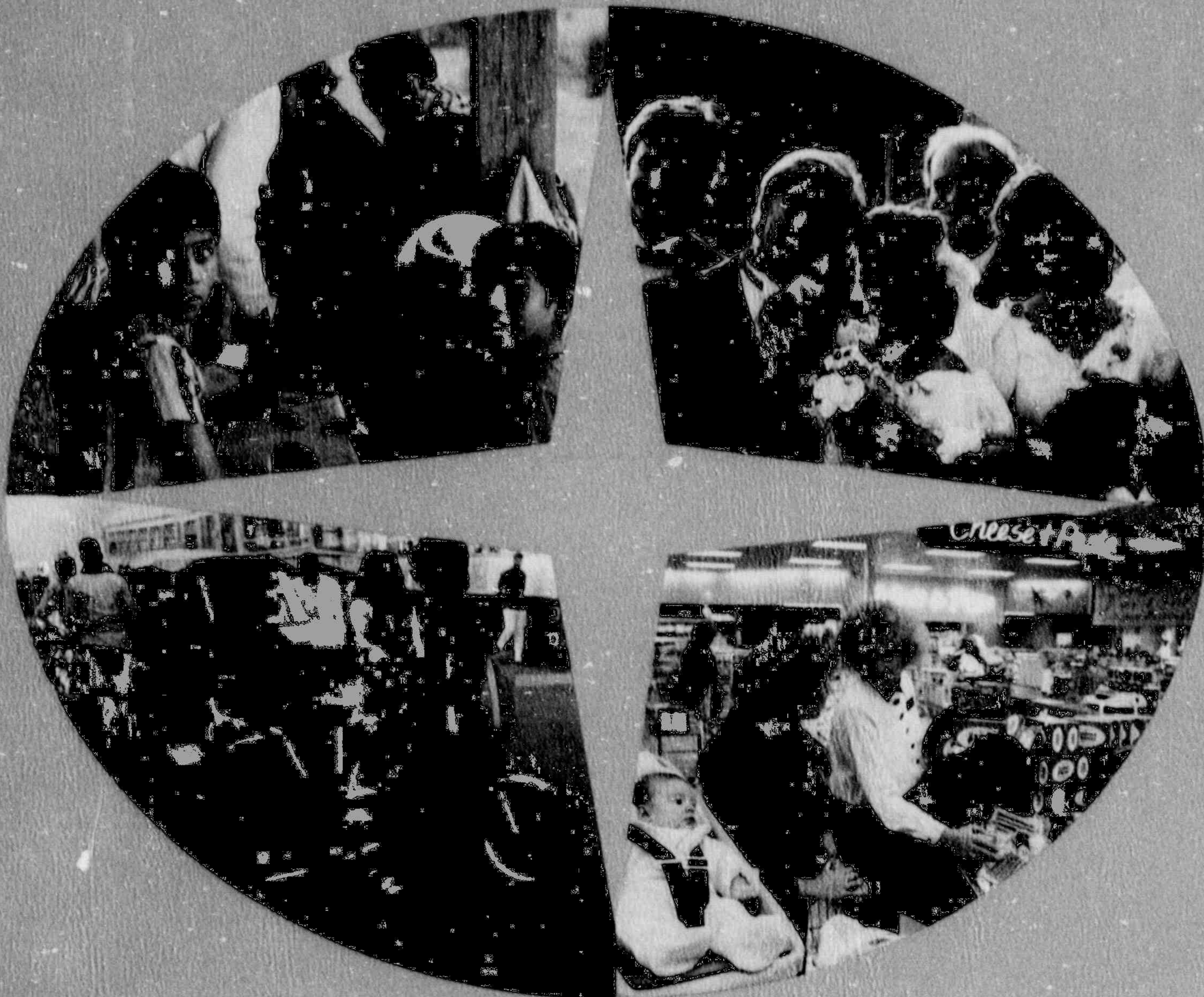
Citicorp 1989 Annual Report



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CITIBANK

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On the cover: Citicorp's business is ultimately about people. The cover represents some of the ways our business serves people all over the world. The stories behind these photographs are inside.

Chairman's Letter to Shareholders

Nineteen-eighty-nine marks the end of an important and complex decade of change for your corporation. The decade of the 1990s will undoubtedly bring more change but will be a period which we believe will see Citicorp emerge as a uniquely global and uniquely balanced financial organization.

The results for the year 1989 itself were mixed. On the positive side, the corporation's commitment to the consumer business continued to show strong results. The business is characterized by a growing household base (we now do business with over 30 million households worldwide) and strong financials — good revenue momentum, solid margins, and increasing profitability.

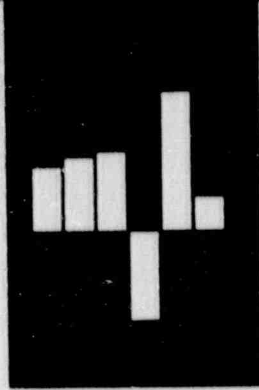
Our traditional local banking business in developing economies also had an excellent year, reflecting our strong franchise position in these markets, the quality and depth of our staff, and the continued growth of business that has characterized most of these markets. The sophisticated finance business in Europe, North America, Japan, Australia, and New Zealand had a difficult year as trading markets were choppy, margins continued under pressure, and traditional revenues were scarce. The market for leveraged acquisition finance, which has been of importance to many of our customers, has started a desirable but difficult adjustment and, of course, the U.S. real estate market has weakened. Despite this, however, our earnings and returns were good and our relative performance in this business was solid and in the case of real estate, maybe even exceptional. But earnings were down from last year and the market is going through a period of weakness.

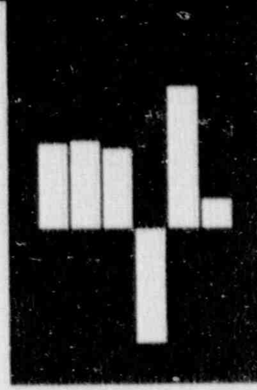
Our information initiative reports increased losses. We used the year to start investing in significantly improving the quality and flexibility of Quotron's core offering, while preparing new product introductions for 1990 and an exciting new "Point of Sale" initiative. These are continuing long-term initiatives of your company.

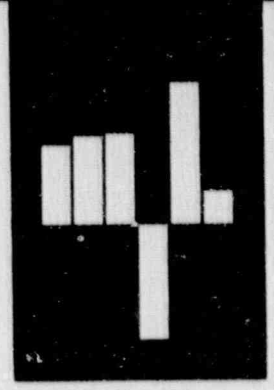
From left to right:
LAWRENCE M. SMALL,
VICE CHAIRMAN, CHAIRMAN OF THE EXECUTIVE COMMITTEE
JAMES D. FARLEY,
VICE CHAIRMAN
JOHN S. REED,
CHAIRMAN
MICHAEL A. CALLEN,
SECTOR EXECUTIVE
RICHARD S. BRADDOCK,
PRESIDENT
PAUL J. COLLINS,
VICE CHAIRMAN

The Cross-Border Effort

As with many of the other efforts, our cross-border portfolio was impacted by good and bad. On the positive side, we see continued improving economic performance within a number of the heavily indebted countries. During the year, agreements under the guidelines set down by U.S. Treasury Secretary Brady were essentially completed with Mexico, the Philippines, and Costa Rica. This framework serves your company well as it continues to permit flexibility, volunteerism, the case-by-case approach, and room for long-term "investors" such as Citicorp. On the other hand, the cooperative environment that characterized 1982-1988 has weakened significantly. The IMF and World Bank operate quite independently of and without regard for private lenders, possibly signaling a more sole and central role for these institutions. The commercial lenders themselves, partially in reaction to these changes as well as the Brady initiative, increasingly take the position of simply "wanting out" which, of course, does not provide for the needs of borrowers. We believe this is an unsustainable, or at least self-defeating, position. Because of this and in view of the difficult circumstances of Argentina and Brazil, neither of which is currently paying interest on its debt, we felt it prudent to further augment our reserves by $1 billion, which brings our total reserves to a level which we feel to be adequate for our likely needs. Many have taken more reserves; they have done so presumably with the intention







of "getting out," which can be expensive. We hold reserves that relate to our own interest, assuming that we will be active debt/equity investors and longer-term lenders.

Overall Financial Results

Reported earnings for the year were $498 million, or $1.16 per share, and the return on your equity was 4.3%, down significantly from last year. Earnings, excluding the impact of cross-border, were $1.6 billion, up 4% from a similar result last year. Return on equity would have been 17.3%, compared with 19.7% last year. Common stockholders' equity was $8.2 billion, and reserves were $4.7 billion, reflecting our recent reserve decision. We anticipate rebuilding the common equity levels over the next year from internal sources. Your stock closed at $28.875, up $3.00 from last year, and the dividend rate was increased by 9% to $1.62 per share in April 1989.

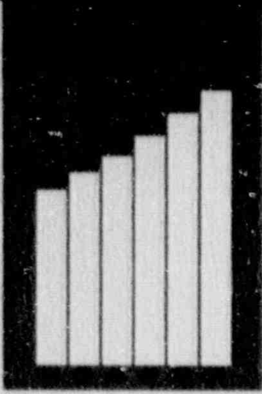
Banking in the Past Decade

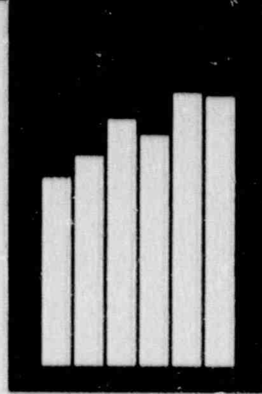
It is instructive and perhaps even surprising to look back at the decade of the '80s. In 1980, our annual report noted "our view that 1980 was the turning point when banks in the United States began joining their nonbank competitors in the fresh air of free competition." Reg Q was removed, usury laws eased, and a decade of change indeed started. During this time, your company altered its business significantly and with important implications.

Our franchise, as an international and money center bank, was broadened and altered. The drive to build a global consumer business occupied much of our time and has changed your company. Living with volatile and high interest rates in a world where monetary policy emerged as virtually the only tool of economic management forced us to lessen the role of gapping, the old bankers' practice of borrowing short and lending long, but providing rate risk and exchange protection for customers became a big business. The onset of the debt crisis in 1982 brought a problem that was to absorb tremendous efforts and resources during the next eight years, but which also has almost eliminated the interest of many of our competitors in the United States and abroad to maintain a truly global franchise. This, in turn, singles out our own different view. Corporate banking in the early '80s was indeed just that. During the decade, it has become "market finance," as our role has been shaped by the emergence of large and efficient capital markets in Europe, North America, and Japan, which are quite willing to accept our traditional customers' names.

In 1980, we were not a strong correspondent bank. Today, we are the largest domestic and international correspondent bank. During the 1980s, our corporate bankers became more professional, more market oriented, and more transactional as we responded to customers. As we enter the '90s, these trends continue, but there is some likelihood that more traditional bank/customer relationships will re-emerge as customers come to see their financial links as more permanent and more important. Our local currency business in developing economies continued throughout the decade to be strong, stable, and predictable, probably reflecting the strength of our franchise and the diversity of our business. In the late '80s, we started an "information initiative" as a way of reaching out to the market and to embrace future delivery modes.

*Based on Net Income after extraordinary tax benefits of $160 million.





extending our traditional back-office computers, information, and networks into the customer's world itself...this, for both consumers and corporate customers.

During the turbulent '80s, our regard and care for our key assets–our customers and staff–did not change.

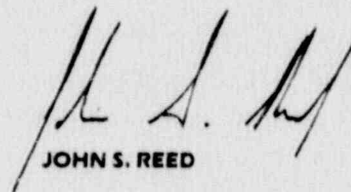
Citicorp in the 1990s

As we move into the last decade of the century and millennium, we expect continued change and opportunity. Our emphasis is on breadth, consistency, and predictability. Pursuing a broad set of franchises seems to make sense. We remain committed to "Globality" both within the interlinked world of Europe, North America, Japan, Australia, and New Zealand and the broader world encompassing developing economies from Africa, the Middle East, and Latin America to the exciting markets of Southeast and Northern Asia. We serve all customers, increasingly consumers around the world and business and government enterprises as well. We are professional as technologists, consumer marketers, or corporate finance specialists. Customer service, credit judgment, and risk-taking skills continue as our central values.

During the 1990s, the profile of Citicorp will continue to change. Serving our institutional customers in sophisticated capital market economies will continue to be a key franchise, the focus of some of our most stimulating talent and likely the world's largest such activity even while a smaller part of Citicorp. The size, our position, and momentum in the consumer business are such that it is likely that serving these customers will be an increasing portion of our total activity and a dominant part of our financial results. More than half of our business is likely to be in North America, but the business in Europe is likely to grow importantly. Our management will certainly become more international. Our local banking businesses in the developing economies will share in the improved growth of their marketplace communities, which are, once again, growing faster than the developed countries. Certainly, the cross-border issue will be behind us...we think with important benefits to Citicorp shareholders. Underlying the ups and downs of the numbers during the 1980s has been a steady and important progress in base business results, franchise development, and balance sheet strength. We will steadily continue to pursue these efforts throughout the '90s; their value should be increasingly apparent.

During 1989, we lost the services of a number of talented and experienced Directors. James Evans, retired Chairman of Union Pacific; Juanita Kreps, an economist and former Secretary of Commerce; and our colleague Hans Angermueller reached our mandatory retirement age. Each served with great distinction over many years and we will miss them. Charles M. Pigott, Chairman of PACCAR, after 17 years of Board service, chose not to stand for reelection. We were sorry because Chuck's voice has been an important one.

At year end, we announced the election of Richard Braddock as President and Lawrence Small as Vice Chairman and Chairman of the Executive Committee. This reflects our increasing need for senior attention to the work of the company and on our most important customers. Rick, Larry, and I have worked together for years and, with the 92,000 dedicated Citicorpers around the globe, hope to serve you well.



JOHN S. REED

Global Consumer

In March 1980, *Fortune* wrote "By the mid-1980s, Citicorp aspires to have raised its operating earnings from their 1979 total of $544 million to around $1 billion, and it hopes to see at least $200 million of that coming from the consumer. That would be up from less than zero."

For Citibank's consumer businesses, the 1980s can be summed up by the numbers. After losing money in 1980 and earning $3 million in '81, our earnings have been on a dramatic climb, from $93 million in 1982, to $842 million in 1989, with an average annual increase of 37%. One out of four American families has a relationship with us. We consider our record a validation of the premise we began with in 1975, that a well-served consumer is a good business proposition. As we've grown, we've built a set of values to guide us. Most notably, customer focus and service quality have become our hallmarks. But while those are both familiar industry themes, and key reasons consumers choose one bank over another, our commitment to these values continues to give us a significant competitive advantage.

The marketplace and the challenges keep changing. Our mature businesses become steadily more competitive, while our newer businesses, especially outside the U.S., have relatively low share positions with potential for substantial growth. However, our broad-based organization gives us a tremendous advantage. Innovations in established markets such as New York and Hong Kong strengthen our positions in those markets and can also be transplanted to markets where we have room to grow. We call this movement of technology, services, and banking products "success transfer."

For now, our credit cards and local branches, accessed by Citicards, give our customers control over their financial lives around the clock. Our vision for the '90s is to give our customers that same access wherever they are in the world, by cards, by phone, at home, and at work 24 hours a day, seven days a week and all this for a much fuller range of financial services than we offer today.

Building One U.S. Consumer Banking Business

When the 1980s began, our U.S. branches were mainly in the New York metropolitan area, with an 8% market share. We had installed our first ATMs only three years before.

Today, Citicorp and Citibank branches have over eight million customer accounts at nearly 600 locations in nine states and the District of Columbia, the foundation of a national network which will continue to grow in the future. In New York, we have 13% of consumer deposits and nearly one-fourth of all consumer credit. Nationally, our customers have access to 1,700 of our proprietary ATMs, with their capacity to do 55 separate transactions, and more than 30,000 shared machines. We're the market leader in annual mortgage originations, with $11 billion, and total servicing with more than $60 billion, provided through our distribution network in 37 states.

We work to provide customers with superior access, products, and services. We have learned that the key to customer relationships is the transaction account, and the core of our product offering is Citi-One, which integrates checking, savings and investment accounts, lines of credit, and credit cards. Our branches extend their reach through touch-screen ATMs, telephone banking, home computers, and terminals in supermarkets and convenience stores. We offer mortgages through branches, MortgagePower realtors and brokers, and sales offices.

Building a national franchise requires us to compete effectively in

Citibank India has introduced consumer installment loans at its four branches. These loans have already made a dramatic difference in the lives of more than 150,000 miners, railway employees, and university professors who used them to buy motor scooters and home appliances. Repayment is by payroll deduction, with employers making efficient, lump-sum payments to Citibank. At an average of $600, these loans are small, but in a country where motor scooters and appliances are still luxuries, they can make an enormous difference in the quality of life. In this case, success transfer means making lives better.

From left to right:
VICTOR J. MENEZES,
GROUP EXECUTIVE — EUROPE
WILLIAM J. HERON, JR.,
GROUP EXECUTIVE — U.S. CONSUMER BANKING
LAWRENCE D. WEISS,
DIVISION EXECUTIVE — DEVELOPMENT
RICHARD S. BRADDOCK,
PRESIDENT
DAVID E. GIBSON,
GROUP EXECUTIVE — PRIVATE BANKING
PEI-YUAN CHIA,
GROUP EXECUTIVE — INTERNATIONAL
JAMES L. BAILEY,
GROUP EXECUTIVE — U.S. CARD PRODUCTS

each local market, while leveraging the national capability that comes from being a part of Citibank. Our competition is essentially local, and our customers respond to how well we meet their local needs and provide the basics of customer service. During 1990, however, we will change our name to Citibank in the markets where we now are known as Citicorp Savings. And over the next two to three years we will be putting together a common product offering, to be delivered through a national processing and systems organization.

We recognize we are competing in a fast-changing marketplace, buffeted by the S&L crises, a seemingly chronic overcapacity in the industry, an inadequate regulatory apparatus, and other economic uncertainties. While these factors contribute to instability, they should also offer us opportunities to extend our geographic reach and product breadth in the coming years — especially as the inefficient players weed themselves out. The combination we are putting in place — integrated product sets, national capacity, and an uncompromising customer service culture — should serve us well in this respect.

U.S. Card Products — A Great Success Story

The growth of Citibank's card business, from six million cards in force in 1980 to 27 million today, demonstrates our success in meeting customers' needs for this flexible payment and borrowing device, which is one of the most important and profitable products banks offer. Citibank has expanded by offering a family of cards, each with features that appeal to specific segments of the population, ranging from the economical CHOICE card to the premium gold cards, and in turn, we have built a family of customers. In a market that some say is saturated, we added almost five million new cardholders during 1989 and continued to build our market share significantly. Virtually all the key indicators for the business continued to grow healthily.

We try to grow with our customers. For example, we pioneered direct marketing to college students. We found that they manage their credit responsibly and that after they graduate they make still better customers. As their needs and tastes change, we can adapt with them.

We know from their purchase patterns that customers use our cards for things that ordinary families buy to make their lives better — furniture, refrigerators, and VCRs. But our cards are more than just a credit or payment mechanism. They are also a tool for managing personal and family finances. The information we generate about our customers, through their card usage, is invaluable, allowing us to offer them a range of more specifically targeted services.

Our portfolio is the largest in the bank card industry, but size is not by itself a strength. In 1980, we built the first of several card "factories," concentrating our resources not only to generate efficiencies but also to improve the quality of our customer service. Since then we have added millions of accounts, and extended the factory locations from South Dakota to Nevada and Maryland, but unit transaction costs are nearly 30% lower than in 1982 and 30% below

the industry average. Savings are returned to the business to improve customer service, funding methods, marketing and credit management.

In the '80s, we set out to provide a better card than our competitors; we've done that. For the '90s, we have two primary goals. We want our product to be viewed as superior to checks as well as other cards, and by the middle of the decade, we want it to be seen as a better way to pay than cash. To accomplish this, we're constantly trying to learn more about our customers and build on that knowledge to extend card utility.

International Consumer Banking — Linking Success

For Citibank's international consumer business, the 1980s represented a decade of new markets, products, and opportunities. Today, we serve profitably over nine million households, or 16 million accounts, in 35 countries, a greater global presence than any other consumer financial institution. Our penetration in most of these markets is small, but the potential is vast.

The challenges for the 1990s are to continue growing without sacrificing service quality and to link Citibank services around the world. We took the first concrete step toward that goal late in 1989 with an ATM transaction in the branch at Citibank's New York headquarters, where our Country Corporate Officer for Puerto Rico used his Citicard to access his account in Puerto Rico. The international Citicard transaction was born. Within the next two years, this technology will be installed in such diverse markets as Germany, Hong Kong, Korea, Taiwan, and Singapore. And ultimately, the Citicard will be

Not all Visa and MasterCards are alike. We try to make our cards do more for customers, whether it's replacing a lost wedding ring or a card stolen during a family vacation, or granting an on-the-spot credit-line increase to pay for a visit to a sick relative. We're on the telephone 24 hours a day, seven days a week for ordinary people with somewhat extraordinary problems. But we do even more. When a flood struck Galveston, Texas, we were there with emergency cash advances and credit increases for our cardholders. And now, we're providing a special teletype number to help us serve hearing-impaired customers. Citibank cards are better than other cards.

the key to banks in every location where we do consumer business.

We expect to double our customer accounts, assets, and deposits by 1993. In addition to offering traditional banking services, we're emphasizing such products as bankcards, mutual funds, and insurance. We are using our U.S. experience in credit card solicitation and screening techniques in Germany, Spain, Japan, Taiwan, and Australia. We have also transferred such products as Citi-One accounts, MortgagePower, and touchscreen ATMs to various markets.

The importance of a global network is particularly evident as the integration of Europe approaches. Citibank has a network of branches and consumer franchises in most of the major markets there. We're looking forward to the day when we will have the most up-to-date ATMs in every branch linked across country lines and "speaking" multiple languages, Citibank Visa and MasterCard products serviced from two regional centers, and our own brand of mutual funds.

The Private Bank

Citibank has served high net worth individuals since it was founded in 1812. In 1985, we made our most significant commitment to these customers by combining our private banking operations into one worldwide unit — the Citibank Private Bank.

Since then, starting from well-established presences in key markets in Switzerland, Hong Kong, Singapore, the U.K., and the U.S., we have opened offices in such major emerging wealth markets as Japan, Brazil, Spain, and Italy.

With offices in 68 cities in 32 countries around the globe, we are uniquely able to match clients' needs with opportunities virtually anywhere in the world.

Each client has an experienced Private Banker, who provides the entree to an array of services that includes global investment portfolio management, tailored credit in major currencies, unmatched expertise in foreign-exchange and interest-rate risk management, and our unique art advisory service in New York and London.

In 1989, assets under management rose 15% to $59.4 billion. The number of clients grew 11%, reflecting a variety of programs in both established and new markets. Of particular note was the growth of Legal U.S.A., our business serving lawyers and law firms in the United States, the largest, and only, nationwide service of its kind.

We also focused on new revenue streams, raising over $230 million of investment capital for specialized funds, leveraging Citibank expertise in real estate, transportation, and venture capital. For the first time, our clients had the opportunity to participate in higher-return investments previously available only to large institutions.

We believe that the formation of private wealth will continue to be a rapidly growing segment of the world's economy during the 1990s and that no other financial institution is better positioned to serve it than Citibank Private Bank.

Reaching Our Potential

During the '80s, Citibank's consumer activities grew into an important presence both within the corporation and in the markets in which we compete.

However, as we enter the '90s, we view our most significant potential as still ahead of us. We'll reach it by continuing to keep our customers' needs foremost in guiding our activities.

Global Finance

The 1980s were a decade of profound change in banking. Corporate lending, the cornerstone of Citibank's business in 1980, became a much smaller component. Corporate customers increasingly funded themselves by issuing securities instead of borrowing from banks. We had to find new ways to serve them, and we did, by designing and implementing creative financial solutions that met the needs of investors as well as issuers.

It is clear we have met the challenge. Customer surveys and opinion polls indicate that we are first in lead client relationships, loans and back-up lines, leverage capital, corporate asset funding, foreign exchange, derivative financial instruments such as hedges, swaps and options, and cash management. And as commercial activity expands globally, we offer our services through an unparalleled global network.

The most telling measure of our ability to adapt to changing markets is that many of today's products and services didn't exist ten years ago. Furthermore, if history is any indication, by the middle of the 1990s, 50% of Global Finance earnings will come from products that don't exist today.

These innovations are based on the efforts of relationship managers, who work with our product specialists to solve ongoing and extraordinary needs, while still providing such core banking products and services as credit, cash management, and foreign exchange.

Our corporate and investment banking business is divided into two broad sectors: the developed markets, where many customers require increasingly innovative and global financing techniques, and the developing economies and newly industrialized countries, where the market often calls for more traditional and local financial products and services.

Global Finance for Developed Markets

Citibank has developed the knowledge and skills, the products and services to become the preeminent financial institution in the industrialized world. Citibank enjoys a unique position in this increasingly global corporate finance marketplace: We are present in 23 of the 24 industrial nations that comprise the Organization for Economic Cooperation and Development, everywhere the law permits. This unparalleled geographic scope is harnessed to an unmatched ability to handle large, complex transactions.

Because the developed countries have become more integrated economically, we can design and execute financial strategies that range across markets as well as within them, both for issuers and investors.

From left to right:
MICHAEL A. CALLEN, SECTOR EXECUTIVE – EUROPE, NORTH AMERICA, JAPAN, AUSTRALIA, NEW ZEALAND
ALAN S. MACDONALD, SECTOR EXECUTIVE – DEVELOPING AND NEWLY INDUSTRIALIZED COUNTRIES

Foreign exchange provides an example of what Citibank's strengths mean in the marketplace. For years, we have been ranked number one worldwide by all major industry surveys in volume, quality, and market coverage. Citibank's unequaled breadth — we trade 90 different currencies in 50 locations — means we can meet customer needs for just about any currency in the world, and we can tailor creative solutions for unusual customer problems. Moreover, our global network gives us access to extensive market intelligence to guide our trading, while our size allows us to execute client strategies efficiently and effectively.

As in other Citibank businesses, our continued success in foreign exchange will come from building on what we do well while responding to ever-changing customer needs. The transactions that have shown the greatest growth center around a broad range of options and swaps and longer-term hedging. These are more and more becoming part of packages assembled by Citibank, as customers recognize that in a global economy practically every financial transaction has foreign exchange and interest rate risk implications. Thus, our unparalleled foreign exchange capability is not only important for customers who need foreign currencies, it is also vital in most areas of finance.

In global finance, as in consumer banking, Citibank has the unique ability to transfer products and technology from one market to another. For example, the European Community has committed itself to eliminating economic barriers by the end of 1992. The prospect of a vast integrated market has heightened the demand for corporate restructuring and specialized finance expertise as firms prepare for this single market. And, as international risk-based capital accords come into force, they will put more pressure on international banks to find alternatives to traditional lending. In both these areas, and many more, Citibank has years of experience. As the 1990s progress, global finance will involve more sophisticated financial engineering, for issuers and for investors alike. Both are our customers, and we have devoted ourselves to finding creative solutions for the needs of both.

Standing:
GEORGE L. DAVIS,
GROUP EXECUTIVE — NORTH AMERICAN FINANCE
Seated:
PHILLIP B. LASSITER,
GROUP EXECUTIVE — NORTH AMERICAN INVESTMENT BANKING

Developing Economies — The Growth Market for Commercial Banking

Developing economies have different needs than developed ones, and we serve them with a more traditional set of financial products and services, based in their local currency. The developing countries represent some of the world's best economic growth prospects today.

Citibank has been involved in international banking through our U.S. offices for well over 100 years, and we opened our first branches in countries around the world in 1914 to service our U.S. clients in their burgeoning overseas business. Our early expansion established us as the pre-

A banking relationship means meeting special needs routinely. In 1988 Citibank helped the Kroger supermarket and convenience store chain avoid a possible takeover by recapitalizing, while increasing shareholder value, retaining shareholder ownership and treating employees fairly. Kroger chose Citibank to structure the package because of our ability to commit money promptly, our service, and ability to bring additional banks, international and domestic U.S., into the transaction. In 1989, after a successful recapitalization, Kroger picked us again to shape a reduced, more flexible package, allowing the company to pursue its long-term operating strategy. Leverage capital expertise is just one corporate finance capability that Citibank has developed to add value to banking relationships.

eminent international bank in most of the major developing markets, creating a franchise far stronger than any of our competitors.

Today, we have a presence in 67 developing and newly industrialized countries. Ninety percent of our management in these countries is local, and we are most often an integral part of domestic economic activities. When problems in some nations prompted other banks to leave, we honored our commitments to corporate customers, financial institutions, local employees, and national governments, and we have benefited from it. Among other things, this consistency gives us an edge in hiring the best talent in each country, thus reinforcing our marketplace standing.

We expect the major 25 developing economies, with a total population of three billion, to grow faster than the developed markets by as much as 50% in the next five years. These nations — 12 in Latin America, 10 in Asia, and 3 in Europe, the Middle East and Africa — are becoming increasingly affluent, sophisticated, democratic, and stable. Their export growth continues to be extraordinary, although their full potential remains untapped.

Twelve of these 25 countries, however, are still in the process of restructuring their debt to international banks. Citibank has been a leader in international negotiations to restructure the debt obligations of these countries and develop solutions that meet the long-term needs of both the borrowers and lenders. We feel the debt situation is no longer a crisis; it is an issue that is being managed with growing skill and pragmatism. Citibank's position in several developing economies has been strengthened through debt/equity swaps whose total approximates $300 million. These transactions

From left to right:
MICHAEL B. KELLAND,
GROUP EXECUTIVE — JAPAN, AUSTRALIA, NEW ZEALAND
ERNST W. BRUTSCHE,
GROUP EXECUTIVE — EUROPE

Save the Children Federation has a Citibank account. With operations in 39 countries, helping tens of thousands of children and their families, Save the Children is typical of some 200 non-profit organizations served by our International Agencies and Corporate Accounts (IACA) unit. IACA utilizes the full capabilities of Citibank to provide foreign exchange management, alternative financing such as debt swaps, Diners Club accounts for travel expenses, payroll services at branches, credit and investment management in a total of 53 countries. Global organizations, profit or non-profit, need global banking.

involve replacing debt obligations in a country with equity interests in local enterprises. They include a beverage company in Mexico, a forest products business in Chile, and electronics companies in Brazil. These investments, which create jobs and help develop national economies, constitute valuable assets that will enhance Citibank's growth in years to come.

Serving Customers Globally

Two major global customer groups, multinational corporations and financial institutions, account for more than half of Global Finance earnings.

We service 230 major multinationals through our World Corporation Group — 130 based in North America, 80 in Europe, and 20 in Asia — which together have approximately 9,000 subsidiaries in virtually every country in the world. These corporations have very special needs, and we work to solve those needs in a highly organized and a specially responsive manner utilizing our Global Account Management System. Our geographic reach alone constitutes a competitive advantage, but when combined with high value-added service, innovativeness, and consistency of performance across national borders, it adds up to a combination that cannot be duplicated by any other financial institution. Our work

Seated:
ROBERT D. BAILEY,
GROUP EXECUTIVE — LATIN AMERICA
Standing:
ROBERT H. MARTINSEN,
GROUP EXECUTIVE — ASIA/PACIFIC

with these, our most sophisticated customers, provides us with a steady stream of innovative financial ideas and techniques that can be transferred to others. Furthermore, their need for capital provides a continual flow of investment opportunities, particularly for financial institutions, which constitute our other major customer group.

Our Financial Institutions Group services the client needs of insurance companies, securities firms, other banks, and institutional investors. The growth of this group reflects the fact that the financial sector of the world economy grew far more rapidly in the 1980s than the industrial sector. World capital flows have increased faster than trade flows, and new financial instruments have created new demands for processing and clearing services not just for financial institutions, but for all global finance customers who need them. Citibank provides dependable processing and clearing services, and with membership in every major clearing house in the world, Citibank stands alone. Transaction processing provides a very stable earnings stream to the corporation. In addition, we take a more expansive view of the market than other banks. Technical advances have opened up the possibility of helping customers make more informed business decisions by adding information-based components to transaction processing; Citibank is in the forefront of this transformation. In addition, we are aware that financial institutions worldwide face competitive and capital pressures, some that are similar to those in manufacturing and other industries, and some that are characteristic of finance. We have built a corporate finance capability that will provide the full range of corporate banking services and products, such as mergers and acquisitions, asset securitization, and foreign exchange, specially tailored to the needs of all sectors of the financial institutions market. Trade services offered on a global basis is another key service element. Finally, of course, financial institutions are constantly looking for ways to diversify their investment portfolios, and Citibank has access to more investment opportunities in more countries than anyone else.

Our organization is in place. We have made the transition demanded by the difficult environment of the past ten years. Entering the '90s, we are uniquely positioned to serve customers around the world.

From left to right:
ALAN J. WEBER,
GROUP EXECUTIVE — FINANCIAL INSTITUTIONS
WILLIAM R. RHODES,
SENIOR EXECUTIVE — INTERNATIONAL
GUENTHER E. GREINER,
GROUP EXECUTIVE — WORLD CORPORATIONS
PETER H. SCHURING,
GROUP EXECUTIVE — CROSS-BORDER ASSET REDEPLOYMENT

Citibank's strategic strength has always been the creation of major new enterprises designed to meet the needs of significant customer groups. We see the information business as the next important venture of this kind. Like all such Citibank initiatives, the information business is based on our experience with a number of existing activities and our anticipation of customer needs in the future. Our technology has been aimed at providing customers with more command over their finances, at ever-greater convenience. As a global financial intermediary, we have access to a great deal of information about markets, prices, and trends that affect all kinds of consumer and business transactions. It is, therefore, a logical step for us to put more information in the hands of customers to assist them in making better-informed financial decisions. We are committed to making this happen. We envision that by the mid-1990s, our aggregate information-based businesses will make an important contribution to earnings.

Quotron, the major component of Citibank's information business so far, has had several difficult years, due in part to the volatility of the equity markets. However, we still see the company as a vital part of our effort to build on-line, interactive delivery of financial services on a global basis. Part of the task at Quotron lies in making products more relevant to the growth areas of the financial marketplace. Globalization of the markets means that we have opportunities to bring our products to parts of the world that are currently underserved. And while the equity business has recently been in a downturn, other kinds of activity are growing. We are developing products that address those needs. Of particular note is our new F/X Trader, an advanced terminal for foreign exchange trading that will be fully introduced in 1990.

Other businesses that similarly deliver information through devices situated in customers' homes and offices are CitiCash Manager, which gives corporate treasurers full command of their balances for short-term investment, and a new service for home use, the Enhanced Telephone, targeted for a limited test market in 1990. We see this as the ideal mechanism for realizing the potential of home banking. The Enhanced Telephone has a screen between the keypad and the handset, and a full keyboard that slides out from under the phone. Customers will be able to perform a full array of financial tasks, from checking balances and making payments, to buying and selling stocks. And it can also be used to make ordinary calls.

A wholly new business is based on point-of-sale technology that combines payment at the supermarket check-out counter with an instant census of consumer purchases. Participating households are rewarded with coupons that match their preferences, while manufacturers and retailers can use the research for marketing.

Citibank's Public Responsibility

Citibank has a tradition of public responsibility that goes back to our beginnings when tellers and clerks of the newly formed City Bank of New York volunteered to help battle the Great Wall Street Fire of 1835.

This strong tradition of public responsibility forms the basis of our contributions philosophy. Today, as a global financial services corporation with employees and business interests in every part of the world, our concerns and commitments are also worldwide. We know that our business success, both present and future, is inextricably linked to the economic and social well-being of our markets, customers and employees.

Citibank's total global contributions exceeded $20 million in 1989. These emanated from our extensive program at the corporate level as well as from business units around the world that conduct active contributions programs of their own.

One area where we have increased our global funding is education. We believe that the future of the world will depend increasingly upon the education and training we can provide for those who will comprise the work force and leadership in the next century.

In 1989, our global contributions ranged almost as widely as our businesses. We supported a school mathematics project in Chicago; the New York Philharmonic's Asian tour, including a free Singapore performance attended by 50,000; and concerts in Germany celebrating the end of the Berlin Wall. We emphasize personal involvement by employees as well as money. For example, we not only support United Negro College Fund students financially, but also provide them with a Citibank mentor throughout their college careers. We also expanded our Matching Gifts Program for employees who make personal contributions to non-profit organizations. Everywhere in the world where Citibankers live and work, we can point with pride at programs to improve the quality of life and provide an environment in which people and economies can develop and prosper.

As we move into the '90s, Citibank shares the general concern about the environment and will increase support for vigorous, creative programs designed to encourage environmentally sound and sustainable economic development.

Citibank has come a long way since those brave early employees became firefighters to save lower New York, but the message is unchanged: As a global corporation we have a responsibility to the world in which we live and do business.

In April 1989, Citicorp Chairman John Reed participated with Chicago elementary school students and teachers in a demonstration of the University of Chicago School Mathematics Project, which Citibank is supporting. He explained our involvement this way: "A financial institution can't ignore the need for improved pre-collegiate training in math and analytical skills."

Other Senior Management

From left to right:
LAWRENCE R. GLENN,
SENIOR CORPORATE OFFICER—ASIA/PACIFIC
DAVID S. VAN PELT,
SENIOR CORPORATE OFFICER—LATIN AMERICA, AFRICA
MICHAEL T. WELCH,
CHAIRMAN, CREDIT POLICY COMMITTEE

From left to right:
GERALD M. LIEBERMAN,
SENIOR HUMAN RESOURCES OFFICER
SANDRA W. MEYER,
SENIOR OFFICER—CORPORATE AFFAIRS
IRA S. RIMERMAN,
GROUP EXECUTIVE—ADMINISTRATION

From left to right:
JOHN J. ROCHE,
EXECUTIVE VICE PRESIDENT—LEGAL
NANCY S. NEWCOMB,
SENIOR CORPORATE OFFICER—FINANCE AND FUNDING
THOMAS E. JONES,
EXECUTIVE VICE PRESIDENT—FINANCIAL CONTROL, TAX AND AUDIT

From left to right:
SHERIDAN L. STEINBERG,
DIRECTOR CORPORATE ADMINISTRATION
CHARLES E. LONG,
EXECUTIVE VICE PRESIDENT AND SECRETARY

From left to right:
COLIN CROOK,
CHAIRMAN, CORPORATE TECHNOLOGY COMMITTEE
DENNIS O. GREEN,
CHIEF AUDITOR

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Citicorp in Brief

IN MILLIONS OF DOLLARS EXCEPT PER SHARE AMOUNTS	1989	1988	1987	1986	1985
Results					
Earnings (Loss) Per Share[1]					
Income (Loss) Before Extraordinary Item	**$ 1.16**	$ 4.87	$ (4.41)	$ 3.46	$ 3.40
Net Income (Loss)	**$ 1.16**	$ 5.36	$ (4.41)	$ 3.46	$ 3.40
Net Income (Loss)					
Income (Loss) Before Extraordinary Item	**$ 498**	$ 1,698	$ (1,182)	$ 1,028	$ 959
Net Income (Loss)	**$ 498**	$ 1,858	$ (1,182)	$ 1,028	$ 959
Return on Common Stockholders' Equity	**4.3%**	23.6%	(19.6)%	13.7%	14.7%
Common Dividends					
Cash Dividends Declared[2]	**$ 510**	$ 461	$ 379	$ 250	$ 290
Annual Dividend Rate Per Share at Year End[1]	**$ 1.62**	$ 1.48	$ 1.35	$ 1.23	$ 1.13
Capital					
Common Stockholders' Equity	**$ 8,236**	$ 8,274	$ 6,994	$ 7,513	$ 6,398
Percentage of Total Assets[3]	**3.57%**	3.91%	3.37%	3.75%	3.61%
Total Stockholders' Equity	**$ 10,076**	$ 9,864	$ 8,584	$ 8,878	$ 7,613
Percentage of Total Assets[3]	**4.37%**	4.66%	4.13%	4.44%	4.30%
Primary Capital	**$ 18,109**	$ 17,386	$ 16,545	$ 13,308	$ 10,710
Primary Capital Ratio[3]	**7.69%**	8.05%	7.79%	6.59%	6.01%
Year-End Balances					
Total Assets[3]	**$230,643**	$211,657	$207,749	$200,099	$177,000
Consumer Loans, Net of Unearned Income	**97,075**	90,356	79,705	68,751	55,795
Commercial Loans, Net of Unearned Income	**63,037**	58,841	58,210	61,988	60,584
Total Deposits	**137,922**	124,072	119,561	114,689	104,959
Common Stockholders' Equity Per Share[1]	**25.36**	25.93	22.12	27.30	24.73

(1) The 1986 and 1985 per share amounts reflect the Two-for-One stock split declared on October 5, 1987.
(2) 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.
(3) Beginning with fourth quarter 1989 reporting, obligations to deliver securities sold but not yet purchased are separately recorded on the consolidated balance sheet as liabilities under the caption securities sold, not yet purchased with the related interest expense included within interest expense on the consolidated statement of operations. In previously issued financial statements, these liabilities were netted against trading account assets and the related interest expense was included within interest revenue. Prior-years' amounts and ratios have been restated to reflect this reporting change.

PEOPLE

Common Stockholders	55,000
Staff	
Domestic	51,000
Overseas	41,000
TOTAL	**92,000**

OFFICES

United States (in 43 states and the District of Columbia)	
Citibank, N.A.	
Branches	293
Subsidiaries	71
Citibank (New York State)	
Branches	39
Subsidiaries	8
Citicorp Savings	252
Other Citicorp Subsidiaries	522
TOTAL DOMESTIC	**1,185**

Overseas (in 89 countries)	
Citibank Branches and Representative Offices	291
Banking Subsidiaries	653
Banking Affiliates	115
Other Financial Affiliates and Subsidiaries	1,121
TOTAL OVERSEAS	**2,180**
TOTAL DOMESTIC AND OVERSEAS	**3,365**

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., its major subsidiary.

Today Citicorp, with its subsidiaries and affiliates, is a global financial services organization. Its staff of 92,000 serves individuals, businesses, governments, and financial institutions in over 3,300 locations, including branch banks, representative offices, and subsidiary and affiliate offices in 43 states, the District of Columbia, and 89 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 government agencies.

Citicorp's activities are centered around two basic constituencies: individuals and institutions. The Global Consumer business serves the fullest possible range of financial needs of individuals, while the Global Finance business serves corporations, financial institutions, governments, and capital markets. Global Finance, in turn, falls into two broad areas, reflecting a basic difference in the world's institutional marketplaces. In the Developed Economies of North America, Europe, Japan, Australia, and New Zealand, Citicorp brings together the resources of corporate and investment banking to meet the sophisticated demands of both investors and issuers. In the Developing Economies and newly industrialized countries, Citicorp's local franchise and presence in the countries of Latin America, Asia, Eastern Europe, the Middle East and Africa serves a more traditional marketplace, where business is primarily local and the demand is for traditional corporate banking and finance. Citicorp's cross-border refinancing assets and earnings are a separate focus from the local activities in the refinancing countries; this is an activity that has become highly centralized and is discussed in depth on pages 26–29.

The Information Business currently centers around Quotron, with several other initiatives (a point-of-sale business and a travel information service) in development.

Business Focus

	NET INCOME (LOSS) $ MILLIONS		AVERAGE ASSETS $ BILLIONS		RETURN ON EQUITY[1]	
	1989	1988[2]	**1989**	1988[2]	**1989**	1988[2]
Global Consumer	**$ 842**	$ 626	**$106**	$ 97	**19.9%**	16.1%
Global Finance						
Developed Economies	**651**	810	**88**	87	**18.5%**	23.3%
Developing Economies[3]	**385**	285	**17**	17	**56.6%**	41.9%
Information Business	**(178)**	(105)	**1**	1	**N/M**	N/M
Cross-Border Refinancing Portfolio	**(1,151)**	278	**11**	12	**N/M**	57.9%
Other—Corporate Items[4][5][6]	**(51)**	(36)	**(2)**	(3)	**N/M**	N/M
TOTAL CITICORP	**$ 498**	$1,858	**$221**	$211	**4.3%**	23.6%

(1) The business focus return on equity is based on dividing net income by a standard imputed average equity reflecting Citicorp's internal target.
(2) Restated to reflect organizational changes, as well as the change in the reporting of securities sold, not yet purchased.
(3) Includes developing economies and newly industrialized countries.
(4) Included in average assets is the allowance for possible credit losses.
(5) The 1989 results include a $77 million gain (after-tax) from the sale of premises in Tokyo.
(6) The 1988 results include an extraordinary item of $160 million of carryforward tax benefits.
N/M Not Meaningful.

Global Consumer

Citicorp's Global Consumer business serves the fullest possible range of consumer financial needs worldwide.

Global Consumer

IN MILLIONS OF DOLLARS	1989	1988	VAR	%
Customer Net Revenue	**$7,778**	$6,899	$879	13
Credit Cycle Expense	**$1,979**	$1,746	$233	13
Delivery Expense	**4,650**	4,295	355	8
Total Expense	**$6,629**	$6,041	$588	10
Other Income (Expense)	**$ 118**	$ 92	$ 26	28
Income Before Taxes	**$1,267**	$ 950	$317	33
NET INCOME	**$ 842**	$ 626	$216	35
Average Assets ($ Billions)	**106**	97	9	9
Return on Assets (%)	**.80**	.64	.16	—
Return on Equity (%)[1]	**19.9**	16.1	3.8	—

(1) Return on equity is based on dividing net income by a standard imputed average equity reflecting Citicorp's internal target.

The above summary presents Global Consumer results in terms closely related to the Global Consumer business. Customer net revenue embraces 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, and the expense associated with credit appraisal and the process of collecting past-due or written-off accounts. Delivery expense includes non-credit related costs of delivering our products and services to the consumer. Other income 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 1989[1]
Assets[2]	
Revolving Loans	**$ 23.5**
Shelter Loans	**43.1**
Student Loans	**2.3**
Other Loans[3]	**29.3**
Other Assets	**14.1**
	$112.3
Liabilities	
Transaction Account Deposits[4]	**$ 17.6**
Savings Deposits	**71.3**
Other (Includes allocated equity)	**23.4**
	$112.3

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

The Global Consumer business earned $842 million in 1989, up $216 million, or 35%, from 1988. The year-to-year earnings growth rate would have been 26% if the $41 million after-tax loss incurred in the phase-out of Citicorp's mobile home and certain automobile lending businesses in the fourth quarter of 1988 were excluded. The substantial earnings improvement reflected growth across the major businesses and was achieved despite the continuing slow mortgage market and increased net write-offs in community banking activities, primarily commercial real estate loans in Arizona. The key performance indicators, return on equity of 19.9% and return on assets of 0.80%, improved significantly year-to-year, up from 16.1% and 0.64%, respectively.

During 1989, the Global Consumer business securitized $6.1 billion of credit card receivables compared with $0.8 billion during 1988. While the impact on net income is negligible, revenue and asset growth as well as credit loss and asset ratios are affected by securitization. The impact of credit card receivables securitization is described below and on page 42.

Domestic earnings gains continue to be driven by the credit card business and the strong New York branch system. The solid profit performance and year-to-year gains in the credit card business were the result of ongoing successful card solicitation programs, portfolio acquisitions, and increased share of credit card purchase sales.

International consumer earnings were up 33% over 1988, led by growth in Asia and Latin America. The international branch businesses and credit cards contributed to the earnings growth. Credit cards have now been introduced in 16 countries outside the United States. The Private Bank also recorded gains internationally.

The Global Consumer average assets rose [illegible] to $106 billion from $97 billion in 1988. Credit card receivables grew 7%, to $21 billion, net of the impact of securitizing $6.1 billion of credit card receivables during 1989 and $0.8 billion in 1988. First mortgage outstandings were $39 billion, compared with $38 billion in 1988.

Customer net revenue rose to $7.8 billion in 1989, up $879 million, or 13%, from 1988. Momentum was particularly strong in the domestic card and international businesses, offsetting revenue pressures in the mortgage business. Mortgage pass-through gains improved significantly to $192 million in 1989, up $65 million year-to-year.

Credit cycle expense grew 13% to $2 billion in 1989. Net credit write-offs were $1,228 million, compared with $1,248 million in 1988. Net write-offs as a percentage of average loans were 1.35% for the year, compared with 1.50% in 1988. The 1988 net credit losses included $198 million from the phase-out of the mobile home and certain automobile lending businesses. Excluding the impact of this one-time charge, the net write-off ratio would have been 1.27% in 1988. The year-to-year increase in the net write-off ratio is attributable largely to community banking activities, primarily commercial real estate in Arizona, and increases in certain other domestic and overseas consumer businesses.

The credit loss provision was $1.3 billion, up 11% from $1.2 billion in 1988. The allowance for possible credit losses represented 0.87% of year-end consumer loans, unchanged from last year. During 1988, the allowance for possible credit losses had been reduced from 1.03% to 0.87%, primarily reflecting improved portfolio quality and the phase-out of the mobile home and certain automobile lending businesses.

Delivery expenses grew 8%, or $355 million, year-to-year, maintaining the level of year-to-year increases well below the revenue increases. The increase in delivery expenses was primarily due to investment initiatives in the credit card and international branch businesses.

For analytical purposes, the following table provides certain performance indicators for the Global Consumer business on a basis which adjusts certain amounts as if credit card receivables had not been securitized. The principal adjustments to the table below are to increase customer net revenue by $206 million in 1989 and $4 million in 1988. Net credit write-offs are increased for the corresponding periods by similar amounts.

In addition, the table reinstates the securitized receivables as assets for the purpose of calculating average assets and return ratios. The effect on average assets was $4 billion in 1989. The effect on average assets in 1988 was negligible. The impact of securitization is discussed further on page 42.

IN MILLIONS OF DOLLARS	**1989**	1988	VAR.	%
Customer Net Revenue	**$7,984**	$6,903	$1,081	16
Net Write-offs	**1,434**	1,251	183	15
Credit Loss Ratio	**1.51%**	1.51%	—	—
Average Assets ($ Billions)	**110**	97	13	13
Return On Assets (%)	**.77**	.64	.13	—

Global Finance

The Global Finance business serves corporations, financial institutions, governments, and capital markets around the world. Global Finance falls into two broad areas, reflecting a basic difference in the world's institutional marketplaces. In the Developed Economies of North America, Europe, Japan, Australia, and New Zealand, Citicorp brings together the resources of corporate and investment banking to meet the sophisticated demands of both investors and issuers. In the Developing Economies, and newly industrialized countries, Citicorp's local franchise and presence in the countries of Latin America, Asia, Eastern Europe, the Middle East, and Africa serves a more traditional marketplace, where business is primarily local and the demand is for traditional corporate banking and finance.

Developed Economies

IN MILLIONS OF DOLLARS	1989	1988[1]	VAR	%
Total Revenue	**$3,856**	$3,898	$ (42)	(1)
Provision for Possible Credit Losses	**197**	63	134	N/M
Operating Expense	**2,608**	2,511	97	4
NET INCOME	**$ 651**	$ 810	$(159)	(20)
Average Assets ($ Billions)	**88**	87	1	1
Return on Assets (%)	**.74**	.93	(.19)	—
Return on Equity (%)[2]	**18.5**	23.3	(4.8)	—

(1) Restated to reflect organizational changes, as well as the change in the reporting of securities sold, not yet purchased.
(2) Return on equity is based on dividing net income by a standard imputed average equity reflecting Citicorp's internal target.
N/M Not Meaningful.

Global Finance earnings in the developed economies of $651 million in 1989 were down $159 million from $810 million last year. The earnings performance reflected a difficult environment in both foreign exchange and securities trading, a weakening in the U.S. real estate and leveraged acquisition finance markets, and a relatively poor performance in Europe which included a $68 million restructuring charge for the equities business in the United Kingdom. The difficulties in these markets are likely to continue in 1990.

Total revenue of $3.9 billion decreased slightly from 1988. Net interest revenue was down year-to-year reflecting the drag of cash-basis real estate loans in the U.S. and the impact of high interest rates in Europe. Customer transaction foreign exchange revenues, which are less volatile and represent approximately one-half of total foreign exchange revenues, were up year-to-year. This increase was more than offset by lower interbank trading revenues, which were down in all major trading regions, reflecting a difficult environment. Securities trading revenues were also down from last year. Fees increased slightly year-to-year, reflecting increased fees in Europe, partially offset by the slowdown of deal-related fees in North America, and the lack of fees from the U.S. pension fund management business which was sold in the third quarter of 1988. However, venture capital gains were significantly higher than last year as were the sale of lease residuals. Last year also included $90 million in pre-tax gains from the sale of the U.S. pension fund management business.

Operating expense increased 4% from last year. This year's expenses included $68 million of restructuring expenses for the United Kingdom equities business. This restructuring will cover the cost of closing unprofitable activities and goodwill write-offs in Citicorp Scrimgeour Vickers, which incurred operating losses of $65 million in 1989. Expenses in 1988 included $63 million of closing or restructuring costs, primarily in the equities brokerage businesses in Asia and the U.K.

Net commercial loan write-offs in the developed economies were $146 million in 1989 up from $43 million in 1988. The increase in net write-offs primarily related to the real estate and leveraged acquisition finance portfolios in North America. For further discussion on the commercial loan portfolio, see page 32.

Average assets of $88 billion increased $1 billion from last year. Both return on equity of 18.5% and return on assets of 0.74% declined from last year.

Developing Economies

IN MILLIONS OF DOLLARS	1989	1988[1]	VAR	%
Total Revenue	**$1,416**	$1,096	$320	29
Provision for Possible Credit Losses	**—**	55	(55)	N/M
Operating Expense	**642**	600	42	7
NET INCOME	**$ 385**	$ 285	$100	35
Average Assets ($ Billions)	**17**	17	—	—
Return on Assets (%)	**2.26**	1.68	.58	—
Return on Equity (%)[2]	**56.6**	41.9	14.7	—

(1) Restated to reflect organizational changes, as well as the change in the reporting of securities sold, not yet purchased.
(2) Return on equity is based on dividing net income by a standard imputed average equity reflecting Citicorp's internal target.
N/M Not Meaningful.

Global Finance earnings from the more traditional local banking business in the developing economies were $385 million, up 35% from last year, reflecting strong earnings growth in Latin America and a solid performance in Asia.

Total revenue of $1.4 billion in 1989 was up $320 million, a 29% increase from last year. The revenue growth was spread across the geographic regions and was particularly strong in Latin America, due to local currency funding activities in a volatile marketplace. Partially offsetting these increases were lower foreign exchange revenues in Asia.

Year-to-year expense growth was 7%. Operating expenses increased from $600 million in 1988 to $642 million in 1989.

The net of commercial loan write-offs and recoveries in the developing economies resulted in a net recovery of $7 million in 1989, compared with net write-offs of $53 million in 1988. This was the result of reduced net write-offs in Latin America, Asia and the Middle East. For further discussion on the commercial loan portfolio, see page 32.

Both return on equity at 56.6% and return on assets at 2.26% achieved substantial increases, while average assets remained flat compared with last year.

Global Finance Average Balance Sheet

IN BILLIONS OF DOLLARS	December 1989[1]
Assets	
Loans[2]	$ 54.5
Deposits at Interest with Banks	12.5
Investment Securities	9.4
Trading Assets	9.7
Acceptances	4.4
Securities Purchased Under Agreements to Resell	8.0
Other	11.3
TOTAL	$109.8
Liabilities	
Interest-Bearing Deposits	$ 38.8
Non-Interest-Bearing Deposits	8.4
Other Borrowed Money	23.6
Acceptances	4.4
Securities Sold Under Agreements to Repurchase	11.6
Other (Includes allocated equity)	23.0
TOTAL	$109.8

(1) Average balances for the month of December
(2) Loan amounts are net of unearned income

Global Finance Net Income by Product

IN MILLIONS OF DOLLARS	1989
Core Lending	$ 48
Foreign Exchange and Hedging	170
Debt Products/Money Market Services	205
Specialized Finance	211
Liquidity Insurance, Financial Guarantees, and Asset Intermediation	121
Equity Products	16
Advisory Trade, Transaction Processing, and Other	265
TOTAL	$ 1,036

PRODUCTS DELIVERED TO GLOBAL FINANCE 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 loans to corporations, governments, and financial institutions.

Foreign Exchange and Hedging

Citicorp is the world's largest foreign exchange dealer. Citicorp helps customers whose business, investment, or fund-raising activities reach beyond national boundaries in obtaining currency and hedging currency and interest rate exposure. Assistance is provided through a variety of 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.

Debt Products/Money Market Services

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.

Specialized Finance

Specialized finance is the generic term for our nontraditional lending, for example, asset-based lending, corporate asset funding, leveraged finance, 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, earnings from financial guarantees relating to the U.S. municipal bond business through our subsidiary AMBAC, and income from asset intermediation activities, such as asset sales, brokering, and direct placements.

Equity Products

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

Advisory, Trade, Transaction Processing, and Other

Citicorp has merger and acquisition specialists in 20 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 the category are cash management and earnings on allocated equity.

Information Business

The Information Business continues its focus toward a global system that distributes financial database services worldwide and integrates banking, electronic publishing, and telecommunication services.

Acquired in mid-1986, Quotron is the core component of Citicorp's Information Business. It is most prominent in the domestic equities markets in providing on-line, real-time financial information services. It is moving rapidly into additional markets for information on fixed-income securities and foreign exchange.

Other Information Business initiatives consist of the development of a point-of-sale information service that will assist packaged goods manufacturers and retailers in marketing to consumers, and a travel information service that will help corporations lower their travel expenses.

Information Business

IN MILLIONS OF DOLLARS	1989	1988	VAR.	%
Total Revenue[1]	**$ 282**	$ 305	$ (23)	(8)
Operating Expense	**565**	459	106	23
NET (LOSS)	**$(178)**	$(105)	$ (73)	(70)

(1) Net of Interest Expense.

Overall the Information Business recorded a net loss of $178 million in 1989, compared with a net loss of $105 million in 1988. The losses reflect continued investment in the expansion of Quotron's products, markets and technology platforms, other information investment initiatives, and the acquisition cost of Quotron. Also reflected are $35 million (pre-tax) in expenses at Quotron, related to severance costs in response to the overall downturn in the retail securities industry and equipment write-offs.

Revenue of $282 million was down $23 million, or 8%, from the prior year. This decline was attributable to increased funding costs related to current operations and business expansion. Quotron's domestic service revenue was slightly worse than 1988 due to the decline in securities industry activity and the loss of major accounts. The decline was partially offset by increased international service revenues from Quotron and from other products.

Operating expenses of $565 million increased 23% from last year, reflecting continued investment spending in future product and technology initiatives, and equipment write-offs and severance costs at Quotron. Excluding the equipment write-offs and severance, expenses increased by $71 million, or 15%.

Cross-Border Refinancing Portfolio

The cross-border refinancing portfolio represents cross-border lending to refinancing countries. This activity has become highly centralized and is examined separately from local activities in these countries.

Cross-Border Refinancing Portfolio

IN MILLIONS OF DOLLARS	1989	1988[1]	VAR.	%
Total Revenue	$ (90)	$ 532	$ (622)	N/M
Provision for Possible Credit Losses	987	9	978	N/M
Operating Expense	75	84	(9)	(11)
Net Income (Loss)	$(1,151)	$ 278	$(1,429)	N/M
Average Assets ($ Billions)	11	12	(1)	(8)
Return on Assets (%)	(10.50)	2.32	(12.82)	—
Return on Equity (%)[2]	N/M	57.9	N/M	—

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

Citicorp's cross-border refinancing portfolio activities resulted in a net loss of $1,151 million in 1989 compared with net income in 1988 of $278 million. Included in 1989 is an addition of $1 billion to the allowance for possible credit losses (taken in the fourth quarter) to provide for risks associated with the refinancing portfolio. The additional provision increased the allowance for refinancing country exposure to $3.3 billion at December 31, 1989 reflecting Citicorp's judgment as to the underlying economic risks. At $3.3 billion, the refinancing countries reserve continues to give Citicorp the flexibility to reduce its exposure while still providing new money justified by individual country circumstances, and reflects Citicorp's almost unique long-term local franchise presence, commitments, and prospects in these countries. Medium- and long-term exposure to refinancing countries was $8.6 billion at December 31, 1989, down $0.9 billion from December 31, 1988.

Earnings in the refinancing portfolio also reflect the cross-border interest payment patterns of certain refinancing countries. Last year's results included $661 million of Brazilian cross-border interest payments on cash-basis medium- and long-term outstandings, representing nearly two years of interest due from Brazil; while in 1989 only $170 million of such cross-border interest payments from that country were received, representing approximately one-half year of interest payments. In addition, the negative impact on revenues of cash-basis Argentine loans was $27 million more than in 1988, as no payments were received in 1989.

Net commercial write-offs in refinancing countries were $577 million, an increase of $169 million from last year. These losses include country write-offs of $501 million, including $395 million in Argentina, and reductions associated with actions taken in restructuring Citicorp's exposure, primarily sales and swaps of refinancing loans.

For details on the refinancing portfolio, see the International Financing section on pages 26-29.

Other—Corporate Items

Corporate Items consists of unallocated corporate costs and other corporate items. In 1989, Corporate Items resulted in a net loss of $51 million, compared with a net loss of $36 million in 1988. Included in Corporate Items for 1989 is a $180 million ($77 million after-tax) gain from the sale of premises in Tokyo. Gains on the sales of securities from the investment portfolio held at the corporate level, which are also reflected in Corporate Items, increased $48 million in 1989. Corporate Items in 1988 included an extraordinary item of $160 million of carryforward tax benefits related to the $3 billion addition to the allowance for possible credit losses made in 1987. Income taxes are attributed to the businesses on a local tax rate basis with the balance held at the corporate level.

Other—Corporate Items

IN MILLIONS OF DOLLARS	1989	1988[1]	VAR.	%
Total Revenue	$ 128	$ (60)	$ 188	N/M
Operating Expense	252	233	19	8
Net (Loss)	$ (51)	$ (36)	$ (15)	(42)

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

International Financing

The year 1989 brought fundamental changes in the strategy for managing the international debt crisis. The effects of those changes, however, remain far from clear.

The strategy that had been followed since August 1982, when the debt crisis began, focused on new money as the cornerstone of the financial packages that commercial banks worldwide assembled for various restructuring countries. Those packages provided the countries time, by postponing debt repayments, and resources, in the form of new money, to help them implement the economic reforms necessary for them eventually to grow out of the debt crisis.

The emphasis was on burden-sharing and cooperation among the various parties — creditor and debtor governments, the international financial institutions, such as the International Monetary Fund, the World Bank and regional development banks, and commercial banks. The goal was to support strong economic-reform programs that would allow the countries to return eventually to the voluntary capital markets where they, as developing countries, could raise the incremental funds they will need for their future growth. New-money exercises, which encouraged large numbers of creditor banks to continue lending to the countries, clearly were consistent with that goal.

At the same time, voluntary debt-reduction programs grew in importance. Under such programs, creditor banks may convert their loans to a country, invariably at a loss, into different instruments — for example, into equity in local business ventures or into bonds. The indebted country gains from these conversions to the extent that it reduces its total debt at a discount to face value. However, the country takes the longer-term risk of limiting its future financing: Banks that have taken losses on loans to a borrower are less likely to lend again to the same borrower.

Progress was made under this new-money-oriented strategy. With support from commercial banks and other creditors, many of the restructuring countries started reforming, privatizing, and opening their economies. Chile, Uruguay, Mexico, and the Philippines, all of which have returned to growth, are examples of how the right economic policies can work. There have been a few, though small, voluntary market transactions, by Chile, Mexico, Uruguay, and Venezuela.

Some of the countries, however, have so far failed to make the necessary economic changes, and progress overall has been slower than many of us had hoped. In March 1989, U.S. Treasury Secretary Nicholas Brady proposed that voluntary debt reduction by the commercial banks replace new money as the centerpiece of a changed strategy. He also made the point, largely overlooked since, that some continuing flows of new money must remain an essential part of that strategy. In response to the Brady proposals, the International Monetary Fund and the World Bank agreed to offer certain resources to back debt reduction for countries with viable economic programs. This backing includes loans from those institutions that the restructuring countries can use to buy back debt from commercial banks at a discount or to guarantee principal and partial interest payments on new obligations exchanged for debt through voluntary debt-reduction programs.

During 1989, commercial banks negotiated preliminary agreements on the first three packages under the revised strategy — with Mexico, the Philippines, and Costa Rica. Negotiations were underway with several other countries on voluntary debt-reduction agreements.

The three agreements negotiated are all different, reflecting the differing circumstances in each borrower country. The Mexican agreement offers creditor banks three basic options — exchanging debt for bonds that reduce principal, exchanging debt for bonds that reduce interest payments, or lending new money. The Philippines agreement has just two basic options — a debt buy-back and new money, while the Costa Rican agreement has no new-money option.

In keeping with the new strategy, the three agreements strongly emphasize voluntary debt reduction over continuing flows of new money. In these packages, all the public-sector resources are devoted to encouraging debt reduction; enhancements for new money are underemphasized or ignored completely. Many banks feel that these signals, and others that they are receiving from some public officials, stress debt reduction only, not new money, and they are responding accordingly.

However, the resources made available by the public sector to support debt reduction are proving insufficient to meet the expectations of various borrowing countries and, generally, to resolve the debt problem. This insufficiency was apparent in the packages for Mexico and the Philippines. Both countries needed incremental new money from commercial banks to help finance the debt-reduction options in their packages.

The current underemphasis on new money raises a more fundamental concern. Many developing countries will continue to need some new commercial-bank funding over the longer term, as they have in the past, to complement their own savings, foreign investment inflows, and funds from official sources.

Yet debt-reduction programs — particularly those involving debt-principal reduction — basically encourage banks to end their lending relationships with the participating countries. It is appropriate that some banks, consistent with their business strategies, choose to go this route. It is also appropriate that such banks do so through burden-sharing, by voluntarily taking losses through debt-reduction programs that, unlike discounted sales to third parties in the secondary market, pass on the benefits of those losses to the countries themselves.

At the same time, we believe that there is a core group of international lenders, Citicorp included, that have a commitment to the future of the developing world. These banks would be willing, under the right circumstances, to continue to support those countries that are making serious efforts to reform their economies.

Consequently, commercial-bank financing packages should be designed not only to provide exit instruments for banks wishing to leave, but also to encourage a core group of banks to continue lending to the developing world. If this does not happen, many developing countries will have to rely exclusively on capital flows from official sources. Recent history suggests that this dependence could severely limit the growth of the developing world.

Specifically, Citicorp supports a more balanced financing approach for future commercial-bank packages — one that, in

addition to voluntary debt reduction, recognizes the importance of continuing new-money flows and seeks to encourage them. New-money options could include, for example, trade-finance facilities, onlending, project financings, new-money bonds, debt-equity conversions, and co-financings with the World Bank and regional development banks. None of these options would necessarily require the use of creditor-country funds.

We are further concerned over significant increases in arrearages in interest payments to commercial banks by a number of countries since the adoption of the current debt-management strategy. In some cases, this development may reflect a perception by those countries that the current strategy condones their use of arrearages as a form of external financing. The International Monetary Fund, for example, has broken with previous policy and is now willing to disburse resources to countries that are in arrears to commercial-bank creditors.

The arrearage problem, if not addressed satisfactorily, will have important ramifications for both creditor banks and indebted countries. During 1989, some creditors, including Citicorp, increased their credit-loss reserves, significantly reducing earnings. Many of them cited mounting arrearages as a major reason. Continuing arrearages obviously will make it increasingly difficult to complete future commercial-bank financing packages for the countries in question and, therefore, will retard their efforts to return to the voluntary markets.

Given these problems and the resulting uncertainties, we believe that the current strategy has positioned the debt crisis at a turning point. If not managed carefully, the strategy could undermine the progress to date and leave future financing for much of the developing world entirely to governmental sources. If managed carefully, however, with a renewed emphasis on cooperation, it could alleviate the situation and set the stage for the eventual return of some of the restructuring countries to the private capital markets.

CROSS-BORDER AND FOREIGN CURRENCY OUTSTANDINGS

At the end of 1989, Citicorp's cross-border and foreign currency outstandings in the refinancing countries — defined as those countries that are currently in the process of refinancing their external debt or have completed such refinancings — included $8.6 billion of medium- and long-term loans and placements. In addition, Citicorp had $1.5 billion of trade and short-term claims, $0.7 billion of investments in and advances to its local franchises in these countries, and $0.3 billion of equity investments obtained in debt-for-equity swaps.

At $8.6 billion, medium- and long-term loans and placements in the refinancing countries were down $0.9 billion from $9.5 billion at year-end in 1988, reflecting country write-offs and outright sales, swaps, and repayments of debts.

The credit loss allowance at December 31, 1989 included $3,285 million attributable to the refinancing country portfolio. This represented 38% of Citicorp's $8.6 billion medium- and long-term loans and placements in the refinancing countries. As a percentage of Citicorp's $[illegible].1 billion total cross-border claims on third parties in these countries, this portion of the allowance was 32% at year-end 1989.

Adding the $801 million cumulative amount of country write-offs that have already been charged off against the allowance together with the $3,285 million allowance amount gives a total of $4,086 million, equivalent to 44% coverage of similarly adjusted medium- and long-term claims. Country write-offs are those write-offs that are based on countries' foreign currency debt-servicing problems, as opposed to write-offs related to credit problems of individual commercial borrowers in the refinancing countries.

During 1989, the refinancing country portion of the allowance was charged with $590 million of country write-offs and losses on loan sales and swaps. There were no write-offs based on credit problems of individual commercial borrowers in these countries, and the allowance was credited with $13 million of recoveries of such write-offs taken in prior years.

Outstandings in Refinancing Countries

IN BILLIONS OF DOLLARS AT YEAR END	**1989**	1988	1987
Cross-Border Claims on Third Parties:			
Medium- and Long-Term	**$8.6**	$9.5	$10.7
Trade and Short-Term	**1.5**	1.7	1.8
Other:			
Investments in and Funding of Local Citicorp Franchises	**.7**	.7	.8
Equity Investments[1]	**.3**	.2	—

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

The credit loss provision was $987 million for the year, including the $1 billion addition to the allowance for possible credit losses attributable to the refinancing country portfolio recorded in the fourth quarter.

Loan sales in 1989 involved principal amounts totaling $269 million at an average discount of 26%. Loan swap transactions involved principal amounts totaling $89 million and were accounted for according to the estimated fair values involved, which averaged approximately 78% of the par amount. Equity investments obtained in debt-for-equity swaps are carried at the lower of cost or market.

At December 31, 1989, Citicorp's cross-border and foreign currency outstandings in Brazil exceeded 1% of total assets. There were no refinancing countries with cross-border and foreign currency outstandings between 0.75% and 1% of total assets other than Mexico.

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

IN BILLIONS OF DOLLARS AT YEAR END		CROSS-BORDER CLAIMS ON THIRD PARTIES		INVESTMENTS IN AND FUNDING OF LOCAL CITICORP FRANCHISES		**1989**	1988	1987
	BANKS	PUBLIC SECTOR	PRIVATE SECTOR		EQUITY INVESTMENTS(4)	**TOTAL OUTSTANDINGS**	TOTAL OUTSTANDINGS	TOTAL OUTSTANDINGS
United Kingdom	$ .7	$ .1	$2.2	$5.4	$—	**$8.4**	$7.0	$5.4
Brazil	.3	2.9	[illegible]	.1	.1	**3.9**	4.0	4.3
Japan	1.1	—	1.2	1.2	—	**3.5**	3.2	4.2
Canada	.3	—	1.2	1.2	—	**2.7**	2.2	1.6
Federal Republic of Germany	.2	—	.4	1.7	—	**2.3**	1.9	2.9
Mexico	.3	1.6	.1	.1	.1	**2.2**	2.3	2.6

(1) Outstandings are presented on a regulatory basis and include all loans, deposits at interest with banks, acceptances, other interest-bearing investments, and other monetary assets. Adjustments have been made to assign externally guaranteed outstandings to the country of the guarantor and outstandings for which tangible, liquid collateral is held outside of the obligator's country to the country in which the collateral is held.
(2) Legally binding cross-border and foreign currency commitments, including irrevocable letters of credit and commitments to extend credit, after adjustments to assign externally guaranteed commitments to the country of the guarantor, amounted to $5.5 billion in the United Kingdom, $0.6 billion in Japan, $0.9 billion in Canada, and $0.7 billion in the Federal Republic of Germany at December 31, 1989. Commitments were less than $0.1 billion in Brazil and Mexico.
(3) At December 31, 1989, there were no countries with cross-border and foreign currency outstandings between 0.75% and 1.0% of total assets other than Mexico. At December 31, 1988, the only such country was the Federal Republic of Germany. At December 31, 1987, the only such country was Canada.
(4) Equity investments obtained in debt-for-equity swaps.

The following is a summary of developments in the major refinancing countries toward the resolution of payment problems. Citicorp management continues to evaluate these developments and their possible impact on Citicorp's financial condition.

BRAZIL

In October 1988, Brazil and its bank creditors completed the signing of agreements relating to the commercial bank portion of the country's external financing plan. The agreements included a total of $5.2 billion in new money facilities (Citicorp's commitment approximately $346 million), a Multi-Year Deposit Facility Agreement restructuring approximately $62 billion of medium-term debt (Citicorp's share $3.1 billion as of December 31, 1989), and the maintenance of trade and interbank commitments of $14.4 billion at previously agreed upon levels (Citicorp's share $660 million). The agreements were described in detail in Citicorp's 1988 Annual Report and Form 10-K.

In November 1988, the first disbursement of $4 billion under the 1988 new money agreements was made (Citicorp's share $301 million). In April 1989, the second disbursement of $600 million under the 1988 new money agreements was made (Citicorp's share $33 million). The final disbursement of $600 million was subject to certain conditions precedent that were not satisfied, and the commitment of the banks under such new money agreements terminated on September 30, 1989.

In June 1989, Brazil suspended interest payments on its medium- and long-term commercial bank debt. Arrearages reached approximately $4 billion at year end, including $194 million due but unpaid to Citicorp. At December 31, 1989, Citicorp carried its $3.3 billion of medium- and long-term Brazil outstandings on a cash basis.

Negotiations on the foreign debt are expected to resume in the second quarter of 1990 following the inauguration of President-elect Fernando Collor de Mello on March 15, 1990.

MEXICO

On February 4, 1990, Mexico and its major commercial banks formally signed an agreement covering all of Mexico's $48.5 billion medium- and long-term public sector commercial bank debt (Citicorp's share of the affected debt is approximately $1.6 billion out of its $1.8 billion total medium- and long-term outstandings to Mexico as of December 31, 1989). The financing package offered each creditor bank a range of options including principal reduction, interest reduction, and new money options.

Under the principal-reduction and interest-reduction options, creditor banks will exchange their medium- and long-term loans for 30-year bonds to be issued by the Government of Mexico. Principal payments will be collateralized by U.S. Treasury zero-coupon obligations or comparable collateral. Eighteen months of interest payments on the bonds will be backed by a collateral account.

Principal-reduction bonds will be issued in exchange for existing loans at a discount of 35% with a floating interest rate of the London Interbank Offered Rate (LIBOR) plus 13/16%. The interest-reduction bonds, which will be issued in exchange for existing loans at par, will bear interest at a fixed rate of 6.25%. The agreement also provides the creditor banks that select debt and debt-service reduction options with limited value recovery opportunities starting in 1996 subject to certain limitations based on Mexico's real revenues from oil.

Creditor banks that provide new money were asked to commit over a four-year period a total of 25% of their existing medium- and long-term loans that are not exchanged for principal-reduction or interest-reduction bonds. The new loans will be repayable in 15 years, with 7 years grace, and will bear interest at LIBOR plus 13/16%. New money options will include facilities for trade finance, onlending and new money bonds.

Citicorp has selected the new money option described above with the resulting commitment to extend $394 million in new

money of which $231 million is to be disbursed in 1990 and the remainder in 1991 and 1992.

Debt-equity conversions will be available to creditor banks under Mexico's privatization program, as well as for certain infrastructure projects to be determined by the Mexican Government in an aggregate amount equivalent to U.S. $1 billion of debt annually over a three-and-one-half year period.

Changes in Outstandings in Brazil and Mexico

IN MILLIONS OF DOLLARS	BRAZIL	MEXICO
Total Outstandings at December 31, 1988	$3,951	$2,288
Short-Term Outstandings[1]		
Net Change	(19)	(3)
Other Outstandings		
Additional Outstandings	161	—
Interest Income Accrued[2]	11	209
Collections of Principal	(128)	(43)
Collections of Accrued Interest[2]	(11)	(211)
Other Changes	(38)	(71)
TOTAL OUTSTANDINGS AT DECEMBER 31, 1989[3]	$3,927	$2,169

(1) Represents trade credits and interbank deposits with original maturities of one year or less.
(2) In 1989, total interest on total cross-border and foreign currency outstandings included in income was $261 million in Brazil and $212 million in Mexico, and such interest received in cash was $265 million in Brazil and $214 million in Mexico.
(3) Includes short-term outstandings of $401 million in Brazil and $201 million in Mexico.

OTHER COUNTRIES

During 1989, Argentina continued not to pay interest on its medium- and long-term obligations. In the second quarter of 1989, Citicorp wrote down $185 million of its medium- and long-term Argentine exposure. In the fourth quarter of 1989, Citicorp wrote down an additional $210 million of its medium- and long-term Argentine exposure. The write-downs, which were charged against the portion of Citicorp's credit loss allowance attributable to the refinancing countries, reduced the carrying value of the outstandings affected to 60% of face value.

At December 31, 1989, Citicorp's cash-basis loans in Argentina were approximately $564 million, representing substantially all of Citicorp's medium- and long-term outstandings in that country. The impact on 1989 earnings of nonpayment of interest by Argentina was $102 million pre-tax.

The accompanying table provides additional details at December 31, 1989 of Citicorp's outstandings in the refinancing countries and also indicates the amount of local and foreign currency cash basis loans in those countries. The sixth column shows the estimated after-tax impact of cash-basis loans on earnings for the year ended December 31, 1989. The amounts include interest reversed when loans are placed on a cash basis, plus the cost of carrying the cash-basis loans, reduced by interest received in cash and included in income.

Details of Refinancing Countries

		CROSS-BORDER CLAIMS ON THIRD PARTIES[1]			CASH-BASIS LOANS	
	MEDIUM- AND LONG-TERM	TRADE AND SHORT-TERM	INVESTMENTS IN AND FUNDING OF LOCAL CITICORP FRANCHISES	EQUITY INVESTMENTS[2]	AMOUNT AT YEAR END[3]	ESTIMATED AFTER-TAX IMPACT OF CASH-BASIS LOANS ON EARNINGS[4]
	$ BILLIONS	$ BILLIONS	$ BILLIONS	$ BILLIONS	$ MILLIONS	$ MILLIONS
Argentina	$ .6	$ .2	$..	$—	$ 564	$ (54)
Brazil	3.3	.4	.1	.1	3,387	(130)
Chile	.2	.1	—	.1	—	—
Ecuador	.1	—	—	—	125	(8)
Mexico	1.8	.2	.1	.1	31	(1)
Nigeria	.1	—	—	—	138	3
Philippines	.2	.5	.4	—	28	2
South Africa	.6	—	—	—	—	—
Uruguay	.3	—	—	—	—	—
Venezuela	.6	.1	—	—	7	1
Yugoslavia	.2	—	—	—	—	—
All Other[5]	.6	—	—	—	353	(8)
TOTAL	**$8.6**	**$1.5**	**$.7**	**$.3**	**$4,633**	**$(195)**

(1) Legally binding cross-border and foreign currency commitments, including irrevocable letters of credit and commitments to extend credit, after adjustments to assign externally guaranteed commitments to the country of the guarantor amounted to $0.2 billion in the Philippines at December 31, 1989. Commitments were not material in any other refinancing country.
(2) Equity investments obtained in debt-for-equity swaps.
(3) Includes both local and foreign currency loans; includes $1,347 million of bank placements in Brazil.
(4) Brackets reflect a reduction of earnings.
(5) The remaining 16 countries are as follows: between $50 million and $100 million of cross-border and foreign currency outstandings, Dominican Republic, Morocco, and Poland; less than $50 million, Bolivia, Costa Rica, Gabon, Honduras, Ivory Coast, Jamaica, Malagasy, Mozambique, Panama, Peru, Senegal, Zaire, and Zambia.

Risk Management

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

These basic principles are supported by a commitment to quality information and people. Finally a strong and growing capital base, including retained earnings, provides the ability to absorb unforeseen risks or losses.

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

Immediately below, we describe Citicorp's credit process. Following that is a discussion of market risk management, including liquidity and exposure management, and a discussion of capital. A discussion of sovereign and cross-border exposure risk can be found on page 26, accounting policies on page 51 and non-funds related financial products on page 65.

THE CREDIT PROCESS

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 closest to the customers and the marketplace. Their decisions are supported by a staff of credit specialists who not only monitor the quality of the credit but also 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 17 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 Management 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 auditing assignments ranging from two to three years. They are also responsible for recognizing any problem loan situations not yet identified by the line management as well as any substandard elements of the credit process.

The foregoing techniques apply in all aspects of our commercial lending and investment banking businesses. These include, for example, leveraged acquisition finance and non-funds related financial product activities.

In consumer lending, our credit process is based on the same concepts as for commercial loans, but the actuarial nature of consumer banking requires somewhat different 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, and 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. In private banking and community banking activities, credit processes are much like those described above for commercial lending.

PORTFOLIO RISK ANALYSIS

In the management of its credit portfolios, Citicorp emphasizes the importance of asset and earnings diversification, the immediate recognition as losses of all credits judged to be uncollectible, and the building of a credit loss allowance for additional losses that may exist in the portfolio at a point in time but that 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 future 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	**1989**	1988	1987
Attributable to:			
Consumer Credits	**$ 845**	$ 786	$ 819
Commercial Credits:			
Refinancing Countries	**3,285**	2,876	3,275
Other	**599**	543	524
TOTAL	**$4,729**	$4,205	$4,618

The total allowance as a percentage of loans was 2.95% at year-end 1989, up from 2.82% in 1988, and down from 3.35% in 1987. The consumer portion was 0.87% of consumer loans at the end of 1989 and 1988, compared with 1.03% in 1987. The commercial portion was 6.16% of commercial loans, versus 5.81% in 1988 and 6.53% in 1987.

Within the commercial portion of the allowance, the amount attributable to cross-border and foreign currency outstandings in the refinancing countries was equivalent to 38% of Citicorp's $8.6 billion medium- and long-term loans and placements in those countries at December 31, 1989. As a percentage of Citicorp's $10.1 billion total cross-border claims on third parties in these countries, this portion of the allowance was 32% at year-end 1989. The amount attributable to other commercial credits stood at 1.10% of related loans.

CONSUMER PORTFOLIO

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 generally low credit loss experience include home mortgage loans (first and second) and government-guaranteed student loans. Loans with medium credit loss experience are primarily secured products, community banking and Private Banking receivables. The category of high credit loss experience includes such unsecured products as credit cards, travel and entertainment cards, and other personal revolving-credit products. Pricing and marketing policies reflect the loss experience of each particular product.

Consumer loans are generally 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 the loan product and environmental characteristics.

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

Consumer Portfolio[1]

			1989	1988
	AVG LOANS $ BILLIONS	NET CREDIT LOSSES $ MILLIONS	**CREDIT LOSS RATIO**	CREDIT LOSS RATIO
Domestic				
Credit Loss Expense Experience:				
High	$21.0	$ 908	**4.3%**	4.2%
Medium	13.3	116	**.9%**	2.3%
Low	34.0	34	**.1%**	.1%
Total Domestic	$68.3	$1,058	**1.55%**	1.75%
International	22.5	170	**.76%**	.64%
TOTAL	$90.8	$1,228	**1.35%**	1.50%

(1) Loan amounts are net of unearned income.

While the average domestic portfolio increased by $3.4 billion to $68.3 billion in 1989, the composition of the portfolio among credit loss experience categories remained relatively unchanged from prior years. The average international portfolio, which increased from $18.0 billion to $22.5 billion, remains concentrated in the major industrial nations of Europe and Asia.

Net write-offs as a percentage of average loans were 1.35% for the year, compared with 1.50% in 1988. The 1988 net credit losses included $198 million from the phase-out of the mobile home and certain automobile lending businesses, which were classified as medium credit loss experience. Excluding the impact of this one-time charge, the net write-off ratio would have been 1.27% in 1988. The year-to-year increase is attributable largely to community banking activities, primarily commercial real estate in Arizona, and increases in certain other domestic and overseas consumer businesses.

The following table summarizes delinquencies in the consumer loan portfolio, in terms of loans 90 days past due as a percentage of related loans.

Consumer Loan Delinquency Ratios

AT YEAR END			**1989**	1988
	TOTAL LOANS[1] $ BILLIONS	90 DAYS PAST DUE $ BILLIONS	**RATIO**	RATIO
Domestic Mortgages	$35	$ .8	**2.4%**	1.2%
All Other Consumer Loans	62	2.1	**3.4%**	2.9%
TOTAL	$97	$2.9	**3.0%**	2.2%

(1) Loan amounts are net of unearned income.

Mortgage delinquencies increased considerably in the U.S. during the year. The home mortgage portfolio is geographically diversified, well secured, and of relatively low risk. While mortgage loans of certain vintages and regions are showing increased delinquencies, the ultimate impact on future earnings is not expected to be material. The increased delinquencies in other consumer loans during the year are primarily attributable to loans in the category of medium credit loss experience, both domestically and overseas.

Citicorp's policy for suspending accrual of interest on consumer loans varies depending on the terms, security, and credit loss experience characteristics of each product and in consideration of write-off criteria in place. Consumer loans for which interest had been suspended included $783 million of domestic mortgages and $1,230 million of other consumer loans at year-end 1989. These amounts are up from the corresponding $341 million of domestic mortgages and $865 million of other consumer loans at the end of 1988, reflecting increased loan volume and the delinquency experience shown in the table above, and also reflecting a change in practice whereby interest is now suspended on substantially all domestic mortgages that are 90 days past due. Foregone interest revenue resulting from suspension of interest accrual was not material in 1989.

In addition to consumer loans on which interest has been suspended based on delinquency, the foregoing includes cash basis loans in community banking and private banking activities conducted by Global Consumer units. (In the table of delinquency data, these loans are included in the All Other Consumer Loans category.) Domestically, these amounts include $325 million of commercial real estate loans carried on a cash basis, primarily in Arizona and Florida.

Consumer loans with delinquencies of 90 days or more on which interest continued to be accrued were $917 million at December 31, 1989. The majority of this amount relates to consumer loan categories, including credit card receivables, that are automatically written off upon reaching 180 days past due.

COMMERCIAL PORTFOLIO

In commercial lending, the amount of losses as a percentage of outstanding loans 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 1989, Citicorp believes it is appropriate to view the portfolio according to the elements shown in the accompanying table.

Commercial Portfolio[1]

	1989			1988[2]
	AVERAGE LOANS $ MILLIONS	NET CREDIT LOSSES $ MILLIONS	CREDIT LOSS RATIO	CREDIT LOSS RATIO
In Domestic Offices				
Commercial and Industrial	$14,406	$ 81	**.56%**	.40%
Mortgage and Real Estate	11,791	39	**.33%**	.14%
Financial Institutions	581	—	**—**	—
Lease Financing	2,885	2	**.07%**	.13%
	$29,663	$122	**.41%**	.27%
In Overseas Offices				
Commercial and Industrial	$17,846	$145	**.81%**	.93%
Mortgage and Real Estate	3,248	14	**.43%**	.19%
Financial Institutions	3,395	101	**2.97%**	.76%
Governments and Official Institutions	4,888	334	**6.83%**	4.31%
Lease Financing	1,033	—	**—**	(.24)%
	$30,410	$594	**1.95%**	1.34%
TOTAL	$60,073	$716	**1.19%**	.84%

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

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

Domestic Portfolio

Citicorp's commercial and industrial loan portfolio is broadly diversified by industry, geography, and size of customer.

Diversification has proven to be a successful factor in controlling risk. The amount of net credit losses on domestic commercial and industrial loans, expressed as a percentage of average loans, was 0.56% in 1989 and 0.40% in 1988. Including the other commercial categories (mortgage and real estate, financial institutions, and lease financing), the credit loss ratio for total domestic commercial loans was 0.41% in 1989 and 0.27% in 1988.

Net losses on commercial lending can vary widely, particularly within any given narrowly defined sector. Within the domestic portfolio, the credit loss ratio on mortgage and real estate lending increased from 0.14% in 1988 to 0.33% in 1989. While losses in commercial lending are not statistically predictable, this ratio is expected to increase further over the next 12 to 18 months as a result of the weakening of real estate values in various domestic markets, but it is expected to remain below 1% of average loans. With respect to the domestic commercial portfolio as a whole, Citicorp expects that over the next 12 to 18 months its net credit losses will remain substantially below 1% of average loans.

Overseas Portfolio

While the principle of broad diversification acts to control risk in the overseas commercial portfolio as it does in the domestic portfolio, steps taken in restructuring Citicorp's exposure in the refinancing countries led to increased levels of net write-offs.

Overseas Commercial Net Credit Losses

IN MILLIONS OF DOLLARS	1989	1988
Refinancing Countries	$577	$408
All Other	17	22
TOTAL	**$594**	$430

Excluding the refinancing countries' cross-border and foreign currency loans, net credit losses on the overseas commercial portfolio of $17 million in 1989 and $22 million in 1988 were well below 1% of average loans. These net credit losses are expected to increase in the next 12 to 18 months as a result of weakening markets in certain overseas economies. While losses in commercial lending are not statistically predictable, Citicorp expects that over the next 12 to 18 months its net credit losses related to this segment of its portfolio will remain substantially below 1% of average loans.

Refinancing countries' net losses, which primarily represent write-offs taken based on countries' foreign currency debt-servicing problems and losses on sales and swaps of loans, are expected to continue at high levels in 1990, as Citicorp continues to use the flexibility provided by its credit loss allowance in restructuring its exposure to these countries.

Leveraged Acquisition Finance Activities

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

In October 1989, the federal bank regulatory agencies jointly issued a new definition of "highly leveraged transactions." Additional interpretive guidelines were provided in February 1990. Under this definition, a banking institution is considered to be involved in a highly leveraged transaction when credit is extended or an investment is made where the financing transaction involves the buyout, acquisition, or recapitalization of an existing business. In addition, the transaction must either cause the client's liabilities to at least double and result in a ratio of total liabilities to total assets higher than 50%, or otherwise cause this ratio to exceed 75%.

The following disclosures encompass all activities that meet the new regulatory definition. The application of the new regulatory definition causes certain types of traditional specialized secured lending to be reported as highly leveraged transactions. Such activities were not previously included in Citicorp's definition of leveraged acquisition finance. As with Citicorp's previous definition, the amounts disclosed for "highly leveraged transactions" include substantially all claims on the subject company and are not limited to the leveraged financing itself.

Citicorp believes that the risks associated with leveraged finance activities can be prudently managed through sound risk-management techniques. Should an economic downturn or sustained period of rising interest rates occur, leveraged finance borrowers may experience a decrease in their financial performance greater than that of other borrowers, and as a result the risks associated with these transactions may be higher than for other forms of financing. However, leveraged finance is not a risk associated with an industry. It is a financial technique. The management of this technique includes, in particular, the diversification of the portfolio among industry groups and adherence to strict risk asset acceptance criteria established specifically for these activities. These criteria provide guidance on the types of borrowers and transactions that can be considered, how the transactions should be structured, and the loan syndication process. Also important is the range of expertise that Citicorp brings to bear on transactions, in both line and review functions. In addition to the senior lending approvals required for all large and complex transactions, all leveraged finance proposals are considered by units staffed by specialists experienced in this activity or in the appropriate specialized secured lending activity.

At the end of 1989, Citicorp was a senior creditor for approximately $5.8 billion of leveraged finance loans in the United States, the substantial majority of which are secured, with an appropriate margin, by assets and/or shares. Approximately $1.8 billion of this amount is included as a result of the new regulatory definition, most of which relates to traditional specialized secured lending. The diversified domestic portfolio represents approximately 200 obligors in approximately 30 industries. Industries for which leveraged finance outstandings exceeded 10% of domestic leveraged finance loans were media/entertainment ($1.2 billion) and retail/wholesaling ($700 million). At year end, there were six individual domestic borrowers or groups with exposures (including loans, contingent liabilities, and unused commitments) over $200 million. Outstanding loans to these six customers amounted to approximately $900 million, and for two of these groups, there were contingent liabilities of an additional $900 million in connection with consumer receivables financing arrangements. In total, there were unused commitments and contingent liabilities to domestic leveraged finance customers of approximately $3.6 billion at the end of 1989, a portion of which may remain unused or be sold down to other financial institutions in the ordinary course of business. There were other transactions at various stages of discussion or preliminary commitment. At December 31, 1989, the amount of outstanding domestic leveraged finance loans on a cash-basis status was $318 million.

Citicorp also engages in similar leveraged finance activities outside the United States, with outstandings of approximately $2.1 billion in eight countries at year end, and was obligated under unused commitments and contingent liabilities interna-

tionally for an additional $1.1 billion. At year end, there were four individual international borrowers with exposures over $200 million. Outstanding loans to these four customers amounted to approximately $1.4 billion. At December 31, 1989, the amount of outstanding international leveraged finance loans on a cash-basis status was $89 million.

The amount of Citicorp's exposure in the foregoing activities fluctuates as new loan commitments are made, then as these commitments are syndicated, and finally as loans are funded and then possibly further sold down. Citicorp's general policy is to commit to amounts sufficient to enable it to take a lead position so as to control the structure and documentation of the transaction.

Citicorp also engages in leveraged finance activities through subordinated lending, and through equity transactions in its venture capital activities. The amounts outstanding in these other activities totaled approximately $800 million at December 31, 1989. The amount of subordinated debt on a cash-basis status at December 31, 1989 was $95 million. Significant gains were generated in the venture capital activities.

The substantial majority of fees received on syndicated loan transactions are recognized in income only when the syndication is complete, with the remainder deferred, where necessary, to produce a yield on the retained loan equal to the average yield to the other syndication participants. Fees and commissions recognized in income during 1989 were approximately $207 million. Approximately $130 million of fees were deferred at year end.

Citicorp's credit loss experience to date on leveraged finance activities has been within the margin provided by returns earned on the portfolio. Credit write-offs on all leveraged finance senior and subordinated lending, net of recoveries, amounted to approximately $105 million in 1989.

Subsequent to year end, approximately $288 million of loans to two commonly controlled leveraged finance customers were placed on a cash-basis status in view of the commencement of bankruptcy proceedings. Losses, if any, on these loans are not expected to be material.

While Citicorp's leveraged finance activities are profitable, they do not represent a dominant source of earnings for the corporation. Net income from senior and subordinated leveraged finance activities for 1989 represented approximately 8% of the corporation's net income for the year, excluding the impact of the cross-border refinancing portfolio. If there were to be a significant reduction or cessation of these activities, the effect on future operations and earnings would depend on the degree of the reduction and the profitability of activities to which resources might be redirected.

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 that 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.

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. 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.

Cash-basis and renegotiated commercial loans in refinancing countries of $4.6 billion at December 31, 1989 decreased from $4.8 billion at December 31, 1988. Included in the year-end 1989 cash-basis and renegotiated loans are $3.3 billion of Brazilian and $0.6 billion of Argentine medium- and long-term outstandings. The decrease from year-end 1988 is primarily due to country write-offs of $501 million including those in Argentina of $395 million, as well as reductions associated with actions taken in restructuring Citicorp's exposure, primarily sales and swaps of refinancing loans. Partially offsetting these decreases was Citicorp's decision to transfer $305 million of additional Brazilian exposure, associated with the refinancing completed in 1988, to cash basis during the fourth quarter of 1989.

Cash-basis and renegotiated commercial loans outside the refinancing countries were $2.6 billion at December 31, 1989, compared with $1.5 billion at December 31, 1988. The increase from last year reflects an increase of $617 million in domestic cash-basis commercial real estate loans, primarily added during the first and second quarters of 1989, and an increase of $302 million in other domestic loans, primarily related to leveraged acquisition finance activities.

Cash-basis and renegotiated loans related to Citicorp's domestic commercial real estate lending activities were $1,165 million at December 31, 1989, concentrated primarily in the Southwest and Southeast. The domestic commercial portfolio includes $12.6 billion of loans primarily secured by real estate and managed as part of Citicorp's Global Finance real estate business. In addition, the Global Finance domestic real estate business manages $0.6 billion of other real estate related loans. In addition, Citicorp was obligated under approximately $4.4 billion of standby letters of credit related to customers' real estate activities and approximately $7.7 billion of unused commitments to extend credit.

Citicorp's target market of real estate borrowers includes prominent national and regional developers who meet a rigorous set of performance criteria. At the same time, the portfolio is well diversified, both geographically and by project type — that is, among office, residential, shopping centers, hospitality, and other project types. The strength of the customers and the diversification of the portfolio, together with the experience and expertise built up in Citicorp's national real estate lending network, enhance the credit quality of the portfolio.

Despite the credit strength of the portfolio, weakening of real estate values has led to an increase in cash-basis loans, as liquidity problems have affected even some of the stronger participants in the real estate markets.

Although the rate of growth in cash-basis real estate loans has slowed since the second quarter of 1989, the level is still expected to increase in 1990 before overall portfolio reductions are seen. Real estate acquired in settlement of loans, included in other assets in the financial statements, was $515 million at December 31, 1989, up $205 million from $310 million at December 31, 1988.

Cash-Basis and Renegotiated Commercial Loans

IN MILLIONS OF DOLLARS AT YEAR END	**1989**	1988	1987	1986	1985
In Domestic Offices:					
Commercial and Industrial[1]	**$ 868**	$ 566	$ 629	$ 582	$ 393
Real Estate	**1,165**	548	251	304	101
In Overseas Offices:					
Refinancing Countries[2]	**4,633**	4,816	4,641	853	1,066
Other Overseas	**576**	401	525	844	723
TOTAL[3][4]	**$7,242**	$6,331	$6,046	$2,583	$2,283
As a % of Commercial Loans	**11.5%**	10.8%	10.4%	4.2%	3.8%
As a % of Total Loans	**4.5%**	4.2%	4.4%	2.0%	2.0%

(1) Includes loans not otherwise separately categorized.
(2) Represents cash-basis loans, including both local and foreign currency loans, and also includes cash-basis bank placements of $1,347 million in 1989, $1,152 million in 1988 and $1,125 million in 1987.
(3) Includes renegotiated loans of $61 million in 1989, $42 million in 1988, $14 million in 1987, $19 million in 1986, and $46 million in 1985.
(4) Real estate acquired in settlement of loans, included in other assets in the financial statements and not included in the above amounts, at year end totaled $515 million in 1989, $310 million in 1988, $286 million in 1987, $274 million in 1986, and $250 million in 1985.

THE MARKET RISK MANAGEMENT PROCESS

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

To further strengthen the price risk management process, the Market Risk Policy Committee was established in 1989 to serve an oversight role in the management of all market risks. The establishment of the committee was part of an ongoing effort to ensure that Citicorp's policies, processes, and technologies adapt to the changing nature of market risks in an efficient and timely manner and that market exposures are adequately and appropriately controlled. The Market Risk Policy Committee is a group of Citicorp's most senior market risk professionals that establishes and oversees corporate market risk policies and standards to serve as a check and balance to the business risk management process. The corporate oversight role of the committee with respect to market risk is similar to that of the Credit Policy Committee with respect to credit risk.

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

LIQUIDITY MANAGEMENT

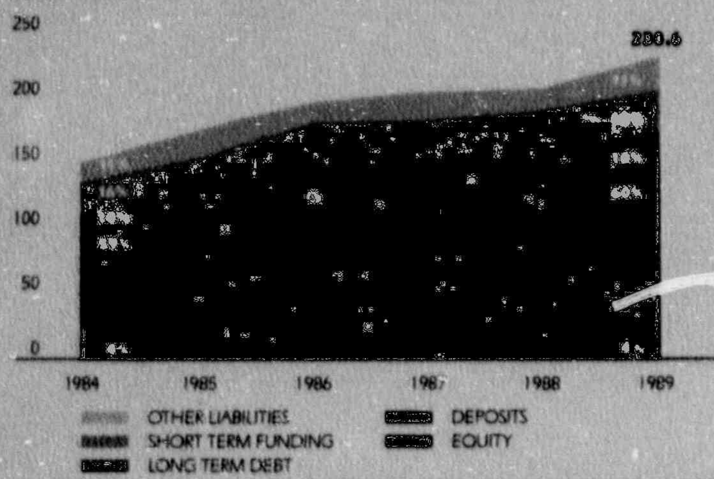
Citicorp defines adequate liquidity as having funds available at all times to repay fully and promptly all maturing liabilities in accordance with their terms, including demand deposits and off-balance sheet commitments. One economic function performed by financial intermediaries is to assume liquidity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

Within Citicorp, the liquidity of each business and legal entity is managed through a well-defined process to ensure that all funding requirements will be met properly. This process includes a global contingency funding plan and maximum outflow limits. These limits permit managers to anticipate well in advance potential liquidity problems.

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

Citicorp Liquidity
Diversified and Stable Funding Mix

IN BILLIONS OF DOLLARS



Diversity and stability are further exemplified by the deposit base.

Total Deposits

IN BILLIONS OF DOLLARS AT YEAR-END	1989			1988		
	Domestic	Overseas	**Total**	Domestic	Overseas	Total
Global Consumer[1]	$52.6	$36.5	**$ 89.1**	$49.2	$28.4	$ 77.6
Global Finance[2]	14.5	34.3	**48.8**	13.8	32.7	46.5
TOTAL	$67.1	$70.8	**$137.9**	$63.0	$61.1	$124.1

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

As the table above indicates, deposits totaled $137.9 billion at year end and increased 11% since year-end 1988. Domestic and overseas deposits are well balanced, and deposits are sourced globally from both consumers and large professional investors. The stability of Citicorp's funding stems most directly from its extensive consumer deposit base. Consumer deposits tend to be small in size, diversified across a large base of individuals and, to the extent permitted by law, are Federally insured. Consumer deposits are also a growing source of funds for Citicorp and increased 15% in 1989 to $89.1 billion, or 39% of total funding. In addition, $36.5 billion, or 16% of total funding, was originated in overseas consumer branches.

Citicorp's long-term debt is, by virtue of its maturity profile, also an important source of funding stability. Parent company and subsidiary long-term debt outstanding at the end of 1989 amounted to $20.7 billion and is relatively unchanged since 1986. Debt issuance in 1989 with a maturity of one year or longer totaled $4.8 billion. Diversification within the long-term debt portfolio exists across markets, currencies, lenders, maturities, and instruments.

To enhance liquidity, Citicorp securitizes assets and sells loans. Asset securitization and loan sales provide access to new investors and are on-going activities that are particularly important in supporting new business growth. Citicorp is a market leader in asset securitization and during 1989, actively sought to broaden the range of assets it securitized. In 1989, asset securitization activity more than doubled to $15.8 billion without materially affecting the yields on balance-sheet assets.

MANAGEMENT OF PRICE RISK EXPOSURE

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

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

Historically, interest rate risk arising from lending, long-term investment activities, and related hedges was monitored through interest rate gap limits. The growth and evolution of the financial markets and Citicorp's franchises have increased the complexity of the price risk associated with these activities such that a gap system is an incomplete measure of exposure.

To address this shortcoming, a new price risk monitoring system was developed for non-trading activities. This system accommodates the diversity of exposures and exposure management systems of Citicorp's various businesses, while providing a meaningful measure of aggregate risk.

The measure of aggregate exposure monitored for non-trading activities is the earnings at risk resulting from interest rate movements. Earnings at risk can expand traditional gap analysis to recognize the price exposures associated with embedded options, pricing lags, and product volume sensitivities. This risk management tool has evolved over the past several years.

Earnings at risk measures the forecasted earnings impact of the maximum historical change in rates applied to current investment positions, rather than changes in market values. The Finance Committee has limited earnings at risk to a percentage of forecasted annual earnings.

During 1989, quarterly measures of earnings at risk, as a percentage of annual forecasted earnings, ranged from less than 1% to 3%. During 1988, these measures ranged from less than 1% to 11%. The assumptions underlying these measures are subject to continuing review and analysis but represent management's current best estimates of non-trading price risk exposure.

Price risk exposures are also created in Citicorp's trading portfolios which are managed to support customer needs as well as 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 current earnings. Trading portfolios are subject to a well-defined series of exposure limits that trigger specific management actions to ensure that the potential impact on earnings, due to the many dimensions of price risk, is controlled and within acceptable limits.

A portion of Citicorp's price risk results from activities denominated in currencies other than U.S. dollars, including Deutsche marks, Japanese yen, British pounds sterling, Australian dollars, Canadian dollars, and other currencies. When positions are not funded in the same currency, a foreign exchange risk results and earnings are exposed. This exposure is managed by the limit systems described above. Decentralization is particularly important in the management of foreign exchange exposure. With over 90 foreign currency operations worldwide, Citicorp's foreign exchange risk is significantly dispersed and the foreign exchange component of price risk effectively controlled.

CAPITAL ANALYSIS

In 1989, Citicorp's common stockholders' equity declined $38 million to $8,236 million. This resulted from the $1 billion increase in the allowance for possible credit losses. The ratio of common stockholders' equity to total assets was 3.57%, compared with 3.91% at year-end 1988. Citicorp will rebuild the capital ratio during 1990 from retained earnings, sales of non-strategic businesses and appreciated assets, and asset securitization activities.

Total stockholders' equity at year-end increased $212 million to $10,076 million. In addition to the change in common stockholders' equity, the increase was due to $250 million in perpetual preferred stock issued by Citicorp in 1989.

Citicorp's primary capital increased in 1989 by $723 million to $18,109 million at year end. This reflects the change in total stockholders' equity plus the $524 million net increase to the allowance for possible credit losses and a $13 million decrease in minority interest. The primary capital ratio was 7.69% at year-end 1989, compared with 8.05% at year-end 1988.

The primary capital ratio was well above the regulator's minimum requirement of 5.5% for bank-holding companies which will remain in effect until year-end 1990 at which time the minimum interim requirements for risk-adjusted capital ratios become effective.

Components of Capital

IN MILLIONS OF DOLLARS AT YEAR END	1989	1988	VAR	%
Common Stock and Surplus	**$ 2,947**	$ 2,823	$ 124	4
Retained Earnings	**5,289**	5,451	(162)	(3)
Common Stockholders' Equity	**8,236**	8,274	(38)	—
Preferred Stock	**1,840**	1,590	250	16
TOTAL STOCKHOLDERS' EQUITY	**$10,076**	$ 9,864	$ 212	2
Allowance for Possible Credit Losses	**$ 4,729**	$ 4,205	$ 524	12
Mandatory Convertible Subordinated Notes	**3,249**	3,249	—	—
Minority Interest in Consolidated Subsidiaries	**55**	68	(13)	(19)
PRIMARY CAPITAL	**$18,109**	$17,386	$ 723	4

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

Another objective of these proposals is to incorporate risk-weighted capital guidelines that consider both assets and off-balance sheet activities such as letters of credit, and interest rate and foreign exchange products.

These guidelines redefine bank-holding company capital as Tier 1 and Tier 2 capital and establish minimum interim requirements that must be reached by year-end 1990 and more stringent final requirements that must be achieved by year-end 1992. Tier 1 and Tier 2 capital are defined as follows:

Tier 1 Capital

Common Stockholders' Equity
+ Adjustable Rate & Fixed Rate Perpetual Preferred Stock
+ Minority Interest
− Goodwill (Goodwill recorded prior to March 12, 1988 is grandfathered until 1992)
− 50% Investment in Certain Subsidiaries[1]

Tier 2 Capital

Qualifying Loan and Lease Loss Reserves
+ Auction Preferred Stock and Term Preferred Stock
+ Mandatory Convertible Notes
+ Perpetual Debt
+ Subordinated Term Debt
− 50% Investment in Certain Subsidiaries[1]

(1) Citicorp Securities Markets, Inc., as required by regulatory authorities.

Interim targets have been established for year-end 1990. The following table shows how the interim and final requirements differ:

Capital Ratio Requirements

	1990	1992
Tier 1	3.625%	4.00%
Tier 1 + Tier 2	7.250%	8.00%

For the purpose of calculating the combined Tier 1 and Tier 2 capital requirements, the amount of Tier 2 capital used in the computation cannot exceed the amount of Tier 1 capital. Furthermore, loan and lease loss reserves included in Tier 2 capital may not exceed 1.50% of total risk-adjusted assets at year-end 1990 and 1.25% of total risk-adjusted assets at year-end 1992. Also, combined subordinated debt and term preferred stock included in Tier 2 capital may not exceed 50% of Tier 1 capital. Under the interim guidelines, supplemental capital comprised of Tier 2 elements may be included in Tier 1 capital up to 10% of the sum of Tier 1 capital plus goodwill.

As of December 31, 1989, Citicorp exceeded both the Tier 1 and combined Tier 1 and Tier 2 requirements set for year-end 1990. Furthermore, Citicorp anticipates achieving the final requirements which become effective at year-end 1992 without difficulty.

Ratios	1989	1988
Common Stockholders' Equity	**3.57%**	3.91%
Total Stockholders' Equity	**4.37%**	4.66%
Primary Capital	**7.69%**	8.05%
1990 Year-End Guidelines		
Tier 1	**4.04%**	4.24%
Tier 1 + Tier 2	**8.08%**	8.48%

Summary of Financial Results

SELECTED FINANCIAL INFORMATION CITICORP AND SUBSIDIARIES

IN MILLIONS OF DOLLARS EXCEPT PER SHARE AMOUNTS	1989 AMOUNT	1989 % CHANGE	1988 AMOUNT	1988 % CHANGE	1987 AMOUNT	1987 % CHANGE	1986 AMOUNT	1986 % CHANGE	1985 AMOUNT	1985 % CHANGE
Net Interest Revenue	**$ 7,358**	**(3)**	$ 7,605	20	$ 6,337	6	$ 5,984	12	$ 5,342	26
Fees, Commissions, and Other Revenue	**6,394**	**18**	5,413	(10)	6,016	40	4,306	43	3,018	34
TOTAL REVENUE	**$ 13,752**	**6**	$ 13,018	5	$ 12,353	20	$ 10,290	23	$ 8,360	29
Provision for Possible Credit Losses	**$ 2,521**	**90**	$ 1,330	(70)	$ 4,410	—	$ 1,825	47	$ 1,243	—
Operating Expense	**9,698**	**8**	8,981	9	8,231	21	6,820	25	5,475	24
TOTAL EXPENSE	**$ 12,219**	**19**	$ 10,311	(18)	$ 12,641	46	$ 8,645	29	$ 6,718	33
Income (Loss) Before Taxes and Extraordinary Item	**$ 1,533**	**(43)**	$ 2,707	—	$ (288)	—	$ 1,645	—	$ 1,642	13
Income Taxes	**1,035**	**3**	1,009	13	894	45	617	(10)	683	12
Income (Loss) Before Extraordinary Item	**$ 498**	**(71)**	$ 1,698	—	$ (1,182)	—	$ 1,028	7	$ 959	14
Extraordinary Item— Carryforward Tax Benefit[1]	**—**	**—**	160	—	—	—	—	—	—	—
NET INCOME (LOSS)	**$ 498**	**(73)**	$ 1,858	—	$ (1,182)	—	$ 1,028	7	$ 959	14
Per Share[2]										
Earnings (Loss) Per Share[3]										
Income (Loss) Before Extraordinary Item	**$ 1.16**	**(76)**	$ 4.87	—	$ (4.41)	—	$ 3.46	2	$ 3.40	12
Net Income (Loss)	**$ 1.16**	**(78)**	$ 5.36	—	$ (4.41)	—	$ 3.46	2	$ 3.40	12
Dividends Declared Per Common Share[4]	**$ 1.5850**	**9**	$ 1.4475	10	$ 1.3200	43	$ .9225	(18)	$ 1.1300	10
TOTAL ASSETS[5]	**$230,643**	**9**	$211,657	2	$207,749	4	$200,099	13	$177,000	15
DEBT[6]	**$ 23,990**	**—**	$ 23,998	(2)	$ 24,364	4	$ 23,383	28	$ 18,255	24

(1) See Note 15 to the Financial Statements.
(2) The 1986 and 1985 per share amounts reflect the Two-for-One stock split declared on October 5, 1987.
(3) On net income (loss) after deducting total preferred stock dividends of $125 million in 1989, $106 million in 1988, $92 million in 1987, $75 million in 1986, and $63 million in 1985, and adjusting for the after-tax dividend equivalents on shares issuable under the executive incentive compensation plan.
(4) 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.
(5) Prior years' amounts have been restated to reflect the change in the reporting of securities sold, not yet purchased.
(6) Includes long-term debt, subordinated capital notes, and redeemable preferred stock.

NET INTEREST REVENUE (TAXABLE EQUIVALENT BASIS)

Net interest revenue of $7.4 billion for 1989 was down $254 million from 1988. This 3% decrease was primarily the result of the pattern of cross-border interest payments received on Brazilian cash-basis medium- and long-term outstandings. In 1989, $170 million of such cross-border interest payments, representing approximately one-half year of payments, were received from Brazil; while in 1988, $661 million of such payments were received, representing approximately two years of cross-border interest on Brazilian medium- and long-term outstandings.

In 1988, net interest revenue of $7.7 billion, increased $1.2 billion, or 19%, from 1987. The increase was the result of the recognition of $661 million of Brazilian interest payments in 1988, compared with none in 1987, higher interest earning assets, and a higher net interest rate spread.

Excluding the impact of Brazil's interest payments in 1988 and 1989, net interest revenue increased by $237 million, as a result of higher consumer loan volumes, and increases in the Global Finance business in the developing economies, partially offset by the drag related to the increase in U.S. cash-basis commercial real estate loans and the impact of higher interest rates in Europe.

The net rate spread for 1989 was 3.77%, compared with 4.05% in 1988 and 3.59% in 1987, a reflection of the cross-border interest payment patterns of Brazil. Excluding all cross-border interest payments received on Brazilian cash-basis medium- and long-term outstandings, the net rate spread would be 3.68% in 1989, 3.70% in 1988, and 3.59% in 1987. While the net rate spread was essentially flat in 1989 compared with 1988, the increase versus 1987 was primarily due to higher consumer loan volumes.

Average earning assets increased 3.9%, or $7.5 billion, to $198 billion, as consumer loan outstandings increased $7.8 billion from 1988. The volume increases in 1988 and 1987 were 5.3% and 9.8%, respectively. The increases were mainly due to expansion of the consumer loan portfolio.

Net Rate Spread (Taxable Equivalent Basis)

	1989	1988[1]	1987[1]
In Domestic Offices	**3.94%**	4.06%	3.97%
In Overseas Offices	**3.49%**	4.03%	3.10%
TOTAL	**3.77%**	4.05%[2]	3.59%

(1) Restated to reflect the change in the reporting of securities sold, not yet purchased.
(2) The total net rate spread for 1988 would be 3.67%, and the overseas net rate spread would be 3.60% if the effect of Brazil interest income relating to 1987 were excluded.

FEES, COMMISSIONS, AND OTHER REVENUE

Fees and Commissions

Fee and commission revenue of $4.4 billion increased $487 million, or 13%, from $3.9 billion in 1988. The Global Consumer business provided $438 million of the growth, primarily from continued momentum in the credit card business and from increases in the international consumer business and domestic branch banking. Fees and commissions from Global Finance activities increased slightly from last year, reflecting increases in Europe, Latin America, and Asia. This was partially offset by a slowdown in North American activities and the absence of fees from the domestic pension fund management business which was sold in the third quarter of 1988. Fees from the Information Business were flat year-to-year.

In 1988, fees and commissions grew 10% over 1987's $3.5 billion level, reflecting strong consumer business fees and increased fees from specialized financing, insurance, and Quotron.

Securities Trading

Trading revenues of $256 million were down $21 million, or 8%, from last year's strong results. Decreases in Asia and North America were partly offset by increases in Europe. In 1988, trading results of $277 million posted a strong $100 million increase from 1987's difficult trading conditions.

Foreign Exchange

Foreign exchange revenues, which include both customer transactions and interbank trading, were $471 million, down $145 million, or 24%, from last year's record performance. Customer transaction foreign exchange revenues, which are less volatile and represent approximately one-half of total foreign exchange revenues, were up year-to-year. This increase was more than offset by lower interbank trading revenues, which were down in all major trading regions, reflecting a difficult environment. In 1988, revenues were $616 million, a $163 million or 36% increase from 1987, a year also noted for strong foreign exchange revenues. Increases were fueled by significant gains in North America and Asia.

Investment Securities Transactions

Investment securities gains of $180 million were up from $108 million in 1988. The increase was mainly due to higher gains on the sale of securities from the investment portfolio held at the corporate level and from North American Global Finance activities. In 1987, investment securities gains were $195 million. Sales have not materially affected the yields on the investment portfolios.

Other Revenue

In 1989, other revenue of $1,113 million increased $588 million from last year's $525 million. The 1989 results included $233 million from venture capital gains (versus $75 million last year), $180 million from the sale of premises in Tokyo, and

$149 million from securitized credit card receivables. Also contributing to the year-to-year increase were higher affiliate earnings and increased gains from the sale of lease residuals and mortgage pass-throughs. Other revenue in 1988 included a $90 million pre-tax gain from the sale of Citicorp's domestic pension fund management business.

In 1987, other revenue of $1,673 million reflected the unusually strong gains arising from Citicorp's plan to increase capital after the $3 billion additional provision relating to refinancing country exposure, including the recognition of $301 million from the restructuring of pension plan liabilities and $469 million from the sale of a condominium interest in Citicorp's headquarters complex. It also included $295 million from the sale of mortgages that reflected high spreads on mortgage pass-throughs.

Other Revenue

IN MILLIONS OF DOLLARS	1989	1988	1987
Affiliate Earnings	$ 171	$129	$ 81
Gains on Sale of Residual Value of Leased Equipment	67	19	42
Net Gains on the Sale/Disposition of Assets	189	124	727
Net Gains on Sale of Mortgage Pass-Throughs	192	127	295
Venture Capital Gains	283	75	147
Gain on Pension Plan Restructuring	—	—	301
Securitized Credit Card Receivables	149	11	—
Other Items	112	40	80
TOTAL	**$1,113**	$525	$1,673

PROVISION FOR POSSIBLE CREDIT LOSSES

In 1989, the provision for possible credit losses was $2,521 million, up from a provision of $1,330 million in 1988 and down from a provision of $4,410 million in 1987. The increase from 1988 to 1989 primarily reflects the addition of $1 billion to the allowance to provide for risks associated with the refinancing countries' portfolio. The decrease between 1988 and 1987 was due to the $3 billion provision relating to refinancing country outstandings recorded in May 1987.

Net Write-Off and Provision for Possible Credit Losses

IN MILLIONS OF DOLLARS	1989	1988	1987
Net Write-Offs			
Consumer	$1,228	$1,248	$1,024
Commercial	139	96	194
Refinancing Countries	577	408	279
TOTAL	**$1,944**	$1,752	$1,497
Provision			
Consumer	$1,337	$1,203	$1,066
Commercial	197	118	355
Refinancing Countries	987	9	2,989
TOTAL	**$2,521**	$1,330	$4,410

Net consumer write-offs totaled $1,228 million in 1989, down from $1,248 million in 1988 and up from $1,024 million in 1987. Net write-offs as a percentage of average loans were 1.35% for the year, compared with 1.50% in 1988. The 1988 net credit losses included $198 million from the phase-out of the mobile home and certain automobile lending businesses. Excluding the impact of this one-time charge, the net write-off ratio would have been 1.27% in 1988. The year-to-year increase is attributable largely to community banking activities, primarily commercial real estate in Arizona, and to increases in certain other domestic and overseas consumer businesses.

In the Global Consumer business, the provision for possible credit losses was $1,337 million, up from $1,203 million in 1988 and $1,066 million in 1987. Included in the 1988 provision was $70 million associated with the phase-out of the mobile home and certain automobile lending businesses. The allowance for possible credit losses relating to the Global Consumer business remained at 0.87% of year-end loans. The percentage was reduced to 0.87% in 1988 from 1.03% at the end of 1987, reflecting improved portfolio quality and the phase-out of the mobile home and certain automobile lending businesses.

Net commercial write-offs in refinancing countries were $577 million in 1989, an increase of $169 million from last year. These losses include country write-offs of $501 million, including $395 million in Argentina and write-offs associated with actions taken in restructuring Citicorp's exposure, primarily sales and swaps of refinancing loans. During the fourth quarter of 1989, the allowance for possible credit losses for refinancing countries was increased by $1 billion, bringing the total reserve for refinancing country exposure to $3.3 billion. Medium- and long-term exposure to refinancing countries was $8.6 billion at year-end 1989, down $0.9 billion from 1988.

Net commercial write-offs in non-refinancing countries increased by $43 million to $139 million in 1989. As a percentage of average loans, net refinancing and commercial write-offs were 1.19% in 1989, 0.84% in 1988, and 0.78% in 1987. Excluding refinancing country write-offs, the percentages were 0.27% in 1989, 0.19% in 1988, and 0.39% in 1987.

OPERATING EXPENSE

Citicorp's total operating expense was $9.7 billion, up 8% from $9.0 billion in 1988. The year-to-year rate of expense growth slowed to 8% in 1989, from 9% in 1988, and 21% in 1987. Included in 1989's operating expense were $68 million of restructuring costs associated with the U.K. equities brokerage business and $35 million of severance costs and equipment write-offs in Quotron. Operating expense in 1988 included $70 million of restructuring costs, $36 million of which related to the equities brokerage businesses in Asia and the U.K.

Operating expense in the Global Consumer business increased 9% in 1989 versus 8% in 1988, primarily due to investment initiatives in the credit card and international branch businesses. Global Finance's expenses increased 4% in the developed economies and 7% in the developing economies. The Information Business's expense increased 23% over last year, or 15% excluding severance and equipment write-offs, reflecting on-going product development expenses and geographic expansion.

Total staff expenses were $4.5 billion in 1989, up 5% over 1988's level of $4.2 billion. The increase primarily reflects normal compensation increments and increased staff benefits.

Net premises and equipment expense was $1,760 million, up 7% from 1988's $1,641 million, reflecting expansion expenses in the Global Consumer business and expenses related to the cost of temporarily leasing space in Citicorp's headquarters complex sold in 1987. In addition, this year's expenses included costs associated with the relocation of various businesses to a new building in Long Island City, part of Citicorp's headquarters complex in New York.

Other expense of $3.5 billion was up $368 million, or 12%, from 1988's $3.1 billion. This increase reflects new initiatives, primarily in the Global Consumer business.

INCOME TAXES

Income tax expense for 1989 was $1,035 million, compared with $1,009 million in 1988 and $894 million in 1987. As a result of the net loss reported by Citicorp in 1987, accounting rules limit the extent to which the future tax benefits of certain recorded transactions can be recognized in the financial statements. Due to these limitations, approximately $300 million of U.S. federal tax benefits generated during 1989 were not recognized in the financial statements, and approximately $700 million of tax benefits generated in 1987 also remain unrecognized. The total of approximately $1 billion of unrecognized tax benefits are available to reduce U.S. federal income taxes that would otherwise be provided in Citicorp's financial statements in future years. During 1988, $160 million of previously unrecognized U.S. federal tax benefits generated in 1987 were recognized as extraordinary income.

Excluding the 1989 and 1987 additions to the allowance for possible credit losses and the related tax benefits, the effective tax rates were 42.4% in 1989, 37.3% in 1988, and 42.5% in 1987. The variations in the effective tax rate are attributable to the composition of the income base, the level of foreign taxes, and the amount of tax exempt income. Foreign income taxes increased in 1989, as compared with 1988 and 1987, due to higher foreign earnings. These foreign earnings in 1989 included the gain on the sale of Citicorp's premises in Tokyo which were subject to high foreign tax rates.

On December 19, 1989, the Revenue Reconciliation Act of 1989 was signed into law. The act principally includes revenue raising provisions and temporary extensions of expiring tax incentives. Some of the more relevant provisions of the act that may affect Citicorp's business are the reforms relating to the treatment of interest on loans to customers' Employee Stock Ownership Plans, the alternative minimum tax, and the calculation of foreign tax credits. Citicorp does not believe that the act will have a material impact on its liquidity or net income.

The potential future impact of Statement of Financial Accounting Standards No. 96, "Accounting for Income Taxes", is discussed in Note 20 to the financial statements.

IMPACT OF SECURITIZATION OF CREDIT CARD RECEIVABLES

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

During 1989, $6.1 billion of credit card receivables were sold, bringing the total amount of receivables sold to date to $6.9 billion. The following table shows the impact of the securitization and sale of credit card receivables on the statement of operations line items, average assets and return on assets:

IN MILLIONS OF DOLLARS	1989[1]
Net Interest Revenue	$(414)
Fee and Commission Revenue	59
Other Revenue	149
Provision for Possible Credit Losses	(206)
Net Income Impact of Securitization	$ 0
Average Assets ($ Billions)	(4)
Return on Assets (%)	.01%

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

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 64 for further discussion of the principal adjustments and allocations that are made to present results on a geographic basis.

North American earnings of $965 million were up from last year's $933 million as increased earnings in the Global Consumer business were offset by lower Global Finance earnings and increased losses in the Information Business.

North American revenues in the consumer business continue to be driven by growth in credit cards and the strong New York branch system. The solid performance and year-to-year revenue gains in the credit card business were the result of ongoing successful card solicitation programs and an increased share of credit card purchase sales. These gains were partially offset by revenue pressures in the mortgage business. Revenues in the North American Global Finance business were down year-to-year as increased venture capital revenues were more than offset by lower foreign exchange and securities trading revenues, the drag of cash-basis real estate loans, and flat fees. Also contributing to the decline in revenues was the lack of fees from the U.S. pension fund management business, which was sold in 1988.

The provision for possible credit losses in North American operations increased for the year reflecting increased net write-offs in Global Finance activities, primarily related to commercial real estate and leveraged acquisition financing. Net write-offs in the consumer business declined compared with 1988, a result of a one-time charge last year related to the phase-out of the mobile home and certain automobile lending businesses. This decline was partially offset by increased net write-offs attributable to community banking.

North American operating expenses were up largely as a result of investment initiatives in the consumer business and increased information business expenses.

The information business in North America recorded a net loss of $173 million in 1989, compared with a net loss of $94 million in 1988. The losses reflect continued investment in the expansion of Quotron's products, markets and technology platforms, other information investment initiatives, and the acquisition cost of Quotron. Also reflected in 1989 are $35 million (pre-tax) in expenses related to equipment write-offs and severance costs at Quotron, which was in response to a heightened competitive environment coupled with an overall downturn in the retail securities industry.

Total North American assets grew 10% in 1989 and 9% in 1988. The 1989 increase was related to both higher consumer loans and increases in Global Finance assets, while the 1988 increase primarily related to higher consumer loan volumes.

Overseas operations resulted in a net loss of $467 million for 1989 due to the $1 billion addition to the allowance for possible credit losses, taken in the fourth quarter of 1989, associated with the refinancing portfolio. Excluding the impact of the $1 billion addition, net income from overseas operations was $494 million, down from net income of $925 million in 1988. The decrease in earnings reflects the cross-border interest payment patterns of certain refinancing countries. Included in 1988's results was $661 million of Brazilian cross-border interest payments on cash-basis medium- and long-term outstandings representing nearly two years of interest due from Brazil; while in 1989 $170 million of such cross-border interest payments were received, reflecting approximately one-half year of payments. In addition, the negative impact on revenues of cash-basis Argentine loans was $27 million more than 1988, as no payments were received in 1989.

Revenues from overseas operations declined slightly with the decreases in refinancing countries' interest payments primarily offset by strong local currency funding activities in Latin America, stronger consumer revenues led by growth in Asia and Latin America, and the $180 million gain on the sale of premises in Tokyo.

Overseas operating expense increased, reflecting business expansion costs of the Global Consumer business. Also included in overseas operating expense is the $68 million restructuring charge for the equities business in the United Kingdom. Total overseas average assets decreased 4% in 1989 and 2% in 1988.

Excluding the impact of the $1 billion addition to the allowance for possible credit losses, Latin America earnings were $95 million, Europe, Middle East and Africa's earnings were $13 million and Asia/Pacific earnings were $386 million. The decrease in Latin America earnings reflects the payment pattern of Brazilian cross-border interest payments, offset in part by strong local currency funding revenues and net credit recoveries in the current year compared with net credit losses in 1988. Lower Europe, Middle East, and Africa earnings reflect the equities restructuring charge and lower funding revenues with offsetting improved trading results. Asia/Pacific performance was aided by the gain on the sale of premises in Tokyo and higher earnings in the consumer business, partially offset by lower foreign exchange and securities trading revenues. Last year's earnings reflected a restructuring charge associated with the Asian equities business.

NET INCOME (LOSS)

IN MILLIONS OF DOLLARS	1989	1988[1]	1987[1]
North America	**$ 965**	$ 933	$ 1,152
Caribbean, Central and South America	**(712)**	553	(2,103)
Europe, Middle East, and Africa	**(117)**	101	(254)
Asia/Pacific	**362**	271	23
TOTAL[2]	**$ 498**	$ 1,858	$ (1,182)

(1) Restated to reflect organizational changes, as well as the change in the reporting of securities sold, not yet purchased.
(2) The 1988 results include an extraordinary item of $160 million of carryforward tax benefits.

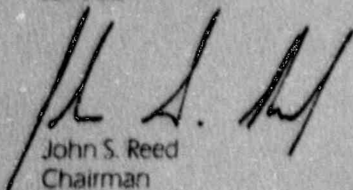
FINANCIAL REPORTING RESPONSIBILITY

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

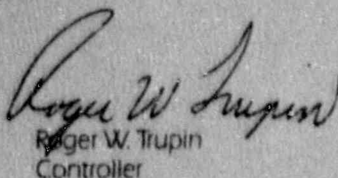
The management of Citicorp is also responsible for establishing and maintaining a system of internal controls which we believe is adequate to provide reasonable assurance that the financial records are reliable for preparing financial statements and maintaining accountability for assets and that assets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

The accounting policies and system of internal accounting controls are under the general oversight of the Citicorp and Citibank Boards of Directors, acting through the Audit Committee described on page 80. The committee is composed 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 management reviews worldwide, carried out by a staff of resident auditors and reviewers and traveling teams. In addition, KPMG Peat Marwick, independent auditors, are engaged to audit our financial statements.

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

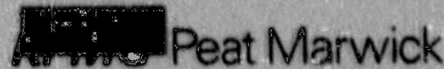


John S. Reed
Chairman



Roger W. Trupin
Controller

REPORT OF INDEPENDENT AUDITORS



Certified Public Accountants

The Board of Directors and Stockholders of Citicorp:

We have audited the accompanying consolidated balance sheets of Citicorp and subsidiaries as of December 31, 1989 and 1988, the related consolidated statements of operations and changes in stockholders' equity for each of the years in the three-year period ended December 31, 1989, the related consolidated statements of cash flows for each of the years in the two-year period ended December 31, 1989, the related consolidated statement of changes in financial position for the year ended December 31, 1987, and the related consolidated balance sheets of Citibank, N.A. and subsidiaries as of December 31, 1989 and 1988. These financial statements are the responsibility of Citicorp management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Citicorp and subsidiaries as of December 31, 1989 and 1988, the results of its operations for each of the years in the three-year period ended December 31, 1989, its cash flows for each of the years in the two-year period ended December 31, 1989, the changes in its financial position for the year ended December 31, 1987, and the financial position of Citibank, N.A. and subsidiaries as of December 31, 1989 and 1988 in conformity with generally accepted accounting principles.

As discussed in the statement of accounting policies, in 1988 Citicorp adopted Statement of Financial Accounting Standards (SFAS) No. 95, "Statement of Cash Flows", as amended by SFAS No. 102.

New York, New York
January 16, 1990

Financial Statements

CONSOLIDATED STATEMENT OF OPERATIONS

CITICORP AND SUBSIDIARIES

IN MILLIONS OF DOLLARS EXCEPT PER SHARE AMOUNTS	1989	1988	1987
Interest Revenue			
Interest and Fees on Loans	**$23,220**	$20,575	$17,164
Interest on Deposits with Banks	**1,533**	1,362	1,261
Interest on Federal Funds Sold and Securities Purchased Under Resale Agreements	**4,133**	1,234	725
Interest and Dividends on Investment Securities (Note 1)	**1,265**	1,234	1,236
Interest on Trading Account Assets	**1,425**	2,534	1,831
	$31,576	$26,939	$22,217
Interest Expense			
Interest on Deposits	**$12,830**	$10,602	$ 9,109
Interest on Securities Sold, Not Yet Purchased	**419**	338	352
Interest on Other Borrowed Money (Note 7)	**8,222**	5,783	3,920
Interest on Long-Term Debt and Subordinated Capital Notes (Notes 8 and 9)	**2,747**	2,611	2,499
	$24,218	$19,334	$15,880
NET INTEREST REVENUE	**$ 7,358**	$ 7,605	$ 6,357
Provision for Possible Credit Losses (Note 4)	**$ 2,521**	$ 1,330	$ 4,410
NET INTEREST REVENUE AFTER PROVISION FOR POSSIBLE CREDIT LOSSES	**$ 4,837**	$ 6,275	$ 1,927
Fees, Commissions, and Other Revenue			
Fees and Commissions (Note 13)	**$ 4,374**	$ 3,887	$ 3,518
Trading Account	**256**	277	177
Foreign Exchange	**471**	616	453
Investment Securities Transactions (Note 15)	**180**	108	195
Other Revenue (Notes 5 and 14)	**1,113**	525	1,673
	$ 6,394	$ 5,413	$ 6,016
Other Operating Expense			
Salaries	**$ 3,623**	$ 3,483	$ 3,213
Staff Benefits (Note 14)	**834**	744	663
Total Staff Expense	**$ 4,457**	$ 4,227	$ 3,876
Net Premises and Equipment Expense (Notes 5 and 19)	**1,760**	1,641	1,466
Other Expense	**3,481**	3,113	2,889
	$ 9,698	$ 8,981	$ 8,231
Income (Loss) Before Taxes and Extraordinary Item	**$ 1,533**	$ 2,707	$ (288)
Income Taxes (Note 15)	**1,035**	1,009	894
Income (Loss) Before Extraordinary Item	**$ 498**	$ 1,698	$ (1,182)
Extraordinary Item—Carryforward Tax Benefits (Note 15)	**—**	160	—
NET INCOME (LOSS)	**$ 498**	$ 1,858	$ (1,182)
NET INCOME (LOSS) AVAILABLE FOR COMMON STOCKHOLDERS	**$ 373**	$ 1,753	$ (1,274)
Earnings (Loss) Per Share (Note 16)			
Income (Loss) Before Extraordinary Item	**$ 1.16**	$ 4.87	$ (4.41)
Net Income (Loss)	**$ 1.16**	$ 5.36	$ (4.41)

Accounting policies and explanatory notes on pages 51-69 form an integral part of the financial statements.

CONSOLIDATED BALANCE SHEET

CITICORP AND SUBSIDIARIES

IN MILLIONS OF DOLLARS	DECEMBER 31 1989	DECEMBER 31 1988
Assets		
Cash and Due from Banks	$ 6,332	$ 4,818
Deposits at Interest with Banks	13,813	10,706
Investment Securities (Market value $15,225 in 1989 and $15,464 in 1988) (Note 1)	14,699	15,217
Trading Account Assets	9,018	7,915
Federal Funds Sold and Securities Purchased Under Resale Agreements	7,659	6,441
Loans, Net (Notes 2, 3, and 4)		
Consumer (Net of unearned income of $1,983 in 1989 and $1,811 in 1988)	$ 97,075	$ 90,356
Commercial (Net of unearned income of $302 in 1989 and $225 in 1988)	63,037	58,841
Loans, Net of Unearned Income	$160,112	$149,197
Allowance for Possible Credit Losses	(4,729)	(4,205)
Total Loans, Net	$155,383	$144,992
Customers' Acceptance Liability	3,606	3,839
Premises and Equipment, Net (Note 5)	3,881	3,337
Interest and Fees Receivable	4,251	3,448
Other Assets (Note 6)	12,001	10,944
TOTAL	$230,643	$211,657
Liabilities		
Non-Interest-Bearing Deposits in Domestic Offices	$ 12,977	$ 12,190
Interest-Bearing Deposits in Domestic Offices	54,092	50,819
Non-Interest-Bearing Deposits in Overseas Offices	4,760	4,065
Interest-Bearing Deposits in Overseas Offices	66,093	56,998
Total Deposits	$137,922	$124,072
Securities Sold, Not Yet Purchased	3,566	3,991
Purchased Funds and Other Borrowings (Note 7)	34,933	32,889
Acceptances Outstanding	3,619	3,856
Accrued Taxes and Other Expenses (Note 15)	6,196	5,037
Other Liabilities	10,341	7,950
Long-Term Debt (Note 8)	20,701	20,709
Subordinated Capital Notes (Note 9)	3,249	3,249
Redeemable Preferred Stock (Note 10)	40	40
Stockholders' Equity		
Preferred Stock (Note 11)	$ 1,840	$ 1,590
Common Stock ($1.00 par value) (Note 12)	352	346
Issued Shares: 352,266,463 in 1989 and 346,322,787 in 1988		
Surplus	3,016	2,901
Retained Earnings	5,289	5,451
Common Stock in Treasury, at Cost	(421)	(424)
Shares: 27,523,680 in 1989 and 27,260,266 in 1988		
Total Stockholders' Equity	$ 10,076	$ 9,864
TOTAL	$230,643	$211,657

Accounting policies and explanatory notes on pages 51-69 form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

CITICORP AND SUBSIDIARIES

IN MILLIONS OF DOLLARS	1989	1988	1987
Preferred Stock (Note 11)			
Balance at Beginning of Year	**$ 1,590**	$ 1,590	$1,365
Issuance of Stock	**250**	—	225
BALANCE AT END OF YEAR	**$ 1,840**	$ 1,590	$1,590
Common Stock ($1.00 Par Value) (Note 12)			
Balance at Beginning of Year Shares: 346,322,787 in 1989, 343,995,863 in 1988, and 150,577,830 in 1987	**$ 346**	$ 344	$ 602
Issuance of Stock Under Savings Incentive, Stock Option, Stock Purchase, and Restricted Stock Plans and Conversion of Convertible Notes (Notes 8 and 14) Shares: 5,943,676 in 1989, 2,326,924 in 1988, and 1,547,958 in 1987	**6**	2	3
Issuance of Stock Shares: 20,000,000	**—**	—	20
Issuance Pursuant to Two-for-One Stock Split (Note 12) Shares: [illegible],870,075	**—**	—	172
Reduction of Par Value	**—**	—	(453)
Shares: 352,266,463 in 1989, 346,322,787 in 1988, and [illegible]63 in 1987			
BALANCE AT END OF YEAR	**$ 352**	$ 346	$ 344
Surplus			
Balance at Beginning of Year	**$ 2,901**	$ 2,866	$1,421
Issuance of Stock Under Savings Incentive, Stock Option, Stock Purchase, Executive Incentive Compensation, and Restricted Stock Plans and Conversion of Convertible Notes (Notes 8 and 14)	**120**	44	52
Preferred Stock Issuance Cost	**(6)**	—	(3)
Restricted Stock Grants, Net of Amortization (Note 14)	**1**	(9)	(1)
Issuance of Common Stock	**—**	—	1,116
Increase Due to Reduction of Par Value of Common Stock	**—**	—	453
Issuance of Common Stock Pursuant to Two-for-One Stock Split (Note 12)	**—**	—	(172)
BALANCE AT END OF YEAR	**$ 3,016**	$ 2,901	$2,866
Retained Earnings			
Balance at Beginning of Year	**$ 5,451**	$ 4,215	$5,877
Net Income (Loss)	**498**	1,858	(1,182)
Cash Dividends Declared (Including preferred dividends of $121 in 1989, $101 in 1988, and $88 in 1987; and redeemable preferred dividends of $4 in 1989, 1988, and 1987) (Notes 10, 11, and 12)	**(635)**	(566)	(471)
Foreign Currency Translation (Accumulated amount of $(169) at December 31, 1989)	**(25)**	(56)	(9)
BALANCE AT END OF YEAR	**$ 5,289**	$ 5,451	$4,215
Common Stock in Treasury, at Cost			
Balance at Beginning of Year Shares: 27,260,266 in 1989, 27,767,138 in 1988, and 12,962,986 in 1987	**$ (424)**	$ (431)	$ (387)
Treasury Stock Transactions, at Cost Shares: 263,[illegible]14 in 1989, (506,872) in 1988, and 1,931,183 in 1987	**3**	7	(44)
Issuance Pursuant to Two-for-One Stock Split (Note 12). Shares: 12,872,969 in 1987	**—**	—	—
Shares: 27,523,680 in 1989, 27,260,266 in 1988, and 27,767,138 in 1987			
BALANCE AT END OF YEAR	**$ (421)**	$ (424)	$ (431)
Total Stockholders' Equity			
Balance at Beginning of Year	**$ 9,864**	$ 8,584	$8,878
Changes During the Year, Net	**212**	1,280	(294)
BALANCE AT END OF YEAR	**$10,076**	$ 9,864	$8,584

Accounting policies and explanatory notes on pages 51-69 form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

CITICORP AND SUBSIDIARIES

IN MILLIONS OF DOLLARS	1989	1988[1]
Cash Flows from Operating Activities		
Net Income	$ 498	$ 1,858
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Provision for Possible Credit Losses	$ 2,521	$ 1,330
Depreciation and Amortization of Premises and Equipment	614	611
Amortization of Goodwill	151	86
Provision for Deferred Taxes	65	319
Extraordinary Item—Carryforward Tax Benefits (Note 15)	—	(160)
Changes in Accruals and Other, Net	2,744	(723)
Total Adjustments	$ 6,075	$ 1,465
Net (Increase) Decrease in Trading Account Assets	(1,103)	1,998
Net (Decrease) in Securities Sold, Not Yet Purchased	(425)	(328)
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 5,045	$ 4,993
Cash Flows from Investing Activities		
Placement of Deposits at Interest with Banks	$ (561,492)	$ (532,576)
Maturing Deposits at Interest with Banks	558,241	535,902
Purchases of Investment Securities	(19,655)	(22,839)
Sales and Maturities of Investment Securities (Note 1)	20,148	22,445
Net (Increase) Decrease in Federal Funds Sold and Securities Purchased Under Resale Agreements	(1,218)	1,111
Net (Increase) in Originations and Repayments of Credit Card Receivables	(9,418)	(8,939)
Loans Made to Customers	(586,475)	(568,220)
Repayments of Principal on Loans Made to Customers	468,449	486,640
Sales of Loans and Credit Card Receivables	109,691	72,025
Capital Expenditures on Premises and Equipment	(874)	(1,065)
Proceeds from Sale of Premises and Equipment	457	356
NET CASH USED IN INVESTING ACTIVITIES	$ (22,146)	$ (15,160)
Cash Flows from Financing Activities		
Net Increase in Depository Accounts	$ 4,924	$ 4,290
Proceeds from the Issuance of Certificates of Deposit and Other Time Deposits	1,560,834	1,767,582
Repayments of Certificates of Deposit and Other Time Deposits	(1,559,739)	(1,763,171)
Net Increase (Decrease) in Securities Sold Under Repurchase Agreements and Federal Funds Purchased	6,382	(2,013)
Proceeds from Issuance of Commercial Paper and Funds Borrowed with Original Maturities of Less Than One Year	731,429	1,012,948
Repayment of Commercial Paper and Funds Borrowed with Original Maturities of Less Than One Year	(724,629)	(1,008,787)
Proceeds from Issuance of Long-Term Debt	4,752	4,628
Repayment of Long-Term Debt	(4,471)	(4,706)
Proceeds from Issuance of Common Stock	115	36
Proceeds from Issuance of Preferred Stock	244	—
Dividends Paid	(631)	(564)
NET CASH PROVIDED BY FINANCING ACTIVITIES	$ 19,210	$ 10,243
Effect of Exchange Rate Changes on Cash	$ (595)	$ (287)
Net Increase (Decrease) in Cash and Due from Banks	$ 1,514	$ (211)
Cash and Due from Banks at Beginning of Year	4,818	5,029
CASH AND DUE FROM BANKS AT END OF YEAR	$ 6,332	$ 4,818
Supplemental Disclosure of Cash Flow Information		
Cash Paid During the Year for:		
Interest	$ 23,044	$ 18,463
Income Taxes	$ 668	$ 854

Accounting policies and explanatory notes on pages 51-69 form an integral part of the financial statements.

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

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

CITICORP AND SUBSIDIARIES

IN MILLIONS OF DOLLARS	1987
Funds Provided	
Operations:	
Net (Loss)	$ (1,182)
Non-Cash Charges	
Depreciation and Amortization of Premises and Equipment	560
Provision for Possible Credit Losses	4,410
Funds Provided from Operations	$ 3,788
Increase in	
Deposits	4,872
Securities Sold, Not Yet Purchased	174
Long-Term Debt	381
Subordinated Capital Notes	600
Preferred Stock	225
Proceeds from Sale of Common Stock	1,136
Decrease in	
Investment Securities and Trading Account Assets	612
Cash and Due from Banks and Deposits at Interest with Banks	1,138
Other, Net	1,039
TOTAL	$13,965
Funds Used	
Cash Dividends Declared	$ 471
Increase in	
Federal Funds Sold and Securities Purchased Under Resale Agreements	1,864
Loans	8,841
Premises and Equipment	748
Decrease in	
Purchased Funds and Other Borrowings	2,041
TOTAL	$13,965

Accounting policies and explanatory notes on pages 51-69 form an integral part of the financial statements.

CONSOLIDATED BALANCE SHEET

CITIBANK, N.A. AND SUBSIDIARIES

IN MILLIONS OF DOLLARS	DECEMBER 31 1989	DECEMBER 31 1988
Assets		
Cash and Due from Banks	**$ 5,023**	$ 3,639
Deposits at Interest with Banks	**13,375**	10,488
Investment Securities (Market value $10,850 in 1989 and $11,101 in 1988)	**10,694**	10,947
Trading Account Assets	**5,957**	5,846
Federal Funds Sold and Securities Purchased Under Resale Agreements	**4,707**	6,657
Loans (Net of unearned income of $1,942 in 1989 and $1,633 in 1988)	**$105,613**	$ 97,141
Less: Allowance for Possible Credit Losses	**(3,738)**	(3,248)
Loans, Net	**$101,875**	$ 93,893
Customers' Acceptance Liability	**4,216**	4,064
Premises and Equipment, Net	**2,056**	2,040
Interest and Fees Receivable	**2,877**	2,553
Other Assets	**7,481**	6,226
TOTAL	**$158,261**	$146,353
Liabilities		
Non-Interest-Bearing Deposits in Domestic Offices	**$ 10,385**	$ 9,933
Interest-Bearing Deposits in Domestic Offices	**34,706**	34,185
Non-Interest-Bearing Deposits in Overseas Offices	**4,738**	4,012
Interest-Bearing Deposits in Overseas Offices	**59,139**	54,315
Total Deposits	**$108,968**	$102,445
Securities Sold, Not Yet Purchased	**1,978**	3,433
Purchased Funds and Other Borrowings	**19,461**	16,416
Acceptances Outstanding	**4,228**	4,081
Accrued Taxes and Other Expenses	**3,685**	2,789
Other Liabilities	**8,180**	5,535
Long-Term Debt	**4,133**	3,486
Stockholder's Equity (Note 21)		
Capital Stock ($20.00 par)	**$ 751**	$ 751
Outstanding Shares: 37,534,553 in 1989 and 1988		
Surplus	**3,236**	3,220
Retained Earnings	**3,641**	4,197
Total Stockholder's Equity	**$ 7,628**	$ 8,168
TOTAL	**$158,261**	$146,353

Accounting policies and explanatory notes on pages 51-69 form an integral part of the financial 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 that 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 functional currency other than the U.S. dollar, is included in retained earnings in the accompanying consolidated balance sheet, along with related hedge and tax effects.

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

In accordance with the requirements of the Financial Accounting Standards Board, Citicorp in 1988 adopted Statement of Financial Accounting Standards (SFAS) No. 95, "Statement of Cash Flows," as amended by SFAS No. 102, on a prospective basis. Under SFAS No. 95, a statement of cash flows is presented in place of the former statement of changes in financial position. For the purpose of the statement of cash flows, cash equivalents are defined as those amounts included in cash and due from banks.

INVESTMENT SECURITIES AND TRADING ACCOUNT ACTIVITIES

Debt and equity securities are held in both the investment and trading account portfolios. The distinction between the two is primarily based on the intent of management at the time the securities are purchased. Trading account assets are held in anticipation of short-term market movements and are held for resale to customers. In contrast, investment securities are purchased as long-term investments.

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 valued at market. Gains and losses, both realized and unrealized, are included in trading account revenue. Interest on trading account assets is included in interest revenue.

Obligations to deliver securities sold but not yet purchased are also valued at market and recorded on the balance sheet as securities sold, not yet purchased, with the related interest expense presented as interest expense on securities sold, not yet purchased. In previously issued financial statements, these obligations were recorded as a component of trading account assets and the related interest expense was included within interest on trading account assets. Prior-years' amounts have been restated to conform to the current year's presentation. This change, which reflects prevalent reporting practice for these activities, does not affect Citicorp's net income or stockholders' equity.

Financial futures and forward contracts, interest rate swaps, options and similar derivative products are valued at market, with both realized and unrealized gains and losses included in trading account revenue, except for those designated as hedges. Gains and losses related to financial futures and forward contracts, interest rate swaps, options and similar derivative products that are designated as hedges are deferred and reflected as an adjustment to interest revenue or expense. Fees related to these financial products are recognized over the term of the agreements.

It is Citicorp's policy not to make transfers between investment securities and the trading account.

CONSUMER LOANS

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

Consumer loans are generally 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.

COMMERCIAL LOANS

When it is determined as a result of evaluation procedures that the payment of interest or principal on a commercial loan is doubtful of collection, the loan is placed on a cash (nonaccrual) basis. 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.

LEASE FINANCING

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

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

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

ALLOWANCE FOR 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

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. Options and subscriptions may be for 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. Effective December 31, 1987, no further options are 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.

1. INVESTMENT SECURITIES

IN MILLIONS OF DOLLARS AT YEAR END	1989 CARRYING VALUE	1989 MARKET VALUE	1988 CARRYING VALUE	1988 MARKET VALUE
U.S. Treasury and Federal Agency	$ 3,113	$ 3,225	$ 3,405	$ 3,400
State and Municipal	1,620	1,626	1,776	1,762
Other	9,966	10,374	10,036	10,302
TOTAL	**$14,699**	**$15,225**	$15,217	$15,464

(1) At December 31, 1989 gross unrealized gains totaled $718 million and gross [illegible] losses totaled $192 million.

During 1989, cash proceeds from sales and maturities of investment securities totaled $20.1 billion. Of this amount, $11.9 billion related to maturities and $8.2 billion were related to sales.

Interest and Dividends on Investment Securities

IN MILLIONS OF DOLLARS FOR THE YEAR	1989	1988	1987
U.S. Treasury and Federal Agency	$ 274	$ 284	$ 288
State and Municipal (Substantially all exempt from federal income tax)	113	134	124
Other	878	816	824
TOTAL	**$1,265**	$1,234	$1,236

2. CONSUMER LOANS

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

Consumer Loans Outstanding

IN MILLIONS OF DOLLARS AT YEAR END	1989	1988[1]
In Domestic Offices		
Mortgage and Real Estate[2]	$ 38,213	$37,633
Installment, Revolving Credit, and Other Consumer Loans	32,895	31,932
Lease Financing	725	505
	$ 71,833	$70,070
In Overseas Offices		
Mortgage and Real Estate[2]	$ 10,384	$ 8,333
Installment, Revolving Credit, and Other Consumer Loans	15,878	13,060
Lease Financing	963	704
	$ 27,225	$22,097
	$ 99,058	$92,167
Unearned Income	(1,983)	(1,811)
CONSUMER LOANS—NET	**$ 97,075**	$90,356

(1) Reclassified to conform to current year's presentation.
(2) Loans secured primarily by real estate.

3. COMMERCIAL LOANS

Commercial Loans Outstanding

IN MILLIONS OF DOLLARS AT YEAR END	1989	1988[1]
In Domestic Offices		
Commercial and Industrial[2]	**$13,483**	$13,451
Mortgage and Real Estate[3]	**12,575**	11,161
Loans to Financial Institutions	**454**	608
Lease Financing	**3,120**	2,878
	$29,632	$28,098
In Overseas Offices		
Commercial and Industrial[2]	**$19,387**	$18,277
Mortgage and Real Estate[3]	**3,971**	2,897
Loans to Financial Institutions	**4,389**	3,569
Governments and Official Institutions	**4,870**	5,325
Lease Financing	**1,090**	900
	$33,707	$30,968
	$63,339	$59,066
Unearned Income	**(302)**	(225)
COMMERCIAL LOANS—NET	**$63,037**	$58,841

(1) Reclassified to conform to current year's presentation.
(2) Includes loans not otherwise separately categorized.
(3) Loans secured primarily by real estate.

Citicorp's cash-basis and renegotiated commercial loans amounted to $7,242 million, $6,331 million, and $6,046 million at December 31, 1989, 1988, and 1987, 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	1989	1988	1987
Interest Income that Would Have Been Accrued at Original Contractual Rates[1]	**$1,090**	$816	$701
Amount Recognized as Interest Income[2]	**478**	899[3]	250
FOREGONE REVENUE	**$ 612**	$ (83)	$451

(1) Includes $270 million, $146 million, and $88 million in domestic offices; and $820 million, $670 million, and $613 million in overseas offices in 1989, 1988, and 1987, respectively.
(2) Represents interest collected on cash-basis loans and interest accrued at reduced rates on renegotiated loans: $141 million, $80 million, and $58 million in domestic offices; $337 million, $819 million and $192 million in overseas offices in 1989, 1988, and 1987, respectively.
(3) Includes approximately $333 million of interest relating to the year 1987 on Brazilian medium- and long-term outstandings.

4. CHANGES IN THE ALLOWANCE FOR POSSIBLE CREDIT LOSSES

IN MILLIONS OF DOLLARS	1989	1988	1987
Balance at Beginning of Year	**$4,205**	$4,618	$1,698
Additions			
Provision for Possible Credit Losses	**$2,521**	$1,330	$4,410
Deductions			
Consumer Credit Losses	**$1,502**	$1,552[1]	$1,271
Consumer Credit Recoveries	**(274)**	(304)	(247)
Net Consumer Credit Losses	**$1,228**	$1,248	$1,024
Commercial Credit Losses	**$ 841**	$ 604	$ 617
Commercial Credit Recoveries	**(125)**	(100)	(144)
Net Commercial Credit Losses	**$ 716**	$ 504	$ 473
Other—Net	**(53)**[2]	9[3]	7[3]
BALANCE AT END OF YEAR	**$4,729**	$4,205	$4,618

(1) Includes $198 million from the phase-out of the mobile home and certain automobile lending businesses.
(2) Principally relates to securitized credit card transactions for which an appropriate portion of the allowance has been transferred to other liabilities for the duration of the transactions.
(3) Principally relates to allowance balances of acquired companies and translation of overseas allowance balances.

5. PREMISES AND EQUIPMENT

Depreciation and amortization of premises and equipment was $614 million in 1989, $611 million in 1988, and $560 million in 1987. Generally, depreciation and amortization are computed on a 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 was 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, 1989 and 1988, goodwill amounted to $972 million and $1,081 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, approximated 15 years as of December 31, 1989.

7. PURCHASED FUNDS AND OTHER BORROWINGS

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

IN MILLIONS OF DOLLARS	1989	1988	1987
Federal Funds Purchased and Securities Sold Under Repurchase Agreements [1]			
Amount Outstanding at Year End	**$16,101**	$ 9,720	$11,733
Average Outstanding During the Year	**$16,054**	$15,270	$13,490
Maximum Outstanding at Any Month End	**$16,884**	$17,456	$14,759
Commercial Paper [2]			
Amount Outstanding at Year End	**$ 7,116**	$ 9,346	$ 9,058
Average Outstanding During the Year	**$ 9,169**	$ 9,694	$ 9,309
Maximum Outstanding at Any Month End	**$10,482**	$10,646	$10,374
Other Funds Borrowed [3]			
Amount Outstanding at Year End	**$11,716**	$13,823	$10,899
Average Outstanding During the Year	**$11,728**	$11,871	$10,261
Maximum Outstanding at Any Month End	**$13,098**	$13,823	$12,566

(1) Weighted-average interest rate was 31.41% during 1989, 21.70% during 1988, and 13.94% during 1987; 31.10% at year-end 1989, 92.33% at year-end 1988, and 6.50% at year-end 1987. Reported rates reflect the impact of the local interest rates prevailing in certain Latin American countries.

(2) Weighted-average interest rate was 9.18% during 1989, 7.44% during 1988, and 6.68% during 1987; 8.62% at year-end 1989, 9.27% at year-end 1988, and 7.62% at year-end 1987.

(3) Weighted-average interest rate was 19.94% during 1989, 14.73% during 1988, and 13.80% during 1987. Year-end yield information was not readily available. Reported rates reflect the impact of the local interest rates prevailing in certain Latin American countries.

8. LONG-TERM DEBT

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

IN MILLIONS OF DOLLARS AT YEAR END	VARIOUS FIXED-RATE DEBT OBLIGATIONS	VARIOUS FLOATING-RATE DEBT OBLIGATIONS	1989 TOTAL	1988 TOTAL
Parent Company				
Due in 1989	$ —	$ —	**$ —**	$ 3,139
Due in 1990	1,781	734	**2,515**	1,363
Due in 1991	2,077	909	**2,986**	2,403
Due in 1992	1,326	393	**1,719**	1,396
Due in 1993	1,990	49	**2,039**	2,027
Due in 1994	708	48	**756**	104
Due in 1995-1999	2,313	1,266	**3,579**	3,400
Due in 2000-2004	420	120	**540**	538
Due in 2005 and Thereafter	591	929	**1,520**	1,520
	$11,206	$4,448	**$15,654**	$15,890
Subsidiaries				
Due in 1989	$ —	$ —	**$ —**	$ 1,551
Due in 1990	1,332	498	**1,830**	1,150
Due in 1991	516	109	**625**	451
Due in 1992	382	225	**607**	291
Due in 1993	269	177	**446**	308
Due in 1994	154	125	**279**	159
Due in 1995-1999	301	679	**980**	832
Due in 2000-2004	60	219	**279**	77
Due in 2005 and Thereafter	—	1	**1**	—
	$ 3,014	$2,033	**$ 5,047**	$ 4,819
TOTAL	$14,220	$6,481	**$20,701**	$20,709

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

Citicorp's fixed-rate long-term debt of $14,220 million matures over the period to 2017. The interest rates on fixed-rate debt issues ranged from 4.30% to 21.25% at December 31, 1989 and 2.78% to 24.99% at December 31, 1988, representing rates on issues denominated in U.S. dollars and various other currencies. The weighted-average interest rates were 9.48% and 9.19% at December 31, 1989 and 1988, respectively.

Citicorp's floating-rate long-term debt of $6,481 million matures over the period to 2035. The interest rates are determined periodically by formulas based on certain money market rates or, in certain instances, by minimum interest rates as specified in the agreements governing the respective issues. The interest rates on floating-rate debt issues ranged from 3.00% to 55.68% at December 31, 1989 and 3.00% to 26.82% at December 31, 1988, representing rates on issues denominated in U.S. dollars and various other currencies. The weighted-average interest rates were 9.17% and 9.32% at December 31, 1989 and 1988, respectively.

The weighted-average interest rates on subsidiary long-term debt were 10.35% at December 31, 1989 and 11.08% at December 31, 1988. As of December 31, 1989, approximately 33% of subsidiary long-term debt was guaranteed by Citicorp. Of the debt not guaranteed by Citicorp, approximately 24% was secured by the assets of the subsidiary as of December 31, 1989.

At December 31, 1989 and 1988, 5¾% outstanding convertible subordinated notes due in 2000 were $2.9 million and $3.5 million, respectively. Noteholders converted $0.6 million of convertible notes into 31,339 shares of common stock in 1989 and $0.4 million of convertible notes into 20,619 shares of common stock in 1988. 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 foreign currencies primarily in lire, Australian dollars, yen, French francs, pounds sterling, Deutsche marks, and ECUs, equal to approximately 17% of total long-term debt.

9. SUBORDINATED CAPITAL NOTES

IN MILLIONS OF DOLLARS AT YEAR END	1989	1988
Parent Company		
Floating-Rate Subordinated Capital Notes Due 1996	$ 500	$ 500
9% Subordinated Capital Notes Due 1999	300	300
9¾% Subordinated Capital Notes Due 1999	300	300
Floating-Rate Subordinated Capital Notes with No Stated Maturity	500	500
	$1,600	$1,600
Subsidiaries		
12½% Subordinated Capital Notes Due 1996	$ 350	$ 350
Floating-Rate Subordinated Capital Notes Due 1996	550	550
Floating-Rate Subordinated Capital Notes Due 1997	500	500
8¾% Subordinated Capital Notes Due 1998	249	249
	$1,649	$1,649
TOTAL	$3,249	$3,249

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

The interest rates on the floating-rate issues are determined periodically by formulas based on certain money market rates, or in certain instances, by minimum interest rates, as specified in the agreements governing the respective issues. Citicorp may defer payment of interest on the subordinated capital notes with no stated maturity if no dividends have been declared on any class of Citicorp stock in the preceding six months. The interest rates on floating-rate issues ranged from 8.64% to 9.29% at December 31, 1989, and 8.62% to 9.76% at December 31, 1988. The weighted-average interest rates were 8.76% at December 31, 1989 and 9.20% at December 31, 1988.

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. This capital will have a market value equal to the principal amount of the notes, or under certain circumstances may be 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 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 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, 1989 and 1988, 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. In March of 1989, the 400,000 shares of Adjustable Rate Cumulative Preferred Stock (the "First Series") were exchanged for 400,000 shares of non-voting redeemable preferred stock designated as Adjustable Rate Cumulative Preferred Stock, Seventh Series, which shares are subject to the same redemption requirements as the First Series. The exchange was effected due to a change in the source of quotations from which the dividend rate is determined. From 1990 to 2005, $1 million must be retired each year, and from 2006 to 2013, $3 million must be retired each year.

Total dividends declared on redeemable preferred stock were $4 million in 1989, 1988 and 1987. Dividends, which are cumulative, are payable semiannually. The dividend rate was adjusted on November 1, 1988 and will be determined every three years on November 1, until 2009 by a formula based on certain money market rates. The dividend rate established in 2009 will be applicable until 2013. The weighted-average dividend rates were $9.09, $10.22, and $10.45 for the years ended December 31, 1989, 1988 and 1987, respectively. 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	1989	1988
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	**575**	575
Series 6A and 6B, 1,500 Shares	**150**	150
Remarketed Preferred Stock		
Series 6C through 6E, 2,250 Shares	**225**	225
Graduated Rate Cumulative Preferred Stock Series 8A and 8B, 1,250,000 Shares	**125**	—
9.12% Preferred Stock		
Series 9, 5,000,000 Shares	**125**	—
TOTAL	**$1,840**	$1,590

Total dividends declared on non-redeemable preferred stock were $121 million in 1989, $101 million in 1988 and $88 million in 1987.

Dividends on the Second, Third, and Fourth Series of preferred stock are cumulative and payable quarterly at rates determined quarterly by formulas based on interest rates of certain U.S. Treasury obligations. Dividends on the Second and Third Series of preferred stock are subject to certain minimum and maximum rates as specified in the certificates of designation. The weighted-average dividend rates on the Second, Third, and Fourth Series were 6.000%, 7.000%, and 9.407%, respectively, for 1989.

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 dividends 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 1989, 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 7.364%, 7.457%, 7.238%, 7.305%, 7.303%, 7.342%, and 7.332%, respectively. The weighted-average dividend rates on Money Market Cumulative Preferred Stock, Series 6A and 6B, were 7.319% and 7.352%, respectively, and on Remarketed Preferred Stock, Series 6C through 6E were 7.305%.

Dividends on Graduated Rate Cumulative Preferred Stock, Series 8A and 8B and 9.12% Preferred Stock are cumulative. The Graduated Rate Cumulative Preferred Stock, Series 8A, dividends are payable on a quarterly basis initially at 8.5% per annum through August 15, 1992. After August 15, 1992, and prior to August 15, 1995, the dividend will be declared at a rate equal to the Three Year Treasury Rate plus 1.25% per annum. Every three years, the amount added to the Three Year Treasury Rate increases by ½ of 1% to a maximum of 3% per annum for all dividend periods ending after August 15, 2004. The Graduated Rate Cumulative Preferred Stock, Series 8B dividends are payable on a quarterly basis initially at 8.75% per annum through August 15, 1994. After August 15, 1994, and prior to August 15, 1999, the dividend will be declared at a rate equal to the Five Year Treasury Rate plus 1.50% per annum. Every five years, the amount added to the Five Year Treasury Rate increases by ¾ of 1% to a maximum of 3% per annum for all dividend periods ending after August 15, 2004. For both Series 8A and 8B, the dividend rate for any quarterly dividend period ending on or prior to August 15, 2004 cannot be less than 7% per annum nor greater than 14% per annum, and for quarterly dividend periods ending after August 15, 2004 cannot be less than 8% per annum nor greater than 16% per annum. The 9.12% Preferred Stock dividends are payable on a quarterly basis at an annual rate of 9.12%.

Citicorp may, at its option, redeem the Second Series until February 28, 1993 at $103 per share, and at $100 per share thereafter; may, at its option, redeem the Third Series until August 31, 1990 at $102.50 per share 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. These shares are redeemable, 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.

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

Citicorp may, at its option, redeem in whole or in part the 9.12% Preferred Stock, Series 9 on any date after November 15, 1994 for $25 per share plus accrued dividends.

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 non-redeemable) was 50 million shares at December 31, 1989 and 1988. Total shares of non-redeemable preferred stock issued and outstanding were 12,659,500 and 6,409,500 at December 31, 1989 and 1988, respectively. At December 31, 1989 and 1988, 400,000 shares of redeemable preferred stock were issued and outstanding.

12. COMMON STOCK

The outstanding shares at December 31, 1989 and 1988 include 2.6 million and 6.7 million book value shares, respectively, issued in connection with certain staff benefit plans. Under the terms of the plans, book value shares sold back to Citicorp are settled in market value shares.

Under Citicorp's Dividend Reinvestment and Common Stock Purchase Plan, which became effective on January 11, 1990, stockholders of record, without payment of brokerage fees, commissions or service charges, may reinvest all or part of their quarterly dividends in shares of common stock and make optional cash purchases of such shares. The shares are sold at a discount of 3% below current market prices (as defined in the plan) when purchased through reinvestment of dividends. Optional cash purchases of up to $20,000 per month may also be made to purchase additional common shares at current market prices (without discount).

At December 31, 1989, shares were reserved for issuance as follows: on conversion of convertible notes, 0.1 million shares; under the Savings Incentive Plan, 23.4 million book value shares; under the 1973 Stock Option Plan, under which options have been granted in tandem, a maximum of 1.1 million shares if issued at market value, and a maximum of 1.4 million shares if issued at book value; under the 1983 Stock Option Plan, under which options have been granted in tandem, a maximum of 13.1 million shares, if issued at market value, and a maximum of 14.8 million shares, if issued at book value; under the 1988 Stock Purchase Plan, 23.8 million shares; under the restricted stock plan, 0.2 million shares; under the Stock Incentive Plan, 24.3 million shares; under the Dividend Reinvestment and Common Stock Purchase Plan, 10.0 million shares; and under the Executive Incentive Compensation Plan, under which treasury shares have been reserved in tandem, a maximum of 1.3 million shares, if issued at market value, and a maximum of 0.9 million shares, if issued at book value.

During 1988, Citicorp restated and amended its certificate of incorporation by increasing its authorized common stock to 600 million shares at December 31, 1988 as compared with 500 million shares at December 31, 1987. Additionally, Citicorp has authorized, but not issued, 20 million shares of Class B common stock with a par value of $1.00 and one vote per share.

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.

13. FEES AND COMMISSIONS

Trust, agency, and custodial fees included in fees and commissions were $477 million in 1989, $450 million in 1988, and $514 million in 1987.

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 are granted, subscription agreements entered into, or new investment elections permitted for the purchase of book value stock.

Retirement Plans

There are a number of non-contributory pension plans covering substantially all domestic staff members. The employees of foreign operations participate in various local plans.

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 provides a breakdown of amounts recognized in Citicorp's consolidated financial statements for the years ended December 31, 1989, 1988, and 1987:

Components of Net Pension Expense/(Income)

IN MILLIONS OF DOLLARS	1989	1988	1987
Service Cost—Benefits Earned During the Year	$ 53	$ 52	$ 50
Interest Cost on Projected Benefit Obligation	64	55	70
Assumed Return on Plan Assets (Actual return was $257 in 1989, $111 in 1988, and $4 in 1987)	(101)	(97)	(105)
Net Amortization	(9)	(11)	(24)
NET PENSION EXPENSE/(INCOME)	$ 7	$ (1)	$ (9)

The assumed long-term rate of return on assets used in determining net pension expense/(income) was 10.4% in 1989, 10.2% in 1988, and 9.65% in 1987. 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 non-participatory annuity contract. As a result, a gain of $301 million ($163 million after-tax) was recognized as other revenue.

The following table presents the principal benefit plan's funded status at December 31, 1989, and 1988:

Funded Status

IN MILLIONS OF DOLLARS AT YEAR END	1989	1988
Plan Assets at Fair Value, Primarily Listed Stocks, Fixed Income Securities and Commingled Funds	**$1,252**	$1,013
Actuarial Present Value of Benefits for Service Rendered to Date:		
Accumulated Benefits Based on Salaries to Date, Including Vested Benefits of $342 in 1989 and $167 in 1988	**$ 439**	$ 289
Additional Benefits Based on Estimated Future Salary Levels	**508**	403
Projected Benefit Obligation	**$ 947**	$ 692
Plan Assets in Excess of Projected Benefit Obligation	**$ 305**	$ 321
Unrecognized Net Actuarial Loss	**227**	237
Unamortized Transition Net Asset	**(185)**	(204)
PREPAID PENSION COST INCLUDED IN OTHER ASSETS	**$ 347**	$ 354

The weighted-average discount rate used in determining the actuarial present value of the projected benefit obligation was 8.2% in 1989 and 9.3% in 1988. For both years, the assumed rate of increase in future compensation levels was 6.5%.

Postretirement Health Care and Life Insurance Benefits

Citicorp currently offers postretirement health care and life insurance benefits to most U.S. retired employees. Costs incurred to provide these benefits are charged to expense when paid. Postretirement health care and life insurance expense was $11 million in 1989, $12 million in 1988, and $9 million in 1987.

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 prior to 1988, book value shares issued by Citicorp. The expense associated with the plan amounted to $87 million in 1989, $69 million in 1988, and $64 million in 1987.

Stock Incentive Plan

During 1988, the shareholders of Citicorp approved a new stock incentive plan, retroactive to January 1, 1988, to replace the 1983 Stock Option Plan (the "1983 Plan"), which expired March 31, 1988. The 1988 Stock Incentive Plan (the "1988 Plan") provides for the issuance of options to purchase shares of Citicorp common stock or shares of Class B common stock at prices not less than 50% of the market value at the date of grant, incentive stock options, stock appreciation rights, restricted stock, or performance unit awards, any of which may be granted singly, in tandem, or in combination. Pursuant to the plan, 85,000 shares of restricted stock, with an aggregate market value of approximately $2.4 million at the date of grant, were awarded in 1989, and 385,000 shares of restricted stock, with an aggregate market value of approximately $7.5 million at the date of grant, were awarded in 1988. These shares were awarded to key executives contingent upon their continued employment over restriction periods of up to nine years. The value of the shares at the date of grant is amortized to expense over the restriction period. The expense recognized for the awards amounted to $1.2 million in 1989 and $1 million in 1988.

Under the 1988 Plan, the 1983 Plan, and the 1973 Stock Option Plan (the "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. Options previously granted under the 1983 Plan and 1973 Plan (as extended and amended) do not fully expire until 1997 and 1992, respectively. No further options may be granted under these plans. Based on the terms of the options granted under the 1988 Plan, the 1983 Plan and the 1973 Plan, (as extended and amended) 50% of the options granted are exercisable beginning on the first anniversary and 50% beginning on the second anniversary of the date of grant.

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

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

At December 31, 1989, options to purchase 7,550,915 shares were exercisable. At that date, 14,210,838 shares were available for

the granting of options to purchase market value shares or other forms of stock-related awards. Additional shares may become available for grant under the 1988 Plan to the extent that presently outstanding options under the 1983 Plan terminate or expire unexercised.

Changes In Options And Shares Under Options

	NUMBER OF SHARES	OPTION PRICE PER SHARE
Shares Under Option at		
December 31, 1989	16,497,265	$ 9 to $33
December 31, 1988	24,447,358	$ 9 to $27
Options Granted		
1989	6,508,525	$26 to $33
1988	5,939,325	$19 to $26
1987	7,569,633	$19 to $25
Options Exercised		
1989	4,661,264	$ 9 to $30
1988	1,306,088	$ 9 to $27
1987	2,329,799	$ 9 to $32
Options Expired or Terminated		
1989	599,826	$ 9 to $32
1988	967,306	$ 9 to $31
1987	424,885	$ 9 to $31

Stock Purchase Plan

The 1988 Stock Purchase Plan, which replaced the 1983 Stock Purchase Plan, provides for two types of offerings: fixed price offerings and periodic purchase offerings. On June 30, 1988, a fixed price offering was made, in which all eligible staff members (two years employment with Citicorp or its subsidiaries) may enter into subscription agreements to purchase shares at the fair market value on the date of the agreements. Such shares could be purchased from time to time prior to March 31, 1990. Prior to December 31, 1987, eligible staff members entered into agreements, under the 1983 Stock Purchase Plan, to purchase shares at either the book value or the fair market value on the date of the agreements.

Agreements aggregating $139 million were entered into on June 30, 1988. Outstanding subscriptions, which aggregated $93 million at December 31, 1989, may be used for the purchase of shares at $24.75 per share. Under the terms of the June 30, 1988 agreements, 1,221,479 shares were purchased in 1989 and 21,562 shares were purchased in 1988. These agreements expire on March 31, 1990.

Under the agreements entered into on June 30, 1986 for the purchase of market value shares at $29.625 per share and book value shares at $26.784 per share, 388 market value and 13,568 book value shares were purchased in 1988, and 52,778 market value and 73,218 book value shares were purchased in 1987. These agreements expired on March 31, 1988.

Executive Incentive Compensation Plan

Under the Executive Incentive Compensation Plan, awards in cash, or in market value shares, are made to key staff members, payable at the election of the participants; or for elections made prior to December 31, 1987, book value shares, in one installment for awards made in 1989 and 1988 and in two installments for awards made in 1987, or on a deferred basis.

The aggregate amount of the awards was approximately $25 million in 1989, $24 million in 1988, and $12 million in 1987.

Restricted Stock Plan

The Restricted Stock Plan 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. No shares were awarded in 1989 under the Restricted Stock Plan. A total of 228,000 shares with an aggregate market value of approximately $4.4 million at the date of grant were awarded in 1988, and 64,000 shares with an aggregate market value of approximately $1.7 million at the date of grant were awarded in 1987. The expense recognized for the plan amounted to $0.9 million in 1989, $0.8 million in 1988, and $1.0 million in 1987.

15. INCOME TAXES

IN MILLIONS OF DOLLARS FOR THE YEAR	1989	1988	1987
Provision for Taxes on Income	**$1,035**	$1,009	$894
Income Tax Benefits Related to Foreign Currency Translation Reported in Stockholders' Equity	**(4)**	(13)	(43)
	$1,031	$ 996	$851
Extraordinary Item—Carryforward Tax Benefits	**—**	(160)	—
TOTAL INCOME TAXES	**$1,031**	$ 836	$851

As a result of the net loss reported by Citicorp in 1987, accounting rules limit the extent to which the future tax benefits of certain recorded transactions can be recognized in the financial statements. Due to these limitations, $301 million of U.S. federal tax benefits generated during 1989 were not recognized in the financial statements, and approximately $700 million (at current statutory rates) of tax benefits generated in 1987 also remain unrecognized. The total of approximately $1 billion of unrecognized tax benefits are available to reduce U.S. federal income taxes that would otherwise be provided in Citicorp's financial statements in future years. During 1988, $160 million of previously unrecognized U.S. federal tax benefits generated in 1987 were recognized as extraordinary income.

Components of Total Income Taxes

IN MILLIONS OF DOLLARS FOR THE YEAR	1989	1988	1987
Domestic			
Current			
U.S. Federal	**$ 104**	$ 128	$ 106
State and Local	**71**	74	82
	$ 175	$ 202	$ 188
Deferred			
U.S. Federal	**$ 45**	$ 255	$(122)
State and Local	**20**	64	53
	$ 65	$ 319	$ (69)
Total Domestic	**$ 240**	$ 521	$ 119
Foreign			
(Substantially current)	**791**	475	732
	$1,031	$ 996	$ 851
Extraordinary Item—Carryforward Tax Benefits	**—**	(160)	—
TOTAL INCOME TAXES	**$1,031**	$ 836	$ 851

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 1988 and 1987 to reflect the tax returns as filed.

Within the total provision, the tax effect of investment securities transactions amounted to a provision of $62 million in 1989, $39 million in 1988, and $88 million in 1987.

As a U.S. corporation, Citicorp is subject to domestic taxation currently on all of its foreign pre-tax earnings if earned by a foreign branch or when earnings are effectively repatriated if earned by a foreign subsidiary or affiliate. In addition, certain of Citicorp's 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 $427 million in 1989, $1,527 million in 1988, and $(2,013) million in 1987.

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

Components of Deferred Taxes

IN MILLIONS OF DOLLARS FOR THE YEAR	1989	1988	1987
Lease Financing Transactions	**$ 99**	$118	$ 95
Credit Loss Deduction	**(173)**	32	(1,172)
Interest Income	**(18)**	(7)	(35)
Domestic Taxes on Overseas Income	**(268)**	61	(43)
Pension Settlement	**—**	—	149
Mortgage Pass-Through Sales	**43**	28	34
Tax Benefits Not Recognized	**301**	—	1,038
Other	**81**	87	(135)
TOTAL	**$ 65**	$319	$ (69)

The following table reconciles the U.S. Federal statutory tax rate to the effective tax rate on income (loss) before taxes and extraordinary item:

Analysis of Effective Tax Rate

FOR THE YEAR	1989	1988	1987
Statutory U.S. Federal Tax Rate	**34.0%**	34.0%	(40.0)%
Changes from Statutory Rate Resulting from:			
Tax-Exempt Interest Income	**(2.5)**	(1.7)	(26.1)
Income Subject to Tax at Capital Gains Rates	**—**	—	(16.0)
State and Local Income Taxes, Net of U.S. Federal Income Tax Benefit	**3.9**	3.3	37.6
Taxes on Income of Overseas Operations	**9.8**	3.4	9.4
Income from 20%-50% Owned Affiliates Included on an After-Tax Basis	**(1.6)**	(.6)	(5.4)
Tax Benefits Not Recognized	**19.6**	—	332.4
Other	**4.3**	(1.1)	18.6
EFFECTIVE TAX RATE	**67.5%**	37.3%	310.5 %

16. EARNINGS (LOSS) PER SHARE

The accompanying table shows the calculation of earnings (loss) per share on common and common equivalent shares for income (loss) before extraordinary item and 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 1989 and 1988, shares issuable under stock option grants, which give staff members the alternative to purchase either market value or book value shares, are either included as common equivalent shares or enter into the earnings per share calculation according to the two-class method based upon the economically preferable alternative to staff members, as further described in the Statement of Accounting Policies.

Calculation of Earnings (Loss) Per Share

IN MILLIONS EXCEPT PER SHARE AMOUNTS	**1989**	1988	1987
Net Income (Loss) Available for Common Stockholders			
a. Distributed Portion (Dividends)	**$ 510**	$ 461	$ 379
b. Undistributed Portion Before Extraordinary Item[1]	**(135)**	1,133	(1,653)
Income (Loss) Available for Common Stockholders Before Extraordinary Item	**$ 375**	$ 1,594	$(1,274)
c. Extraordinary Item	**—**	160	—
TOTAL	**$ 375**	$ 1,754	$(1,274)
Shares			
Weighted-Average Common Shares Outstanding—Market Value	**316.2**	311.6	282.9
Weighted-Average Common Shares Outstanding—Book Value	**5.7**	6.5	6.1
Common Stock Equivalents[2]	**4.1**	2.3	—
d. Shares Applicable to Distributed Portion	**326.0**	320.4	289.0
Book Value Shares Issuable Under Stock Option and the Executive Incentive Compensation Plans	**6.5**	9.7	—
e. Shares Applicable to Undistributed Portion	**332.5**	330.1	289.0
Earnings (Loss) Per Share			
a ÷ d Distributed Portion	**$ 1.57**	$ 1.44	$ 1.31
b ÷ e Undistributed Portion Before Extraordinary Item	**(.41)**	3.43	(5.72)
Income (Loss) Before Extraordinary Item	**$ 1.16**	$ 4.87	$ (4.41)
c ÷ e Extraordinary Item	**—**	.49	—
NET INCOME (LOSS)	**$ 1.16**	$ 5.36	$ (4.41)

(1) For purposes of calculating earnings (loss) per share, net income (loss) available for common stockholders is adjusted for the after-tax dividend equivalents on shares issuable under the executive incentive compensation plan.

(2) Common stock equivalents represent shares issuable under the executive incentive compensation plan and the dilutive effect of market value shares issuable under stock option and stock purchase plans computed using the treasury stock method.

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 (0.1 million in 1989 and 0.2 million in 1988) and the additional common stock equivalents (0.1 million in both 1989 and 1988) to the number of shares included in the earnings per share calculation (resulting in a total of 332.7 million shares in 1989 and 330.4 million shares in 1988) and eliminating the after-tax interest expense related to the conversion of the notes ($0.1 million in both 1989 and 1988).

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

Citicorp attributes total revenue, income (loss) before taxes and extraordinary item, 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 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 $39 million of tax benefits related to the $1 billion provision for possible credit losses recorded in 1989, $160 million of tax benefits recognized as an extraordinary item in 1988 and $259 million of tax benefits related to the $3 billion provision recorded in 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.

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 $3,792 million for 1989, $3,298 million for 1988 and $3,723 million for 1987, and credit loss provision amounts of $1,202 million for 1989, $140 million for 1988 and $3,336 million for 1987. 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][2]			INCOME (LOSS) BEFORE TAXES AND EXTRAORDINARY ITEM[2]			NET INCOME (LOSS)[2]			AVERAGE TOTAL ASSETS[2]		
	1989	1988	1987	**1989**	1988	1987	**1989**	1988	1987	**1989**	1988	1987
North America[3]	**$ 8,747**	$ 7,946	$ 8,058	**$1,531**[4]	$ 1,471[4]	$2,054[4]	**$ 965**	$ 933	$1,152	**$138,815**	$126,103	$116,017
Caribbean, Central and South America[5]	**1,033**	1,518	710	**(457)**	624	(2,338)	**(712)**	553	(2,103)	**16,572**	20,049	18,820
Europe, Middle East, and Africa	**2,495**	2,409	2,361	**(61)**	203	(174)	**(117)**	101	(254)	**41,325**	42,464	44,566
Asia/Pacific	**1,477**	1,145	1,224	**520**	409	170	**362**	271	23	**24,290**	22,824	23,445
TOTAL	**$13,752**	$13,018	$12,353	**$1,533**	$ 2,707	$ (288)	**$ 498**	$ 1,858[6]	$(1,182)	**$221,002**	$211,440	$202,848

(1) Includes net interest revenue and fees, commissions, and other revenue.

(2) Prior-years' results have been adjusted to reflect organizational changes, as well as the restatement to reflect the change in the reporting of securities sold, not yet purchased.

(3) Includes amounts attributed to United States operations (in 1989, 1988, and 1987, respectively) as follows: total revenue, $8,589 million, $7,830 million, and $7,914 million; income (loss) before taxes and extraordinary item, $1,458 million, $1,411 million, and $1,998 million; net income, $914 million, $900 million, and $1,118 million; and average total assets, $133,834 million, $122,849 million, and $112,462 million.

(4) In North America, income (loss) before taxes and extraordinary item includes approximately $204 million in 1989, $219 million in 1988, and $144 million in 1987 of tax-exempt income, reducing the Federal income tax provision attributed to the United States.

(5) Includes amounts attributed to Brazil operations (in 1989, 1988, and 1987, respectively) as follows: total revenue, $471 million, $739 million, and $21 million; income (loss) before taxes and extraordinary item, $(140) million, $559 million, and $(854) million; net income (loss), $(400) million, $400 million, and $(730) million; and average total assets denominated in cruzados and other currencies, $6,577 million, $6,745 million, and $6,444 million. Total revenue in 1988 includes $333 million of interest relating to 1987 and net income also includes $39 million of carryforward tax benefits. Excluding these two items, net income in Brazil in 1988 would have been $141 million.

(6) The 1988 results include an extraordinary item of $160 million of carryforward tax benefits.

15. 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 $51.8 billion at December 31, 1989 and $48.3 billion at December 31, 1988. The majority of these commitments are contingent upon customers' maintaining specific credit standards. Excluded from these amounts are commitments to extend credit in the form of retail credit cards, check credit or related plans. In addition, Citicorp and its subsidiaries are obligated under various recourse provisions related to the sales of loans or sales of participations in pools of loans. The maximum obligation under recourse provisions related to the sale of all types of loans, except sales of participations in pools of credit card receivables which are described below, was approximately $14.6 billion and $10.1 billion at December 31, 1989 and 1988, respectively. Of these amounts, approximately 85% at December 31, 1989 and 92% at December 31, 1988 related to sales of residential mortgages. Citicorp also has secondary recourse obligations under servicing agreements with the Government National Mortgage Association (GNMA) covering approximately $8.3 billion of residential mortgages at December 31, 1989 and $7.3 billion at December 31, 1988. Losses under these recourse obligations have not been material.

Certain Citicorp subsidiaries are also obligated under recourse provisions related to the sale of participations in pools of credit card receivables of $6.9 billion ($6.1 billion in 1989 and $0.8 billion in 1988). The maximum obligation is limited to the amount of excess servicing fees that will be earned over the life of each sales transaction. The excess servicing fee represents the gain on sale and is based upon the difference between finance charges received from cardholders less the yield paid to investors, transaction costs, credit losses, and a normal servicing fee, which is also retained by certain Citicorp subsidiaries as servicers. As specified in each sales agreement, the excess servicing fee earned each month is deposited in an escrow account, up to a predetermined maximum amount, and is available to reimburse investors for credit losses over the remaining term of each sales transaction. When the escrow account is at its maximum amount, excess servicing fees are passed directly to the Citicorp subsidiary that sold the receivable and are no longer available to absorb future credit losses. The amount available in the escrow account to absorb credit losses is included in other assets and was approximately $209 million at December 31, 1989 and approximately $12 million at December 31, 1988. During 1989, the monthly excess servicing fee earned was net of $206 million of credit losses, while there were no escrow account losses.

Standby Letters of Credit

IN MILLIONS OF DOLLARS AT YEAR END	EXPIRE WITHIN 1 YEAR	AFTER 1 BUT WITHIN 5 YEARS	AFTER 5 YEARS	PERCENTAGE COLLATERALIZED	1989 AMOUNT OUTSTANDING	1988 AMOUNT OUTSTANDING
Type						
Bid Guarantee, Performance	$ 3,553	$1,653	$1,339	9.57%	**$ 6,545**	$ 4,865
Clean Payment	2,100	166	80	34.86%	**2,346**	2,802
Options, Purchased Securities, Escrow	234	468	11	4.82%	**713**	553
Insurance, Surety	4,781	597	918	28.96%	**6,296**	6,762
Backstop State, County, and Municipal Securities	63	200	1,017	.45%	**1,280**	1,440
All Other Debt Related	2,106	4,607	2,138	16.46%	**8,851**	8,961
TOTAL	$12,837	$7,691	$5,503	18.30%	**$26,031**	$25,383

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 a Citibank customer cannot perform its obligations to third parties.

Citibank issues standby letters of credit on behalf of its customers for five primary purposes: to ensure contract performance and irrevocably assure payment by the customer under supply, service, and maintenance contracts or construction projects; to provide a payment mechanism for a customer's third-party obligations; to act as a substitute for an escrow account; to assure payment by a foreign reinsurer to a domestic insurer; and to assure payment of specified financial obligations of a customer. Fees are recognized ratably over the term of the standby letter of credit. Losses have not been material.

Insurance Activities

AMBAC, a wholly-owned subsidiary of Citibank, provides default insurance on bonds issued by U.S. municipalities. Under municipal bond insurance policies, if a bond issuer defaults on an insured issue, the insurer promises to pay the principal and interest in accordance 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, by single issue limitations, and by obtaining reinsurance. Premiums are recognized over the term of the insurance policy. The amount of unearned premium was $357.6 million at December 31, 1989 and $325.7 million at December 31, 1988. Reserves for losses are provided for when default by the bond issuer is reasonably anticipated; such losses have not been material. The principal amount of municipal bond insurance in force retained by AMBAC was $31.8 billion at December 31, 1989 and $27.3 billion at December 31, 1988. The municipal bonds insured had a weighted-average life of 15.6 years at December 31, 1989 and 16.2 years at December 31, 1988.

Capital Markets Assurance Corporation (CapMAC), a wholly-owned indirect subsidiary of Citicorp, insures the timely payment of principal and interest for issues of corporate bonds, debentures, notes, asset-backed financings, and other taxable obligations. In addition, CapMAC may underwrite or reinsure financial guarantee insurance for tax-exempt securities.

CapMAC limits its exposure to losses by underwriting only investment grade obligations, by diversifying its risk geographically, by type of securities, by single issue limitations, and by obtaining reinsurance. CapMAC further limits its exposure to losses by requiring over-collateralization, or a pledge of a standby letter of credit or other third-party guarantee.

Premiums are recognized over the term of the insurance coverage as risk is reduced. The amount of unearned premium was $17.5 million at December 31, 1989 and $17.7 million at December 31, 1988. Reserves for losses are provided when default is reasonably anticipated. Losses have not been material. At December 31, 1989 and 1988, CapMAC's principal amount of insurance in force retained was $2.8 billion and $1.6 billion, respectively. The weighted-average life of the insured instruments was 9.9 years at December 31, 1989 and 16.4 years at December 31, 1988.

Interest Rate and Foreign Exchange Products

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

In most cases, Citicorp manages the exposures related to these products as part of its overall interest rate and foreign exchange trading activities which include both funded (asset and liability) and non-funded positions. For example, Citicorp may hold a security in its trading portfolio and at the same time have futures contracts to sell that security. The losses on one position may substantially offset gains on the other position. 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 price and credit risks inherent in traditional banking services are also present in these specialized financial products, as are the various operating risks that exist in all financial activities.

Price risk is the exposure created by fluctuations in interest and foreign exchange rates, and is a function of the type of product, the volume of the transaction, the tenor and terms of the agreement, and the volatility of the underlying interest rate or exchange rate. Price risk is affected by the mix of the aggregate portfolio and the extent to which positions have offsetting exposures. The price risk of an interest rate swap, for example, will be reduced by the presence of securities, financial futures, or other interest rate swap positions with offsetting 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 price risk.

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

Credit risk is the exposure to loss in the event of 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 a significant presence in the interest rate and foreign exchange markets. The aggregate notional principal amount of Citicorp's outstanding interest rate contracts was $392.6 billion and $287.4 billion, which included interest rate swaps of $187.5 billion and $138.1 billion at December 31, 1989 and 1988, respectively. The aggregate notional principal amount of Citicorp's outstanding foreign exchange contracts was $588.4 billion and $434.2 billion at December 31, 1989 and 1988, respectively. Notional principal amounts are often used to express the volume of these transactions, and do not reflect the extent to which positions may offset one another. These amounts do not represent the much smaller amounts potentially subject to risk.

Citicorp's exposure related to interest rate and foreign exchange products can be estimated by calculating the present value of the cost of replacing at current market rates all outstanding contracts; this estimate does not consider the impact that future changes in interest and foreign exchange rates would have on such costs. At December 31, 1989, the gross aggregate unrealized gains on contracts, based on these current market values, were $3.1 billion for all interest rate contracts (which includes $2.5 billion related to interest rate swaps) and $11.0 billion for all foreign exchange contracts.

19. COMMITMENTS AND CONTINGENT LIABILITIES

Citicorp and its subsidiaries are obligated under a number of non-cancelable operating leases for premises and equipment, most of which have renewal or purchase options. Minimum rental commitments on non-cancelable operating leases, net of sublease income, are $329 million in 1990, $288 million in 1991, $251 million in 1992, $204 million in 1993, $177 million in 1994, and $734 million thereafter, totaling $1,983 million. Rental expense was $532 million in 1989 net of $49 million sublease rental income, $525 million in 1988 net of $36 million sublease rental income, and $372 million in 1987 net of $66 million sublease rental income.

At December 31, 1989, certain investment securities, trading account assets, and other assets with a carrying value of $11,683 million were pledged as collateral for borrowings to secure public and trust deposits, and for other purposes.

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

20. FUTURE IMPACT OF RECENTLY ISSUED ACCOUNTING STANDARDS

In December 1987, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 96 "Accounting for Income Taxes". SFAS No. 96 would significantly change the method of accounting for income taxes for financial statement purposes, without affecting the actual cash tax liability. Under SFAS No. 96, income taxes would 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 would not be recognized.

In December 1989, the FASB extended the effective date of SFAS No. 96 to fiscal years beginning after December 15, 1991, and announced its intention to reconsider certain significant provisions of the standard. Although Citicorp currently estimates that the impact of adopting SFAS No. 96 would be a cumulative reduction in stockholders' equity of approximately $350 million, the ultimate effect may be different depending on the nature and extent of the modifications to SFAS No. 96 that are decided upon by the FASB.

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

Authorized capital stock of Citibank was 40 million shares at December 31, 1989, 1988 and 1987.

Changes in Stockholder's Equity

IN MILLIONS OF DOLLARS	1989	1988	1987
Balance at Beginning of Year	**$8,168**	$ 7,548	$ 7,969
Additions			
Net Income (Loss)	**$ 222**	$ 1,583	$(1,069)
Contribution from Parent Company	**1**	2	1,178
Other Additions, Net	**14**	15	11
	$ 237	$ 1,600	$ 120
Deductions			
Dividends Declared	**$ 750**	$ 950	$ 500
Foreign Currency Translation	**35**	49	52
Net Amortization of Intangibles Associated with Acquisition of Subsidiaries and Affiliates	**(8)**	(19)	(11)
	$ 777	$ 980	$ 541
BALANCE AT END OF YEAR	**$7,628**	$ 8,168	$ 7,548

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 $302 million, $303 million, and $352 million, at December 31, 1989, 1988, and 1987, respectively, are included in other assets in the Citicorp consolidated balance sheet. Citicorp's equity investment in Citibank amounted to $7,930 million, $8,471 million, and $7,900 million at December 31, 1989, 1988, and 1987, respectively.

22. CITICORP (PARENT COMPANY ONLY)

Condensed Statement of Operations

IN MILLIONS OF DOLLARS	1989	1988	1987
Revenue			
Dividends from Subsidiary Bank	**$ 750**	$ 950	$ 500
Dividends from Subsidiaries Other Than Banks	**375**	136	508
Interest from Subsidiaries	**2,354**	2,305	1,964
Other Revenue	**77**	78	99
	$3,556	$3,469	$ 3,071
Expense			
Interest on Other Borrowed Money	**$1,208**	$1,105	$ 994
Interest and Fees Paid to Subsidiaries	**206**	274	263
Interest on Long-Term Debt and Subordinated Capital Notes	**1,577**	1,537	1,509
Other Expense	**29**	15	21
	$3,020	$2,931	$ 2,787
Income Before Taxes and Equity in Undistributed Income (Loss) of Subsidiaries	**$ 536**	$ 538	$ 284
Income Tax Benefit—Current	**232**	178	320
Equity in Undistributed Income (Loss) of Subsidiaries, Before Extraordinary Item	**(270)**	982	(1,786)
Income (Loss) Before Extraordinary Item	**$ 498**	$1,698	$(1,182)
Equity in Extraordinary Item of Subsidiary	**—**	160	—
NET INCOME (LOSS)	**$ 498**	$1,858	$(1,182)

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 Office of the Comptroller of the Currency (OCC) 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, 1989 had combined net assets of approximately $9.5 billion), such bank subsidiaries can declare dividends in 1990 without approval of the Comptroller of the Currency of approximately $1.1 billion, plus an additional amount equal to their net profits for 1990 up to the date of any such dividend declaration. The OCC is currently considering an amendment to its definition of net profits. Citicorp does not anticipate that the proposal, if adopted in its current form, will have any material effect on the ability of its national bank subsidiaries to remit dividends.

Condensed Balance Sheet

IN MILLIONS OF DOLLARS	DECEMBER 31 1989	DECEMBER 31 1988
Assets		
Deposits with Subsidiary Banks, Principally Interest-Bearing	**$ 1,079**	$ 3,331
Investment Securities (Market value $1,363 in 1989 and $1,018 in 1988)	**1,196**	989
Investments in and Advances to Subsidiaries Other Than Banks	**25,897**	26,134
Investments in and Advances to Citibank, N.A. and Other Subsidiary Banks	**11,168**	11,191
Other Assets	**636**	738
TOTAL	**$39,976**	$44,383
Liabilities and Stockholders' Equity		
Purchased Funds and Other Borrowings	**$10,854**	$14,639
Advances from Subsidiaries	**407**	880
Other Liabilities	**1,345**	1,470
Long-Term Debt, Subordinated Capital Notes, and Redeemable Preferred Stock (Notes 8, 9, and 10)	**17,294**	17,530
Stockholders' Equity	**10,076**	9,864
TOTAL	**$39,976**	$44,383

Condensed Statement of Cash Flows

IN MILLIONS OF DOLLARS	1989	1988[1]
Cash Flows from Operating Activities		
Net Income	$ 498	$ 1,858
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Equity in Undistributed (Income) Loss of Subsidiaries, Before Extraordinary Item	$ 270	$ (982)
Equity in Extraordinary Item of Subsidiary	—	(160)
Net Change in Other Liabilities	(125)	438
Other, Net	(102)	(87)
Total Adjustments	$ 43	$ (791)
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 541	$ 1,067
Cash Flows from Investing Activities		
Purchases of Investment Securities	$ (745)	$ (460)
Sales and Maturities of Investment Securities	584	390
Payments for Investments in and Advances to Subsidiaries	(529,379)	(295,238)
Sale or Repayment of Investments in and Advances to Subsidiaries	531,478	295,945
NET CASH PROVIDED BY INVESTING ACTIVITIES	$ 1,938	$ 637
Cash Flows from Financing Activities		
Proceeds from Purchased Funds and Other Borrowings	$444,277	$656,422
Repayments of Purchased Funds and Other Borrowings	(448,063)	(655,442)
Proceeds from Advances from Subsidiaries	8,786	12,925
Repayment of Advances from Subsidiaries	(9,255)	(15,470)
Proceeds from Issuance of Long-Term Debt	2,346	2,756
Repayment of Long-Term Debt	(2,550)	(2,641)
Proceeds from Issuance of Common Stock	115	36
Proceeds from Issuance of Preferred Stock	244	—
Dividends Paid	(631)	(564)
NET CASH USED IN FINANCING ACTIVITIES	$ (4,731)	$ (1,978)
Net (Decrease) in Deposits with Subsidiary Banks	$ (2,252)	$ (274)
Deposits with Subsidiary Banks at Beginning of Year	3,331	3,605
DEPOSITS WITH SUBSIDIARY BANKS AT END OF YEAR	$ 1,079	$ 3,331

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

Condensed Statement of Changes in Financial Position

IN MILLIONS OF DOLLARS	1987
Funds Provided	
Net (Loss)	$(1,182)
Deduct Equity in Undistributed Net (Loss) of Subsidiaries	(1,786)
Funds Derived from Operations	$ 604
Increase in	
Purchased Funds and Other Borrowings	106
Long-Term Debt, Subordinated Capital Notes, and Redeemable Preferred Stock	1,211
Preferred Stock	225
Advances from Subsidiaries	1,084
Common Stock	1,136
Decrease in	
Deposits with Subsidiary Banks	332
TOTAL	$ 4,698
Funds Used	
Cash Dividends Declared	$ 471
Increase in	
Investment Securities	486
Investments in and Advances to Subsidiaries	3,449
Other, Net	292
TOTAL	$ 4,698

Financial Statistics

QUARTERLY FINANCIAL INFORMATION

CITICORP AND SUBSIDIARIES

IN MILLIONS OF DOLLARS EXCEPT PER SHARE AMOUNTS	1989				1988			
	4th	3rd	2nd	1st	4th	3rd	2nd	1st
Net Interest Revenue	$ 1,819	$ 1,875	$ 1,844	$ 1,820	$ 2,427	$ 1,783	$ 1,703	$ 1,692
Fees, Commissions, and Other Revenue	1,680	1,579	1,475	1,660	1,334	1,320	1,407	1,352
TOTAL REVENUE	$ 3,499	$ 3,454	$ 3,319	$ 3,480	$ 3,761	$ 3,103	$ 3,110	$ 3,044
Provision for Possible Credit Losses	$ 1,433	$ 401	$ 329	$ 358	$ 424	$ 302	$ 321	$ 283
Operating Expense	2,700	2,434	2,319	2,245	2,449	2,206	2,181	2,145
TOTAL EXPENSE	$ 4,133	$ 2,835	$ 2,648	$ 2,603	$ 2,873	$ 2,508	$ 2,502	$ 2,428
Income (Loss) Before Taxes and Extraordinary Item	$ (634)	$ 619	$ 671	$ 877	$ 888	$ 595	$ 608	$ 616
Income Taxes	150	261	276	348	301	201	249	258
Income (Loss) Before Extraordinary Item	$ (784)	$ 358	$ 395	$ 529	$ 587	$ 394	$ 359	$ 358
Extraordinary Item — Carryforward Tax Benefit[1]	—	—	—	—	160	—	—	—
NET INCOME (LOSS)	$ (784)	$ 358	$ 395	$ 529	$ 747	$ 394	$ 359	$ 358
Earnings (Loss) Per Share[2]								
Income (Loss) Before Extraordinary Item	$ (2.52)	$ .99	$ 1.11	$ 1.52	$ 1.70	$ 1.13	$ 1.03	$ 1.01
Net Income (Loss)	$ (2.52)	$ .99	$ 1.11	$ 1.52	$ 2.19	$ 1.13	$ 1.03	$ 1.01
Cash Dividends Declared								
Redeemable Preferred and Preferred Stock	$ 34	$ 31	$ 31	$ 29	$ 28	$ 26	$ 25	$ 26
Common Stock	$ 132	$ 130	$ 130	$ 118	$ 118	$ 119	$ 117	$ 107
Common Stock, Per Share	$ .4050	$ .4050	$ .4050	$ .3700	$ .3700	$ .3700	$ .3700	$ .3375
TOTAL ASSETS[3]	$230,643	$226,610	$221,265	$214,627	$211,657	$212,959	$209,762	$206,890
Common Stock Price Range								
High	35½	34⅞	34⅛	29⅞	27	26⅝	25	22⅛
Low	25¾	30⅛	28	24⅝	24	22½	18⅝	18
Close	28⅞	33⅝	31⅛	29¾	25⅞	26⅛	24⅞	19⅛

(1) See Note 15 to the Financial Statements.
(2) See Note 16 to the Financial Statements.
(3) Prior-period amounts have been restated to reflect the change in the reporting of securities sold, not yet purchased.

RATIOS

	1989	1988	1987
Return on Average Total Assets[1][2]			
Before Extraordinary Item	.23%	.80%	(.58)%
After Extraordinary Item	.23%	.88%	(.58)%
Return on Common Stockholders' Equity[3]			
Before Extraordinary Item	4.3%	21.4%	(19.6)%
After Extraordinary Item	4.3%	23.6%	(19.6)%
Return on Total Stockholders' Equity[4]			
Before Extraordinary Item	4.7%	18.8%	(14.7)%
After Extraordinary Item	4.7%	20.5%	(14.7)%
Average Common Stockholders' Equity as a Percentage of Average Total Assets[1]	3.97%	3.52%	3.21%
Average Total Stockholders' Equity as a Percentage of Average Total Assets[1]	4.73%	4.27%	3.97%
Dividends Per Common Share as a Percentage of Income Per Common Share			
Before Extraordinary Item	136.6%	29.7%	N/M
After Extraordinary Item	136.6%	27.0%	N/M

(1) Prior-years' ratios have been restated to reflect the change in the reporting of securities sold, not yet purchased.
(2) Income (loss) before extraordinary item and net income (loss) as a percentage of average total assets.
(3) Income (loss) before extraordinary item and net income (loss) less total preferred stock dividends as a percentage of average common stockholders' equity.
(4) Income (loss) before extraordinary item and net income (loss) less redeemable preferred stock dividends as a percentage of average total stockholders' equity.

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 1989 results.

Certain statistical data required by the Securities and Exchange Commission are included on pages 26 to 29, and pages 70 to 77.

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*Citicorp's 1990 Proxy Statement is incorporated herein by reference.

Financial Data Supplement

AVERAGE BALANCES AND INTEREST RATES

TAXABLE EQUIVALENT BASIS[1]

IN MILLIONS OF DOLLARS

		1989		
		AVERAGE VOLUME	INTEREST	% AVERAGE RATE
INTEREST REVENUE **Loans (Net of Unearned Income)**[2]	Consumer Loans			
	In Domestic Offices	$ 68,318	$ 8,615	12.61
	In Overseas Offices	22,449	3,124	13.92
	Total Consumer Loans	$ 90,767	$11,739	12.93
	Commercial Loans			
	In Domestic Offices			
	Commercial and Industrial[3]	$ 14,406	$ 1,991	13.82
	Mortgage and Real Estate[3]	11,791	1,273	10.80
	Loans to Financial Institutions[3]	581	74	12.74
	Lease Financing	2,885	319	11.06
	In Overseas Offices[3][4]	30,410	7,845	25.80[4]
	Total Commercial Loans	$ 60,073	$11,502	19.15
	Total Loans	$150,840	$23,241	15.41
Funds Sold and Resale Agreements	In Domestic Offices	$ 8,472	$ 749	8.84
	In Overseas Offices	1,697	3,384	199.41[4]
	Total	$ 10,169	$ 4,133	40.64
Investment Securities	In Domestic Offices			
	U.S. Treasury and Federal Agency	$ 2,915	$ 262	8.99
	State and Municipal	1,419	140	9.87
	Other	3,366	252	7.49
	In Overseas Offices			
	(Principally local government issues)	6,823	668	9.79
	Total	$ 14,523	$ 1,322	9.10
Trading Account Assets	In Domestic Offices[4]	$ 6,160	$ 574	9.32
	In Overseas Offices[4]	3,930	858	21.83[4]
	Total	$ 10,090	$ 1,432	14.19
Interest-Bearing Deposits	Principally in Overseas Offices	$ 12,020	$ 1,533	12.75
	Total Interest-Earning Assets[4]	$197,642	$31,661	16.02
	Non-Interest-Earning Assets	23,360		
	TOTAL ASSETS	$221,002		
INTEREST EXPENSE **Deposits**	In Domestic Offices			
	Savings Deposits[3]	$ 21,377	$ 1,419	6.64
	Negotiable Certificates of Deposit	3,885	367	9.45
	Other Time Deposits	27,220	2,695	9.90
	In Overseas Offices[3]	60,968	8,349	13.69
	Total	$113,450	$12,830	11.31
Securities Sold, Not Yet Purchased	In Domestic Offices	$ 3,991	$ 346	8.67
	In Overseas Offices	919	73	7.94
	Total	$ 4,910	$ 419	8.53
Funds Borrowed	In Domestic Offices			
	Purchased Funds and Other Borrowings			
	Federal Funds Purchased and Securities Sold Under Agreements to Repurchase	$ 12,853	$ 1,240	9.65
	Commercial Paper	9,169	842	9.18
	Other Purchased Funds	7,647	696	9.10
	Long-Term Debt, Convertible Notes and Subordinated Capital Notes	20,365	1,899	9.32
	In Overseas Offices	10,435	6,292	60.30[5]
	Total	$ 60,469	$10,969	18.14
	Total Interest-Bearing Liabilities[4]	$178,829	$24,218	13.54
	Demand Deposits in Domestic Offices	10,154		
	Other Non-Interest-Bearing Liabilities	21,570		
	Total Stockholders' Equity	10,449		
	TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$221,002		
NET INTEREST REVENUE AS A PERCENTAGE OF AVERAGE INTEREST-EARNING ASSETS	In Domestic Offices	$120,630	$ 4,753	3.94
	In Overseas Offices	77,012	2,690	3.49
	TOTAL	$197,642	$ 7,443	3.77

(1) The taxable equivalent adjustment is based on the marginal tax rates of 34% in 1989, 34% in 1988, and 40% in 1987.

(2) Loans and interest-bearing deposits in the table above include cash basis loans and cash basis bank placements, respectively.

(3) Prior-years' amounts have been reclassified to conform to current year's presentation.

(4) Interest revenue and net interest revenue for 1988 include approximately $333 million of interest relating to the year 1987 on Brazilian medium- and long-term outstandings carried on a cash basis. Excluding such interest, the 1988 average rate for commercial loans in overseas offices would be 21.43%, for total commercial loans would be 16.54%, and for total loans would be 14.20%, and 1988 net interest revenue as a percentage of average interest earning assets would be 3.87%.

1988			1987		
AVERAGE VOLUME	INTEREST	% AVERAGE RATE	AVERAGE VOLUME	INTEREST	% AVERAGE RATE
$ 64,888	$ 7,949	12.25	$ 56,475	$ 6,905	12.23
18,041	2,426	13.45	15,091	2,148	14.23
$ 82,929	$10,375	12.51	$ 71,566	$ 9,053	12.65
$ 13,882	$ 1,631	11.75	$ 14,217	$ 1,526	10.73
10,706	1,046	9.77	9,895	902	9.12
746	87	11.66	635	72	11.34
2,390	253	10.59	1,429	135	9.45
32,048	7,201	22.47[5]	34,247	5,535	16.16[5]
$ 59,772	$10,218	17.09	$ 60,423	$ 8,170	13.52
$142,701	$20,593	14.43	$131,989	$17,223	13.05
$ 6,381	$ 569	6.79	$ 7,514	$ 456	6.07
729	665	91.22[5]	642	269	41.90[5]
$ 9,110	$ 1,234	13.55	$ 8,156	$ 725	8.89
$ 3,067	$ 263	8.58	$ 3,221	$ 272	8.44
1,539	164	10.66	1,355	144	10.63
2,653	234	8.20	1,683	114	6.77
6,816	643	9.43	7,251	770	10.62
$ 14,275	$ 1,304	9.13	$ 13,510	$ 1,300	9.62
$ 5,156	$ 439	8.51	$ 5,107	$ 395	7.73
5,324	2,099	39.43[5]	6,484	1,452	22.39[5]
$ 10,480	$ 2,538	24.22	$ 11,591	$ 1,847	15.93
$ 13,604	$ 1,362	10.01	$ 15,326	$ 1,261	8.23
$190,170	$27,031	14.21	$180,572	$22,356	12.38
21,270			22,276		
$211,440			$202,848		
$ 20,394	$ 1,160	5.69	$ 19,680	$ 1,057	5.37
3,331	292	8.77	1,972	186	9.43
23,763	2,038	8.58	20,115	1,677	8.34
57,743	7,112	12.32	59,965	6,189	10.32
$105,231	$10,602	10.07	$101,732	$ 9,109	8.95
$ 3,500	$ 285	8.14	$ 3,661	$ 286	7.81
834	53	6.35	715	66	9.23
$ 4,334	$ 338	7.80	$ 4,376	$ 352	8.04
$ 12,735	$ 1,016	7.98	$ 11,206	$ 791	7.06
9,694	721	7.44	9,309	622	6.68
8,008	671	8.38	6,225	560	9.00
20,897	1,848	8.84	20,541	1,773	8.63
9,491	4,138	43.60[5]	9,892	2,673	27.02[5]
$ 60,825	$ 8,394	13.80	$ 57,173	$ 6,419	11.23
$170,390	$19,334	11.35	$163,281	$15,880	9.73
10,050			10,076		
21,973			21,446		
9,027			8,045		
$211,440			$202,848		
$114,105	$ 4,628	4.06	$100,986	$ 4,007	3.97
76,065	3,069	4.03	79,586	2,469	3.10
$190,170	$ 7,697	4.05	$180,572	$ 6,476	3.59

(5) Reflects the actual interest rates prevailing in certain Latin American countries.
(6) Prior years' amounts and rates have been restated to reflect the change in the reporting of securities sold, not yet purchased.
(7) 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	1989 vs. 1988			1988 vs. 1987		
	INCREASE (DECREASE) DUE TO CHANGE IN			INCREASE (DECREASE) DUE TO CHANGE IN		
	AVERAGE VOLUME	AVERAGE RATE	NET CHANGE[1]	AVERAGE VOLUME	AVERAGE RATE	NET CHANGE[1]
Loans—Consumer						
In Domestic Offices	$ 428	$ 238	$ 666	$1,031	$ 13	$ 1,044
In Overseas Offices	611	87	698	402	(124)	278
Total	$1,039	$ 325	$ 1,364	$1,433	$ (111)	$ 1,322
Loans—Commercial						
In Domestic Offices[2]	$ 221	$ 419	$ 640	$ 162	$ 220	$ 382
In Overseas Offices[2][3]	(382)	1,026	644	(375)	2,041	1,666
Total	$ (161)	$1,445	$ 1,284	$ (213)	$ 2,261	$ 2,048
Total Loans	$ 878	$1,770	$ 2,648	$1,220	$ 2,150	$ 3,370
Funds Sold & Resale Agreements						
In Domestic Offices	$ 6	$ 174	$ 180	$ 56	$ 57	$ 113
In Overseas Offices	1,436	1,283	2,719	41	355	396
Total	$1,442	$1,457	$ 2,899	$ 97	$ 412	$ 509
Investment Securities						
In Domestic Offices	$ 21	$ (28)	$ (7)	$ 105	$ 26	$ 131
In Overseas Offices	1	24	25	(44)	(83)	(127)
Total	$ 22	$ (4)	$ 18	$ 61	$ (57)	$ 4
Trading Account Assets						
In Domestic Offices[4]	$ 91	$ 44	$ 135	$ 4	$ 40	$ 44
In Overseas Offices[4]	(459)	(782)	(1,241)	(298)	945	647
Total	$ (368)	$ (738)	$(1,106)	$ (294)	$ 985	$ 691
Interest-Bearing Deposits						
Principally in Overseas Offices	$ (172)	$ 343	$ 171	$ (152)	$ 253	$ 101
TOTAL INTEREST REVENUE[3]	$1,802	$2,828	$ 4,630	$ 932	$ 3,743	$ 4,675
Deposits						
In Domestic Offices	$ 390	$ 601	$ 991	$ 415	$ 155	$ 570
In Overseas Offices	413	824	1,237	(236)	1,159	923
Total	$ 803	$1,425	$ 2,228	$ 179	$ 1,314	$ 1,493
Securities Sold, Not Yet Purchased						
In Domestic Offices	$ 42	$ 19	$ 61	$ (13)	$ 12	$ (1)
In Overseas Offices	5	15	20	10	(23)	(13)
Total	$ 47	$ 34	$ 81	$ (3)	$ (11)	$ (14)
Funds Borrowed						
In Domestic Offices	$ (110)	$ 531	$ 421	$ 330	$ 180	$ 510
In Overseas Offices	444	1,710	2,154	(112)	1,577	1,465
Total	$ 334	$2,241	$ 2,575	$ 218	$ 1,757	$ 1,975
TOTAL INTEREST EXPENSE[4]	$1,184	$3,700	$ 4,884	$ 394	$ 3,060	$ 3,454
NET INTEREST REVENUE	$ 618	$ (872)	$ (254)	$ 538	$ 683	$ 1,221

(1) Rate/volume variance is allocated based on the percentage relationship of changes in volume and changes in rate to the total "net change."
(2) Prior-years' amounts have been reclassified to conform to current year's presentation.
(3) Interest revenue and net interest revenue for 1988 include approximately $333 million of interest relating to the year 1987 on Brazilian medium- and long-term outstandings carried on a cash basis.
(4) Prior-years' amounts have been restated to reflect the change in the reporting of securities sold, not yet purchased.

INVESTMENT SECURITIES

CARRYING VALUE AND YIELD[1] BY MATURITY DATE AS OF DECEMBER 31, 1989

IN MILLIONS OF DOLLARS	U.S. TREASURY AND FEDERAL AGENCY		STATE AND MUNICIPAL		OTHER (PRINCIPALLY IN OVERSEAS OFFICES)
	AMOUNT	YIELD	AMOUNT	YIELD	AMOUNT[2]
Due Within 1 Year	$ 638	9.09%	$ 58	7.61%	$ 1,975
After 1 but Within 5 Years	514	9.27%	275	7.23%	3,304
After 5 but Within 10 Years	392	8.66%	338	6.84%	1,654
After 10 Years	1,569	9.53%	949	7.28%	3,033[3]
TOTAL	**$ 3,113**	**9.29%**	**$ 1,620**	**7.19%**	**$ 9,966**
Carrying Value and Yield[1] as of December 31, 1988	$ 3,405	9.66%	$ 1,77[illegible]	6.56%	$ 10,036
Carrying Value and Yield[1] as of December 31, 1987	$ 3,627	9.67%	$ 1,793	7.15%	$ 9,976

(1) Computed by dividing annual interest (net of amortization of premium or accretion of discount) by the carrying value of the respective investment securities.
(2) Yield information was not readily available.
(3) Includes securities with no contractual maturities.

LOANS OUTSTANDING

IN MILLIONS OF DOLLARS AT YEAR END	1989	1988[1]	1987[1]	1986[1]	1985[1]
Consumer Loans					
In Domestic Offices					
Mortgage and Real Estate[2]	**$ 38,213**	$ 37,633	$ 31,523	$ 27,991	$ 21,719
Installment, Revolving Credit, and Other	**32,895**	31,932	31,479	29,700	27,490
Lease Financing	**725**	505	347	243	56
	$ 71,833	$ 70,070	$ 63,349	$ 57,934	$ 49,265
In Overseas Offices	**27,225**	22,097	19,512	14,520	10,468
	$ 99,058	$ 92,167	$ 82,861	$ 72,454	$ 59,733
Unearned Income	**(1,983)**	(1,811)	(3,156)	(3,703)	(3,938)
Consumer Loans—Net	**$ 97,075**	$ 90,356	$ 79,705	$ 68,751	$ 55,795
Commercial Loans					
In Domestic Offices					
Commercial and Industrial[3]	**$ 13,483**	$ 13,451	$ 12,647	$ 15,903	$ 13,2[illegible]
Mortgage and Real Estate[2]	**12,575**	11,161	9,9[illegible]	8,471	6,165
Loans to Financial Institutions	**454**	608	[illegible]	884	919
Lease Financing	**3,120**	2,870	[illegible]558	1,289	1,198
	$ 29,632	$ 28,0[illegible]	$ [illegible]728	$ 26,547	$ 21,489
In Overseas Offices					
Commercial and Industrial[3]	**$ 19,387**	$ 18,277	$ 21,261	$ 23,101	$ 25,683
Mortgage and Real Estate[2]	**3,971**	2,897	2,441	2,330	2,143
Loans to Financial Institutions	**4,389**	3,569	4,110	4,375	5,363
Governments and Official Institutions	**4,870**	5,325	5,061	4,562	4,865
Lease Financing	**1,090**	900	898	1,260	1,214
	$ 33,707	$ 30,968	$ 33,771	$ 35,628	$ 39,263
	$ 63,339	$ 59,066	$ 58,499	$ 62,175	$ 60,757
Unearned Income	**(302)**	(225)	(289)	(187)	(173)
Commercial Loans—Net	**$ 63,037**	$ 58,841	$ 58,210	$ 61,988	$ 60,584
Allowance for Possible Credit Losses	**$ (4,729)**	$ (4,205)	$ (4,618)	$ (1,698)	$ (1,235)
TOTAL LOANS, NET	**$155,383**	$144,992	$133,297	$129,041	$115,144

(1) Reclassified to conform to current year's presentation.
(2) Loans secured primarily by real estate.
(3) Includes loans not otherwise separately categorized.

DETAIL OF CREDIT LOSS EXPERIENCE

IN MILLIONS OF DOLLARS	1989	1988	1987	1986	1985
ALLOWANCE FOR POSSIBLE CREDIT LOSSES AT BEGINNING OF YEAR	**$4,205**	$4,618	$1,698	$1,235	$ 917
ADDITIONS					
Provision for Possible Credit Losses	**$2,521**	$1,330	$4,410	$1,825	$1,243
DEDUCTIONS					
GROSS CREDIT LOSSES					
Consumer[1]					
In Domestic Offices[2]	**$1,257**	$1,352	$1,075	$1,050	$ 642
In Overseas Offices	**245**	200	196	122	77
Commercial					
Mortgage and Real Estate:					
In Domestic Offices	**41**	15	4	—	2
In Overseas Offices	**18**	9	33	33	15
Governments and Official Institutions (In overseas offices)	**334**	218	136	37	44
Loans to Financial Institutions (In overseas offices)	**102**	27	29	19	19
Commercial and Industrial:					
In Domestic Offices	**120**	89	107	100	84
In Overseas Offices	**226**	246	308	300	278
	$2,343	$2,156	$1,888	$1,661	$1,161
CREDIT RECOVERIES					
Consumer[1]					
In Domestic Offices	**$ 199**	$ 219	$ 184	$ 174	$ 111
In Overseas Offices	**75**	85	63	40	23
Commercial					
Mortgage and Real Estate:					
In Domestic Offices	**2**	—	—	1	2
In Overseas Offices	**4**	3	14	3	1
Governments and Official Institutions (In overseas offices)	**—**	1	20	4	8
Loans to Financial Institutions (In overseas offices)	**1**	2	6	—	—
Commercial and Industrial:					
In Domestic Offices	**37**	30	40	27	25
In Overseas Offices	**81**	64	64	41	29
	$ 399	$ 404	$ 391	$ 290	$ 199
NET CREDIT LOSSES					
In Domestic Offices	**$1,180**	$1,207	$ 962	$ 948	$ 590
In Overseas Offices	**764**	545	535	423	372
	$1,944	$1,752	$1,497	$1,371	$ 962
OTHER—NET	**(53)**[3]	9[4]	7[4]	9[4]	37[4]
ALLOWANCE FOR POSSIBLE CREDIT LOSSES AT END OF YEAR	**$4,729**	$4,205	$4,618	$1,698	$1,235
Ratio of Consumer Net Credit Losses to Average Consumer Loans	**1.35**	1.50	1.43	1.57	1.22
Ratio of Commercial Net Credit Losses to Average Commercial Loans	**1.19**	.84	.78	.65	.63

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

LOAN MATURITIES AND SENSITIVITY TO CHANGES IN INTEREST RATES

Maturities of the Gross Commercial Loan Portfolio as of December 31, 1989

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[1]	$ 5,314	$ 5,738	$ 2,431	**$13,483**
Mortgage and Real Estate	4,218	6,584	1,773	**12,575**
Loans to Financial Institutions	226	134	94	**454**
Lease Financing	445	1,916	759	**3,120**
In Overseas Offices	19,213	7,549	6,945	**33,707**
TOTAL	$29,416	$21,921	$12,002	**$63,339**
Sensitivity of Loans Due After One Year to Changes in Interest Rates:				
Loans at Predetermined Interest Rates		$ 4,608	$ 2,251	
Loans at Floating or Adjustable Interest Rates		17,313	9,751	
TOTAL		$21,921	$12,002	

(1) Includes loans not otherwise separately categorized

TIME DEPOSITS IN DOMESTIC OFFICES AS OF DECEMBER 31, 1989

($100,000 OR MORE) IN MILLIONS OF DOLLARS	CERTIFICATES OF DEPOSIT	OTHER TIME DEPOSITS
Under 3 Months	$3,050	$3,174
3 to 6 Months	1,163	871
6 to 12 Months	675	416
Over 12 Months	3,334	3,810

AVERAGE DEPOSIT LIABILITIES IN OVERSEAS OFFICES

	1989		1988[1]		1987	
IN MILLIONS OF DOLLARS	AVERAGE BALANCE	% AVERAGE INTEREST RATE	AVERAGE BALANCE	% AVERAGE INTEREST RATE	AVERAGE BALANCE	% AVERAGE INTEREST RATE
Banks[2]	**$12,289**	**15.76**	$13,903	12.97	$17,222	15.06
Other Demand Deposits	**14,145**	**6.74**	13,723	5.06	13,549	4.38
Other Time and Savings Deposits[2]	**41,571**	**13.13**	36,741	12.58	33,283	9.02
TOTAL	**$68,005**	**12.28**	$64,367	11.06	$64,054	9.66

(1) Restated to conform to current year's presentation.
(2) 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 that on industries that require a high proportion of investment in fixed assets. The assets and liabilities of a financial institution are primarily monetary in nature. During periods of inflation, monetary assets lose value in terms of purchasing power, and monetary liabilities have corresponding purchasing power gains. The financial statements and other data appearing in this annual report, and in particular the discussion of price risk management on page 37, illustrate how Citicorp operates in an environment of changing interest rates and inflationary trends.

CONSENT OF INDEPENDENT AUDITORS

KPMG Peat Marwick

Certified Public Accountants

The Board of Directors
Citicorp:

We consent to incorporation b[illegible]ice of our report dated January 16, 1990, relating to the [illegible]olidated balance sheets of Citicorp and subsidiaries as of December 31, 1989 and 1988, the related consolidated statements of operations and changes in stockholders' equity for each of the years in the three-year period ended December 31, 1989, the related consolidated statements of cash flows for each of the years in the two-year period ended December 31, 1989, the related consolidated statement of changes in financial position for the year ended December 31, 1987, and the related consolidated balance sheets of Citibank, N.A. and subsidiaries as of December 31, 1989 and 1988, which report appears on page 44 of the 1989 Citicorp Annual Report and Form 10-K, in the following Registration Statements: of Citicorp, Nos. 2-77058, 2-47648, 2-586[illegible]8, 2-58679, 2-47647, 2-82298, 33-5564 33-21332 and 33-213[illegible]1 on Form S-8, and, 33-3114, 33-11927, 33-20692, 33-15896, 3[illegible]-18754, 33-26018, 33-784, 33-32207, 33-30791, 33-29015, a[illegible]d 33-33238 on Form S-3; and of Citicorp Mortgage Securities, Inc[illegible] Citibank, N.A., and other affiliates, Nos. 33-6979, 33-3161, [illegible]3-6358, 33-8718, 33-16870, 33-25068, 33-28615 and 33-[illegible]448 on Form S-11.

KPMG Peat Marwick

New York, New York
March 5, 1990

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 two thirds is owned by Citibank. Citibank also owns one third of Citicorp Center, a 59-story building located at 153 East 53rd Street across Lexington Avenue from 399 Park Avenue. Citicorp occupies all of the space it owns in both buildings. Citicorp at Court Square, the 50-story addition to the New York headquarters complex located in Long Island City, is essentially complete and fully occupied by Citicorp users. Citibank also owns 111 Wall Street in New York, which is totally occupied by Citicorp. In addition, Citicorp has major domestic real estate holdings in Los Angeles, San Francisco, Chicago, Phoenix, Tampa, Sioux Falls, South Dakota, Hagerstown, and Tyson, Maryland, and The Lakes, Nevada.

Internationally, Citicorp owns major corporate premises in various cities throughout the world including Paris, London, Düsseldorf, Buenos Aires, Rio de Janeiro, São Paulo, Mexico City, San Juan, Caracas, Hong Kong, Manila, and Seoul. Approximately 45% of the space Citibank occupies worldwide is owned. Some 40% of this owned space is located outside the United States.

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

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

On October 24, 1989, Citicorp filed a Current Report on Form 8-K (Item 5) dated October 17, 1989, which report included a summary of the consolidated operations of Citicorp for the nine months ended September 30, 1989. On January 17, 1990, Citicorp filed a Current Report on Form 8-K (Item 5), dated January 16, 1990, which report included a summary of the consolidated operations of Citicorp for the year ended December 31, 1989.

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

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

Citibank, N.A.	United States
Citibank (South Dakota), N.A.	United States
Citicorp Banking Corporation	Delaware
Citicorp Holdings, Inc.	Delaware
Citicorp North America, Inc.	Delaware

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

AMBAC Indemnity Corporation	Wisconsin
Citibank (Arizona)	Arizona
Citibank Delaware	Delaware
Citibank (Maryland), N.A.	United States
Citibank (Nevada), N.A.	United States
Citicorp Investment Bank Limited	United Kingdom
Citicorp Mortgage, Inc.	Delaware
Citicorp Real Estate, Inc.	Delaware
Citicorp Savings, FSLA	United States
Citicorp Savings of Florida, FSLA	United States
Citicorp Savings of Illinois, FSLA	United States
Citicorp Savings of Washington, D.C., FSLA	United States
Citicorp Scrimgeour Vickers Limited	United Kingdom
Citicorp Securities Markets, Inc.	Delaware
Quotron Systems, Inc.	Delaware

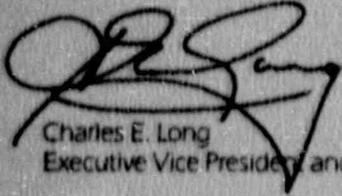
Citicorp's Restated Certificate of Incorporation, as amended, By-Laws, and Instruments Defining the Rights of Securities Holders, including indentures and constituent instruments, have been previously filed with the Commission as exhibits to various Citicorp registration statements.

Stockholders may obtain copies of such documents by writing Citicorp, Corporate Administration, 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.

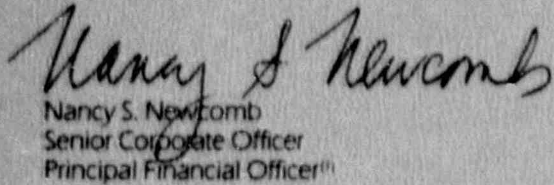
CITICORP
(Registrant)



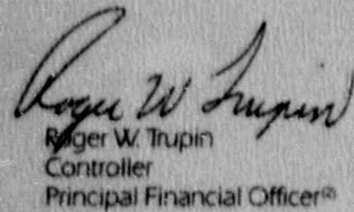
Charles E. Long
Executive Vice President and Secretary

March 5, 1990

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed on March 5, 1990 by the following persons in the capacities indicated.



Nancy S. Newcomb
Senior Corporate Officer
Principal Financial Officer[1]



Roger W. Trupin
Controller
Principal Financial Officer[2]

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

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

Richard S. Braddock
Michael A. Callen
D. Wayne Calloway
Colby H. Chandler
Paul J. Collins
Kenneth T. Derr
John M. Deutch
James D. Farley
Lawrence E. Fouraker
Clifton C. Garvin, Jr.
John W. Hanley
H.J. Haynes
C. Peter McColough
Donald V. Seibert
Frank A. Shrontz
Mario H. 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

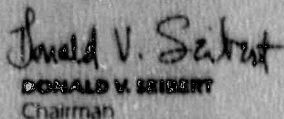
Members: Donald V. Seibert, Chairman; D. Wayne Calloway, Kenneth T. Derr, John M. Deutch, John W. Hanley, Frank A. Shrontz, Mario H. Simonsen, Roger B. Smith, and Edgar S. Woolard, Jr.

The Audit Committee, whose members are all independent outside directors, meets at least four times each year with the corporation's independent auditors, the Executive Vice President with oversight responsibility for accounting and control, the Controller 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 KPMG Peat Marwick be retained for 1990, 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 KPMG Peat Marwick with no members of management present. The committee also meets annually with representatives of the principal regulatory agencies, who personally present the results of their examinations. The results of these examinations, along with our own findings, are reported regularly to the full Board.

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



DONALD V. SEIBERT
Chairman

Committee on Directors: recommends qualified candidates for membership on the Board of Directors of Citicorp

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

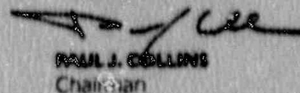
The Committee on Directors actively solicits recommendations for prospective directors from their current members and stockholders and, consistent with the needs of the corporation and representation of the various services and customers, recommends the approval of a candidate. The nominees are then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

JOHN S. REED
Chairman

Committee on Subsidiaries and Capital (Citicorp)

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

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, the principal subsidiaries' financial statements, and the corporation's capital structure, position and planning. The Chairman of the committee reports periodically to the Citicorp and Citibank, N.A. Boards of Directors.



PAUL J. COLLINS
Chairman

Consulting Committee (Citibank)

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

This committee, composed of those Citicorp directors who are not also directors of Citibank, 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 and Citibank)

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

Ex-officio Members: John S. Reed, Richard S. Braddock, Paul J. Collins, James D. Farley and Lawrence M. Small.

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

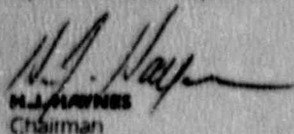
This committee acts on behalf of the Boards of Directors should an urgent matter arise that requires a decision before the Board is next scheduled to meet. The Executive Committee has nearly all the powers of the Boards of Directors, except for certain powers expressly reserved to the Boards of Directors.

JOHN S. REED
Chairman

Fiduciary and Investment Review Committee (Citicorp)

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

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



H.J. HAYNES
Chairman

Financial Institutions Acquisitions Committee (Citicorp and Citibank)

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

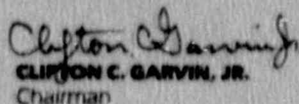
This committee, composed of directors of Citicorp and Citibank who are also senior executives of Citicorp/Citibank, has as its function the approval, within certain limits, of the acquisition, both domestically and internationally, of financial services institutions. Approval by a majority of the members 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 Boards of Directors annually.

JOHN S. REED
Chairman

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

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

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

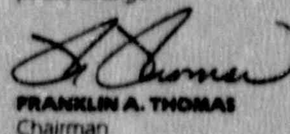


CLIFTON C. GARVIN, JR.
Chairman

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

Members: Franklin A. Thomas, Chairman; John M. Deutch, John W. Hanley, C. Peter McColough, and Frank A. Shrontz.

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



FRANKLIN A. THOMAS
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

RICHARD S. BRADDOCK '△
President
Citicorp and Citibank, N.A.

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

D. WAYNE CALLOWAY '
Chairman and
Chief Executive Officer
PepsiCo, Inc.

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

PAUL J. COLLINS '△
Vice Chairman
Citicorp and Citibank, N.A.

KENNETH T. DERR '
Chairman and
Chief Executive Officer
Chevron Corporation

JOHN M. DEUTCH '
Provost
Massachusetts Institute
of Technology

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. '△
Former Chairman
of the Board
Exxon Corporation

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

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

C. PETER McCOLOUGH '
Director and Former
Chairman of the Board
Xerox Corporation

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

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

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

DR. MARIO H. SIMONSEN '
Vice Chairman
Brazilian Institute of Economics
The Getulio Vargas Foundation

LAWRENCE M. SMALL '△
Vice Chairman, Chairman of the
Executive Committee
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. '
Chairman and Chief Executive Officer
E.I. du Pont de Nemours & Company

Citicorp and Citibank Senior Management

James L. Bailey
Robert D. Bailey
Richard S. Braddock
Ernst W. Brutsche
Michael A. Callen
Pei-yuan Chia
Paul J. Collins
Colin Crook
George L. Davis
James D. Farley
David E. Gibson
Paul F. Glaser
Lawrence R. Glenn
Dennis O. Green
Guenther E. Greiner
William J. Heron, Jr.
Thomas E. Jones
Michael B. Kelland
Phillip B. Lassiter
Gerald M. Lieberman
Charles E. Long
Alan S. MacDonald
Robert H. Martinsen
Victor J. Menezes
Sandra W. Meyer
Nancy S. Newcomb
John S. Reed
William R. Rhodes
Ira S. Rimerman
John J. Roche
Peter H. Schuring
Lawrence M. Small
Sheridan L. Steinberg
Roger W. Trupin
David S. Van Pelt
Alan J. Weber
Lawrence D. Weiss
Michael T. Welch

Stockholder Information

NOTICE OF THE ANNUAL MEETING
The annual meeting of stockholders will be held on Tuesday, April 17, 1990, 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 a proxy statement, has been included with this annual report. Stockholders are urged to sign and return their proxies promptly to assure that the stock of the corporation will be represented as fully as possible at the meeting.

Citicorp has approximately 55,000 common stockholders of record. About 82% of the Citicorp shares entitled to vote were voted in person or by proxy at the last annual stockholders' meeting on April 18, 1989. Additionally, there are 100 equity holders of 5¾% Convertible Subordinated Notes Due 2000.

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

Copies of the written transcript and tape recordings of the proceedings at Citicorp stockholders' meetings are available to Citicorp stockholders at cost from Citicorp, Corporate Administration, 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.

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
1-2-1, Yaesu, Chuo-ku,
Tokyo, Japan

CITICORP STOCK LISTED
New York Stock Exchange
Midwest Stock Exchange
Pacific Stock Exchange
London Stock Exchange
Amsterdam Stock Exchange
Tokyo Stock Exchange
Zurich Stock Exchange
Geneva Stock Exchange
Basel Stock Exchange
Toronto Stock Exchange
Düsseldorf Stock Exchange
Frankfurt Stock Exchange

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

Securities and Exchange Commission
Washington, DC 20549
Form 10-K
Annual Report pursuant to Section 13 or 15(d) of The Securities Exchange Act of 1934 for the fiscal year ended December 31, 1989
Commission File Number 1-5738

Incorporated in the State of Delaware
IRS Employer Identification Number: 13-2614988
Address: 399 Park Avenue, New York, NY 10043
Telephone: (212) 559-1000

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:
A list of Citicorp securities registered pursuant to Section 12(b) of the Securities Exchange Act of 1934 is available from Citicorp, Corporate Administration, 399 Park Avenue, New York, NY 10043.

As of December 31, 1989, Citicorp had 324,742,783 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, 1990 was approximately $7.7 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 17, 1990.

Citicorp Service

We continue to build a worldwide organization dedicated to serving our customers and take pride in the quality of service we deliver. The following addresses and phone numbers are part of our service commitment to help you obtain needed information and prompt assistance.

For information on Citicorp stock, write to: Citicorp, Investor Relations Department, 399 Park Avenue, New York, NY 10043.

Dividend Reinvestment (Plan Questions)	(212) 559-8263
Dividend Reinvestment (Account Questions)	(212) 657-7055
Lost Stock Certificates	(212) 657-5764
Dividend Check Inquiries	(212) 657-7304
Stock Transfer	(212) 657-5761
Estate Inquiries/Transfer Requirements	(212) 657-5761

For all other shareholder concerns, please write: Corporate Administration, 399 Park Avenue, New York, NY 10043.

For information on bonds call:

Municipal Bonds (Citibank Trustee)	(201) 262-7680
Municipal Bonds (All Other)	(212) 968-4200
Corporate Bonds	(201) 262-7680
Citicorp Bonds & Interest Checks	(212) 657-7305

For information on accounts, credit cards, mortgages, CDs, or other financial services and investments, contact your local branch office, or use the address or phone number on the front of your customer statement or the numbers below:

Mortgage/Co-op Loan Service	(800) 325-1682
MasterCard/Visa	(800) 843-0777
Outside of U.S.	call collect (605) 335-6300
Preferred MasterCard/Visa	(800) 645-9565
Outside of U.S.	call collect (605) 335-6300
MasterCard/Visa for hearing-impaired (TDD)	(800) 325-2865
AAdvantage	(800) 433-2660
Diners Club/Carte Blanche	(800) 525-9135
Colorado or outside of U.S.	call collect (303) 790-2433
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For information on investment management, trust, and estate matters, write to: Citicorp, Asset Management, 641 Lexington Avenue, New York, NY 10043 or call: (212) 715-0141

For bank directory assistance, call: (212) 559-1000

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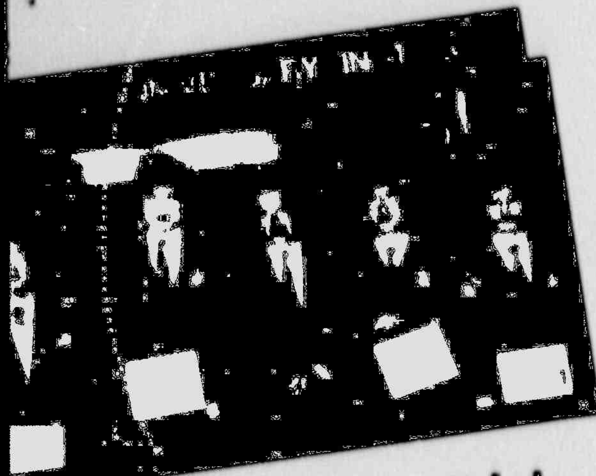
Customer Satisfaction at Citicorp



Citicorp is building a global financial services organization dedicated to satisfying our customers. Citicorpers in 90 countries work together to consistently deliver quality service to customers and colleagues.

The Service Excellence Award honors Citicorpers who serve our customers best. Award winners featured here are among the 2,000 who have earned Service Excellence recognition in 1989. We applaud these outstanding members of the worldwide Citicorp team.

From left to right:
1. In Taiwan, Wei-dih Chao, S.T. Wang, Chairman John S. Reed, Charles Mao, C.T. Lin. **2.** In India, Dinesh Gandotra, President Richard S. Braddock, Mukesh Chandok, Sangeeta Widhani, Group Executive Pei-yuan Chia. **3.** In Greece, Group Executive Victor J. Menezes, Eleni Sioundri, Nikos Koutsoukos, Dimitri Despotopoulos, Anastasia Dalla, Athina Sakka. **4.** In Venezuela, Haydee de Ordonez, Vice Chairman Lawrence M. Small, Consuelo de Hernandez, Virginia Van Der Mey. **5.** In the United States, Bankcards Service Quality Director Steven R. Sershen, Nancy Stockbridge, Group Executive James L. Bailey. **6.** In the United Kingdom, Group Executive Ernst W. Brutsche, Sector Executive Michael A. Callen, Corinna Morrisroe. **7.** In Japan, Toshiko Saisho, Makoto Fukuda, Corporate Director of Customer Affairs Dinah Nemeroff, Mizue Watanabe. **8.** In the United States, John Imbriale, Marta Hoosain, Group Executive Alan J. Weber, Lelia Parris.

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