

CITIGROUP INC  
Form 10-K  
February 22, 2019

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549  
FORM 10-K  
ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF  
THE SECURITIES EXCHANGE ACT OF 1934  
For the fiscal year ended December 31, 2018  
Commission file number 1-9924

Citigroup Inc.

(Exact name of registrant as specified in its charter)

Delaware

52-1568099

(State or other jurisdiction of incorporation or organization)

(I.R.S. Employer Identification No.)

388 Greenwich Street, New York, NY

10013

(Address of principal executive offices)

(Zip code)

(212) 559-1000

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act: See Exhibit 99.01

Securities registered pursuant to Section 12(g) of the Act: none

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.  
Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No

Indicate by check mark whether the registrant (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. Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company   
Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. Yes

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

The aggregate market value of Citigroup Inc. common stock held by non-affiliates of Citigroup Inc. on June 30, 2018 was approximately \$168.1 billion.

Number of shares of Citigroup Inc. common stock outstanding on January 31, 2019: 2,351,523,709

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Documents Incorporated by Reference: Portions of the registrant's proxy statement for the annual meeting of stockholders scheduled to be held on April 16, 2019 are incorporated by reference in this Form 10-K in response to Items 10, 11, 12, 13 and 14 of Part III.

Available on the web at [www.citigroup.com](http://www.citigroup.com)

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- \* For additional information regarding Citigroup’s Directors, see “Corporate Governance,” “Proposal 1: Election of Directors” and “Section 16(a) Beneficial Ownership Reporting Compliance” in the definitive Proxy Statement for Citigroup’s Annual Meeting of Stockholders scheduled to be held on April 16, 2019, to be filed with the SEC (the Proxy Statement), incorporated herein by reference.
- \*\* See “Compensation Discussion and Analysis,” “The Personnel and Compensation Committee Report,” “2018 Summary Compensation Table and Compensation Information” and “CEO Pay Ratio” in the Proxy Statement, incorporated herein by reference.
- \*\*\* See “About the Annual Meeting,” “Stock Ownership” and “Equity Compensation Plan Information” in the Proxy Statement, incorporated herein by reference.
- \*\*\*\* See “Corporate Governance—Director Independence,” “—Certain Transactions and Relationships, Compensation Committee Interlocks and Insider Participation” and “—Indebtedness” in the Proxy Statement, incorporated herein by reference.
- \*\*\*\*\* See “Proposal 2: Ratification of Selection of Independent Registered Public Accounting Firm” in the Proxy Statement, incorporated herein by reference.

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## OVERVIEW

Citigroup's history dates back to the founding of the City Bank of New York in 1812.

Citigroup is a global diversified financial services holding company whose businesses provide consumers, corporations, governments and institutions with a broad, yet focused, range of financial products and services, including consumer banking and credit, corporate and investment banking, securities brokerage, trade and securities services and wealth management. Citi has approximately 200 million customer accounts and does business in more than 160 countries and jurisdictions.

At December 31, 2018, Citi had approximately 204,000 full-time employees, compared to approximately 209,000 full-time employees at December 31, 2017.

Citigroup currently operates, for management reporting purposes, via two primary business segments: Global Consumer Banking and Institutional Clients Group, with the remaining operations in Corporate/Other. For a further description of the business segments and the products and services they provide, see "Citigroup Segments" below, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Note 3 to the Consolidated Financial Statements.

Throughout this report, "Citigroup," "Citi" and "the Company" refer to Citigroup Inc. and its consolidated subsidiaries. Additional information about Citigroup is available on Citi's website at [www.citigroup.com](http://www.citigroup.com). Citigroup's recent annual reports on Form 10-K, quarterly reports on Form 10-Q and proxy statements, as well as other filings with the U.S. Securities and Exchange Commission (SEC), are available free of charge through Citi's website by clicking on the "Investors" page and selecting "All SEC Filings." The SEC's website also contains current reports on Form 8-K and other information regarding Citi at [www.sec.gov](http://www.sec.gov).

Certain reclassifications, including a realignment of certain businesses, have been made to the prior periods' financial statements to conform to the current period's presentation. For information on certain recent such reclassifications, see Note 3 to the Consolidated Financial Statements.

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Please see "Risk Factors" below for a discussion of the most significant risks and uncertainties that could impact Citigroup's businesses, financial condition and results of operations.

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As described above, Citigroup is managed pursuant to two business segments: Global Consumer Banking and Institutional Clients Group, with the remaining operations in Corporate/Other.

The following are the four regions in which Citigroup operates. The regional results are fully reflected in the segment results above.

- (1) Latin America GCB consists of Citi's consumer banking business in Mexico.
- (2) Asia GCB includes the results of operations of GCB activities in certain EMEA countries for all periods presented.
- (3) North America includes the U.S., Canada and Puerto Rico, Latin America includes Mexico and Asia includes Japan.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

### EXECUTIVE SUMMARY

As described further throughout this Executive Summary, Citi made steady progress in 2018 toward improving its profitability and returns, despite a more challenging revenue environment, particularly in certain market-sensitive businesses and given macroeconomic uncertainties. During 2018, Citi reported 3% underlying revenue growth in Global Consumer Banking (GCB) and Institutional Clients Group (ICG), excluding the impact of gains on sale in 2018 and 2017 (see "Citigroup" below). Citi had solid revenue growth across treasury and trade solutions, private bank, securities services, equity markets and corporate lending in ICG, partially offset by weakness in fixed income as well as softness in equity and debt underwriting. Citi reported revenue growth in all regions in GCB, reflecting continued loan and overall deposit growth, partially offset by the near-term impact of weak market sentiment on Asia wealth management revenues, as well as the impact from partnership renewal terms that went into effect in 2018 in Citi-branded cards in North America GCB.

Citi demonstrated strong expense discipline, resulting in a 1% decrease in expenses, as well as positive operating leverage, even as Citi continued to make ongoing investments. Citi's positive operating leverage, combined with continued credit discipline, resulted in an improvement in pretax earnings. Citi also generated continued loan and deposit growth during the year.

Moreover, Citi continued to return capital to its shareholders. In 2018, Citi returned \$18.4 billion in the form of common stock repurchases and dividends. Citi repurchased over 200 million shares during the last year, resulting in an 8% reduction in outstanding common shares. While Citi made continued progress in returning capital to shareholders, each of Citi's key regulatory capital metrics remained strong (see "Capital" below).

Going into 2019, while global economic growth has continued and the underlying macroeconomic environment remains largely positive, there continue to be various economic, political and other risks and uncertainties that could create a more volatile operating environment and impact Citi's businesses and future results. For a more detailed discussion of the risks and uncertainties that could impact Citi's businesses, results of operations and financial condition during 2019, see each respective business's results of operations, "Risk Factors" and "Managing Global Risk" below. Despite these risks and uncertainties, Citi intends to continue to build on the progress made during 2018 with a focus on further optimizing its performance to benefit shareholders, while remaining flexible and adapting to market and economic conditions as they develop.

### 2018 Summary Results

#### Citigroup

Citigroup reported net income of \$18.0 billion, or \$6.68 per share, compared to a net loss of \$6.8 billion, or \$2.98 per share, in the prior year. Results in 2017 included a one-time,

non-cash charge of \$22.6 billion, related to the enactment of the Tax Cuts and Jobs Act (Tax Reform), which impacted the tax line within Corporate/Other, as well as the tax lines in North America GCB and ICG. Results in 2018 included a one-time benefit of \$94 million, due to the finalization of the provisional component of the impact based on Citi's analysis as well as additional guidance received from the U.S. Treasury Department related to Tax Reform, which impacted the tax line within Corporate/Other (for additional information, see "Significant Accounting Policies and Estimates—Income Taxes" below).

Excluding the one-time impact of Tax Reform in both the current and prior year, Citigroup net income of \$18.0 billion increased 14% compared to the prior year, reflecting a lower effective tax rate, higher revenues and lower expenses, partially offset by higher cost of credit. On this basis, earnings per share increased 25%, due to growth in net income and the 8% reduction in average shares outstanding, driven by the common stock repurchases. (Citi's results of operations excluding the impact of Tax Reform are non-GAAP financial measures. Citi believes the presentation of its results of operations excluding the one-time impact of Tax Reform in both the current and prior year provides a meaningful depiction for investors of the underlying fundamentals of its businesses.)

Citigroup revenues of \$72.9 billion in 2018 increased 1%, as 3% growth in GCB and 1% growth in ICG were largely offset by a 33% decrease in Corporate/Other, primarily due to the continued wind-down of legacy assets. Results in 2017 included a one-time gain (approximately \$580 million) on the sale of a fixed income analytics business in ICG, and results in 2018 included a one-time gain (approximately \$250 million) on the sale of an asset management business in Latin America GCB. Excluding the gains on sale in both periods, aggregate revenues in ICG and GCB grew 3% from the prior year.

Citigroup's end-of-period loans increased 3% to \$684 billion versus the prior year. Excluding the impact of foreign currency translation into U.S. dollars for reporting purposes (FX translation), Citigroup's end-of-period loans grew 4%, as 8% growth in ICG and 3% growth in GCB were partially offset by the continued wind-down of legacy assets in Corporate/Other. (Citi's results of operations excluding the impact of gains on sales and FX translation are non-GAAP financial measures. Citi believes the presentation of its results of operations excluding the impact of gains on sales and FX translation provides a meaningful depiction for investors of the underlying fundamentals of its businesses.)

Citigroup's end-of-period deposits increased 6% to \$1.0 trillion versus the prior year. Excluding the impact of FX translation, Citigroup's deposits were up 7%, primarily reflecting a 10% increase in ICG and a 1% increase in GCB.

#### Expenses

Citigroup operating expenses of \$41.8 billion decreased 1% versus the prior year, as efficiency savings and the wind-down of legacy assets more than offset the impact of higher volume-

related expenses and ongoing investments. Operating expenses in both ICG and GCB were up 3%, while Corporate/Other operating expenses declined 40%, all versus the prior year.

#### Cost of Credit

Citi's total provisions for credit losses and for benefits and claims of \$7.6 billion increased 2% from the prior year, driven by higher net loan loss reserve builds and higher net credit losses. The net loan loss reserve build of \$354 million compared to a net loan loss reserve build of \$266 million in the prior year. The increase largely reflected a modest net loan loss reserve build in ICG, compared to a net loan loss reserve release in the prior year, partially offset by lower net loan loss reserve builds in North America GCB.

Net credit losses of \$7.1 billion increased 1% versus the prior year. Consumer net credit losses increased 4% to \$6.9 billion, largely reflecting volume growth and seasoning in the North America cards portfolios, partially offset by the continued wind-down of legacy assets in Corporate/Other. Corporate net credit losses decreased 55% to \$169 million, primarily reflecting the impact of an episodic charge-off incurred in the prior year.

For additional information on Citi's consumer and corporate credit costs