns major corporate premises in various cities throughout the world including Paris, London, Düsseldorf, Brussels, Buenos Aires, Rio de Janeiro, São Paulo, Mexico City, San Juan, Caracas, Hong Kong, Manila, Seoul, and Tokyo. In all, some 44% of Citicorp-owned corporate real estate is located outside the United States. Of the approximately 2,300 offices and other facilities of Citicorp located throughout the world, 450 are owned and the balance are leased.

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

Financial Statements Filed:
Citicorp and Subsidiaries:
Consolidated Statement of Operations
Consolidated Balance Sheet
Consolidated Statement of Changes in Stockholders' Equity
Consolidated Statement of Changes in Financial Position

Citicorp filed no Current Report on Form 8-K in the last quarter in the year ended December 31, 1987.

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

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

Citibank (New York State)	New York
Citicorp Latino, Inc.	Delaware
Citicorp Trust, N.A. (California)	United States
Citicorp Trust, N.A. (Florida)	United States
Citicorp International Group, Inc.	Delaware
Citicorp Overseas Services, Inc.	Delaware
Citicorp Realty Consultants, Inc.	Delaware
Citicorp Securities Markets, Inc.	Delaware
Citilease, Inc.	Delaware
Citicorp Retail Services, Inc.	Delaware
Citicorp Credit Services, Inc.	Delaware
Citicorp Acceptance Company, Inc.	Delaware
Citicorp Community Development, Inc.	Delaware
Citicorp International Communications, Inc.	Delaware
Citicorp International Finance Corporation	Delaware
Citicorp North America, Inc.	Delaware
Citicorp Retail Services, Inc.	Delaware
Citicorp Services, Inc.	Delaware
Citiflight, Inc.	Delaware

Citicorp's restated Certificate of Incorporation and By-laws, Instruments Defining the Rights of Securities Holders, including Indentures and constituent instruments relating to various executive and staff benefit plans, have been previously filed with the Commission as Exhibits to various Citicorp registration statements.

Stockholders may obtain copies of such documents by writing Citicorp, Office of the Secretary 399 Park Avenue, New York, New York 10043.

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—Secretary

February 26, 1988

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed on February 26, 1988 by the following persons in the capacities indicated.

Thomas E. Jones
Senior Corporate Officer
A Principal Financial Officer

Nancy S. Newcomb
Senior Corporate Officer
A Principal Financial Officer

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.

Hans H. Angermueller
Richard S. Braddock
Michael A. Callen
Colby H. Chandler
Paul J. Collins
Kenneth T. Derr
John M. Deutch
James H. Evans
James D. Farley
Lawrence E. Fouraker
Clifton C. Garvin, Jr.
Harry J. Gray
John W. Hanley
H.J. Haynes
Juanita M. Kreps
C. Peter McColough
Charles M. Pigott
Donald V. Seibert
Frank A. Shrontz
Mario Henrique Simonsen
Lawrence M. Small
Roger B. Smith
Franklin A. Thomas
Edgar S. Woolard, Jr.

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

Members: Donald V. Seibert, Chairman; Kenneth T. Derr, Dr. John M. Deutch, John W. Hanley, Charles M. Pigott, Frank A. Shrontz, Dr. Mario H. Simonsen, and Roger B. Smith.

The Audit Committee, whose members are all independent outside directors, meets at least four times each year with the Corporation's public accountants, its principal financial officer/accounting, and the chief auditor.

One of its principal functions is to review the audit plans and scope of examination of both the independent auditors and the Corporation's internal audit division. In addition, it is the responsibility of this committee to recommend to the Board the annual appointment of the outside auditors. The Board accepted the recommendation that Peat Marwick Main & Co. be retained for 1988, and this proposal will be presented to the stockholders for approval at the annual meeting.

The findings of internal and external auditors and external regulatory agencies are reviewed, and responses to their findings are monitored to insure that appropriate follow-up measures are taken. These are reviewed with and without the presence of management, and in separate meetings with Peat Marwick Main & Co. with no members of management present. 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.

Donald V. Seibert

DONALD V. SEIBERT
Chairman

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

Members: John S. Reed, Chairman; Dr. Lawrence E. Fouraker, Clifton C. Garvin, Jr., John W. Hanley, Dr. Juanita M. Kreps, 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
Chairman

Committee on Subsidiaries (Citicorp)

Members: Paul J. Collins, Chairman; Clifton C. Garvin, Jr., H.J. Haynes, Donald V. Seibert, and Franklin A. Thomas.

This committee is responsible for reviewing principal subsidiaries of Citicorp including, but not limited to, Citibank, N.A. The committee reviews the Corporation's subsidiary structure and processes for managing subsidiaries as well as the principal subsidiaries' financial statements. The Chairman of the committee reports periodically to the Boards of Directors of both Citicorp and Citibank.

PAUL J. COLLINS
Chairman

Consulting Committee (Citibank)

Members: Colby H. Chandler, Kenneth T. Derr, Dr. John M. Deutch, James H. Evans, Dr. Lawrence E. Fouraker, Harry J. Gray, John W. Hanley, Dr. Juanita M. Kreps, C. Peter McColough, Charles M. Pigott, Frank A. Shrontz, Dr. 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, attends all meetings of the Board of Directors of Citibank and remains available to Citibank's Board as consultants on an "as needed" basis.

JOHN S. REED
Chairman

Executive Committee (Citicorp)

Members: James H. Evans, Clifton C. Garvin, Jr., Harry J. Gray, John W. Hanley, Dr. Juanita M. Kreps, Charles M. Pigott, Donald V. Seibert, and Franklin A. Thomas.
Ex-Officio Members: John S. Reed, Hans H. Angermueller, and James D. Farley.

These committees are specifically designated in the By-Laws of Citicorp and Citibank:

Citicorp's Executive Committee is composed of the Chairman and each Vice Chairman who is a director, all of whom shall be ex-officio members, and such additional directors not fewer than three who are not officers or employees of Citicorp or any of its subsidiaries. The committee members are appointed by the Board and shall serve until the next annual organization meeting of the Board and until their successors are appointed. Meetings are held upon call of the Chairman or, in his absence, any Vice Chairman. A majority of the members including at least one ex-officio member shall constitute a quorum at any meeting.

Executive Committee (Citibank)

Citibank's Executive Committee shall consist of at least three directors attending a regular or special meeting of the Board where a quorum is not present. Special meetings of the Executive Committee may be called at any time by the Chairman or, in his absence, any Vice Chairman or on the written request of any three members of the Board. Notice of such meeting shall be sufficient even though it refers only to a meeting of the Board.

JOHN S. REED
Chairman

Fiduciary Review Committee: oversees the administration of the fiduciary powers of Citicorp.

Members: H.J. Haynes, Chairman; Colby H. Chandler, Harry J. Gray, Charles M. Pigott, Donald V. Seibert, Roger B. Smith, and Franklin A. Thomas.

The Fiduciary Review Committee monitors fiduciary activities conducted through subsidiaries and affiliates around the world. These activities include the management and administration of trust and agency accounts such as pension trusts and other employer-sponsored benefit plans, personal trusts, estates, investment advisory accounts and corporate trusteeships. The committee also reviews policies and controls in such areas of fiduciary responsibility as investment standards and conflicts of interest. The committee was established by the Board of Citicorp in May 1985 to reflect the increased fiduciary activities conducted in vehicles other than Citibank and replaced a similar committee of the Board of Citibank.

H.J. Haynes

H.J. HAYNES
Chairman

Financial Institutions Acquisition Committee of Citicorp and Citibank.

Members: John S. Reed, Hans H. Angermueller, Richard S. Braddock, Michael A. Callen, Paul J. Collins, James D. Farley, and Lawrence M. Small.

This committee, composed of directors of Citicorp and Citibank who are also senior executives of Citicorp/Citibank, has as its function the approval, within certain limits, of the acquisition both domestically and internationally of financial services institutions. 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, and a summary of all acquisitions approved by the committee is presented to the full Board of Directors annually.

JOHN S. REED
Chairman

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

Members: Clifton C. Garvin, Jr., Chairman; Harry J. Gray, H. J. Haynes, Donald V. Seibert, and Franklin A. Thomas.

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

Clifton C. Garvin, Jr.

CLIFTON C. GARVIN, JR.
Chairman

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

Members: Franklin A. Thomas, Chairman; Hans H. Angermueller, Dr. John M. Deutch, James H. Evans, John W. Hanley, Dr. Juanita M. Kreps, and C. Peter McColough.

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.

F. Thomas

FRANKLIN A. THOMAS
Chairman

Citicorp and Citibank Directors

The Boards of Directors of Citicorp and Citibank meet on the third Tuesday of every 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

HANS H. ANGERMUELLER †△
Vice Chairman
Citicorp and Citibank, N.A.

RICHARD S. BRADDOCK †△
Sector Executive
Citicorp and Citibank, N.A.

MICHAEL A. CALLEN †△
Sector Executive
Citicorp and Citibank, N.A.

COLBY H. CHANDLER †
Chairman and
Chief Executive Officer
Eastman Kodak Company

PAUL J. COLLINS †△
Senior Corporate Officer
Citicorp and Citibank, N.A.

KENNETH T. DERR †
Vice Chairman
Chevron Corporation

DR. JOHN M. DEUTCH †
Provost
Massachusetts Institute
of Technology

JAMES H. EVANS †
Retired Chairman
Union Pacific Corporation

JAMES D. FARLEY †△
Vice Chairman
Citicorp and Citibank, N.A.

DR. LAWRENCE E. FOURAKER †
Professor Emeritus,
Graduate School of
Business Administration
Harvard University

CLIFTON C. GARVIN, JR. †△
Retired Chairman
Exxon Corporation

HARRY J. GRAY †
Director and Chairman
of the Finance Committee
United Technologies
Corporation

JOHN W. HANLEY †
Director and Former
Chairman of the Board
Monsanto Company

H.J. HAYNES †△
Senior Counselor
Bechtel Group, Inc.

DR. JUANITA M. KREPS †
Former United States
Secretary of Commerce

C. PETER McCOLOUGH †
Former Chairman
of the Board
Xerox Corporation

CHARLES M. PIGOTT †
Chairman and
Chief Executive Officer
PACCAR Inc

JOHN S. REED †△
Chairman
Citicorp and Citibank, N.A.

DONALD V. SEIBERT †△
Director and Former Chairman
of the Board
J. C. Penney Company, Inc.

FRANK A. SHRONTZ †
Chairman and
Chief Executive Officer
The Boeing Company

DR. MARIO HENRIQUE SIMONSEN †
Vice Chairman
Brazilian Institute of Economics
The Getulio Vargas Foundation

LAWRENCE M. SMALL †△
Sector Executive
Citicorp and Citibank, N.A.

ROGER B. SMITH †
Chairman and
Chief Executive Officer
General Motors Corporation

FRANKLIN A. THOMAS †△
President
The Ford Foundation

EDGAR S. WOOLARD, JR. †
President and
Chief Operating Officer
E.I. du Pont de Nemours & Company

Citicorp Senior Management

Hans H. Angermueller
Robert D. Bailey
Richard S. Braddock
Michael A. Callen
Pei-yuan Chia
Paul J. Collins
George L. Davis
James D. Farley
Pamela P. Flaherty
David E. Gibson
Lawrence R. Glenn
Guenther E. Greiner
George E. Hagerman, Jr.
William J. Heron, Jr.
Daniel T. Jacobsen
Thomas E. Jones
Phillip B. Lassiter
Charles E. Long
Alan S. MacDonald
Anthony G. Mantzavinos
Robert H. Martinsen
Victor J. Menezes
Patrick J. Mulhern
Nancy S. Newcomb
John S. Reed
William R. Rhodes
Ira S. Rimerman
Peter H. Schuring
Lawrence M. Small
David S. Van Pelt

Stockholder Information

NOTICE OF THE ANNUAL MEETING

The annual meeting of stockholders will be held on Tuesday, April 19, 1988, at 11:00 a.m., in the auditorium of Citicorp Headquarters at 399 Park Avenue, New York, NY.

A formal notice of this meeting, together with a proxy and 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 50,000 common stockholders of record. About 80% of the Citicorp shares entitled to vote were voted in person or by proxy at the last annual stockholders' meeting on April 21, 1987. Additionally, there are 144 Equity Holders of 5¾% Convertible Subordinated Notes Due 2000.

Additional copies of this annual report are available. Write to Citicorp, Public Affairs Division, 399 Park Avenue, 18th Floor, New York, NY 10043.

Copies of the written transcript and tape recording of the proceedings at Citicorp stockholder meetings are available to Citicorp stockholders at cost from the Office of the Secretary, 399 Park Avenue, New York, NY 10043.

Supplemental financial data are published quarterly and are available from Citicorp Investor Relations Department, 399 Park Avenue, New York, NY 10043.

SUBMISSION OF MATTERS TO A VOTE OF SECURITYHOLDERS

On October 13, 1987 the Board of Directors of Citicorp mailed to stockholders a request for consents for the purpose of approving an amended and restated Savings Incentive Plan of Citibank, N.A. and Affiliates. The consent period closed on November 17, 1987; of the consents received by Citicorp, 122,434,608 shares consented to such amendments and 3,185,747 shares withheld consent to such amendments.

TRANSFER AGENT AND REGISTRAR

Citibank, N.A., Corporate Trust 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, Yasuda Seimei Daini Building, 10-1, Nishi Shinjuki 1-chome, Shinjuku-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

Citicorp/Citibank
399 Park Avenue
New York, NY 10043
212/559-1000

Securities and Exchange Commission
Washington, D.C. 20549

Annual Report Pursuant to Section 13 or 15(d)
of The Securities Exchange Act of 1934
For the fiscal year ended December 31, 1987
Commission File Number 1-5738

CITICORP

Incorporated in the State of Delaware
IRS Employer Identification Number: 13-2614988
Address: 399 Park Avenue, New York, N.Y. 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 the Office of the Secretary, 399 Park Avenue, New York, NY 10043.

As of December 31, 1987, Citicorp had 316,228,725 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

The aggregate market value of Citicorp common stock held by non-affiliates on January 31, 1988 was approximately $6.0 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 19, 1988.

Service Excellence at Citicorp

From Tokyo to Zurich to New York, we continue to build an organization that prides itself on the quality of service delivered to customers. Citicorp service excellence is defined as every employee delivering quality service, to every customer, each and every day. This same logic applies to all other employees who do not deal directly with the public. Most important, to customers everywhere, our people are Citicorp.

We honor outstanding service performers in two ways. The Citicorp Service Excellence Award is the initial corporate award given for service excellence When an individual is recognized for a second time, he or she earns the Gold Award.

The people on this page are among the 2,053 service award winners who earned recognition in 1987. They are helping to make Citicorp a more effective, more profitable, more successful company

SERVICE EXCELLENCE AWARDS

CITICORP
Quality Service Worldwide.

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2. [illegible]
3. [illegible]
4. [illegible]
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6. [illegible]

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6.