
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2014

Commission file number 1-9924

Citigroup Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

399 Park Avenue, New York, NY

(Address of principal executive offices)

52-1568099

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

10022

(Zip code)

(212) 559-1000

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

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

Large accelerated filer ☒

Accelerated filer ☐

Non-accelerated filer ☐
(Do not check if a smaller
reporting company)

Smaller reporting company ☐

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of the latest practicable date:

Common stock outstanding as of June 30, 2014: 3,031,772,710

Available on the web at www.citigroup.com

25. CONTINGENCIES

The following information supplements and amends, as applicable, the disclosures in Note 28 to the Consolidated Financial Statements of Citigroup's 2013 Annual Report on Form 10-K and Note 25 to the Consolidated Financial Statements of Citigroup's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2014. For purposes of this Note, Citigroup, its affiliates and subsidiaries, and current and former officers, directors and employees, are sometimes collectively referred to as Citigroup and Related Parties.

In accordance with ASC 450, Citigroup establishes accruals for contingencies, including the litigation and regulatory matters disclosed herein, when Citigroup believes it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated. Once established, accruals are adjusted from time to time, as appropriate, in light of additional information. The amount of loss ultimately incurred in relation to those matters may be substantially higher or lower than the amounts accrued for those matters.

If Citigroup has not accrued for a matter because the matter does not meet the criteria for accrual (as set forth above), or Citigroup believes an exposure to loss exists in excess of the amount accrued for a particular matter, in each case assuming a material loss is reasonably possible, Citigroup discloses the matter. In addition, for such matters, Citigroup discloses an estimate of the aggregate reasonably possible loss or range of loss in excess of the amounts accrued for those matters as to which an estimate can be made. At June 30, 2014, Citigroup's estimate was materially unchanged from its estimate of approximately \$5 billion at December 31, 2013, as more fully described in Note 28 to the Consolidated Financial Statements in the 2013 Annual Report on Form 10-K.

As available information changes, the matters for which Citigroup is able to estimate will change, and the estimates themselves will change. In addition, while many estimates presented in financial statements and other financial disclosure involve significant judgment and may be subject to significant uncertainty, estimates of the range of reasonably possible loss arising from litigation and regulatory proceedings are subject to particular uncertainties. For example, at the time of making an estimate, Citigroup may have only preliminary, incomplete or inaccurate information about the facts underlying the claim; its assumptions about the future rulings of the court or other tribunal on significant issues, or the behavior and incentives of adverse parties or regulators, may prove to be wrong; and the outcomes it is attempting to predict are often not amenable to the use of statistical or other quantitative analytical tools. In addition, from time to time an outcome may occur that Citigroup had not accounted for in its estimates because it had deemed such an outcome to be remote. For all these reasons, the amount of loss in excess of accruals ultimately incurred for the matters as to which an estimate has been made could be substantially higher or lower than the range of loss included in the estimate.

Subject to the foregoing, it is the opinion of Citigroup's management, based on current knowledge and after taking into account its current legal accruals, that the eventual outcome of all matters described in this Note would not be likely to have a

material adverse effect on the consolidated financial condition of Citigroup. Nonetheless, given the substantial or indeterminate amounts sought in certain of these matters, and the inherent unpredictability of such matters, an adverse outcome in certain of these matters could, from time to time, have a material adverse effect on Citigroup's consolidated results of operations or cash flows in particular quarterly or annual periods.

For further information on ASC 450 and Citigroup's accounting and disclosure framework for contingencies, including for litigation and regulatory matters disclosed herein, see Note 28 to the Consolidated Financial Statements of Citigroup's 2013 Annual Report on Form 10-K.

Commodities Financing Contracts

Beginning in May 2014, Citigroup became aware of reports of potential fraud relating to the financing of physical metal stored at the Qingdao and Penglai ports in China. Citigroup has contracts with a counterparty in relation to Citigroup's providing financing collateralized by physical metal stored at these ports. On July 22, 2014, Citigroup commenced proceedings in the Commercial Court in London to enforce its rights against that counterparty under the relevant agreements in relation to approximately \$285 million in financing. That counterparty and a Chinese warehouse provider previously brought actions in the English courts to establish the parties' rights and obligations under these agreements.

Credit Crisis-Related Litigation and Other Matters

Mortgage-Related Litigation and Other Matters

Regulatory Actions: On June 4, 2014, the United States Court of Appeals for the Second Circuit issued an opinion and order reversing the district court's order in UNITED STATES SECURITIES & EXCHANGE COMMISSION v. CITIGROUP GLOBAL MARKETS INC. refusing to approve Citigroup's proposed settlement with the U.S. Securities and Exchange Commission (SEC). The action has been remanded for further proceedings consistent with the Second Circuit's decision. Additional information relating to this action is publicly available in court filings under the docket numbers 11 Civ. 7387 (S.D.N.Y.) (Rakoff, J.) and 11-5227 (2d Cir.).

As of July 30, 2014, the SEC had advised Citigroup that it had concluded its investigation of Citigroup's mortgage-backed securities (MBS) practices and did not intend to recommend an enforcement action.

As previously disclosed, on July 14, 2014, Citigroup reached a settlement of an investigation by the Residential Mortgage-Backed Securities Working Group. The settlement resolved actual and potential civil claims by the Department of Justice, several state attorneys general, and the Federal Deposit Insurance Corporation (FDIC) relating to MBS and collateralized debt obligations (CDOs) issued, structured, or underwritten by Citigroup between 2003 and 2008. The settlement included a \$4.0 billion civil monetary payment to the Department of Justice, \$500 million in payments to certain state attorneys general and the FDIC, and \$2.5 billion in consumer relief (to be provided by the end of 2018). The consumer relief will be in the form of financing provided for

the construction and preservation of affordable multifamily rental housing, principal reduction and forbearance for residential loans, as well as other direct consumer benefits from various relief programs.

Mortgage-Backed Securities and CDO Investor Actions:

Certain of the actions brought by purchasers of MBS sponsored, underwritten, or sold by Citigroup have been resolved through settlement and dismissed with prejudice. Additional information relating to these actions is publicly available in court filings under the docket numbers 11 Civ. 2890 (S.D.N.Y.) (Daniels, J.), 653100/2012 (N.Y. Sup. Ct.) (Friedman, J.), and 11 Civ. 10952 (D. Mass.) (O'Toole, J.).

As of June 30, 2014, the aggregate original purchase amount of the purchases at issue in the pending MBS and CDO investor suits was approximately \$7.1 billion, and the aggregate original purchase amount of the purchases covered by tolling agreements with MBS and CDO investors threatening litigation was approximately \$1.4 billion.

On May 20, 2014, Commerzbank A.G. London Branch filed a complaint in *COMMERZBANK A.G. LONDON BRANCH v. UBS AG, ET AL.*, alleging fraud and other claims in connection with various financial institutions', including Citigroup's, issuance and underwriting of MBS. Additional information relating to this action is publicly available in court filings under the docket number 654464/2013 (N.Y. Sup. Ct.) (Friedman, J.).

Mortgage-Backed Security Repurchase Claims: The deadline for trustees to accept or reject Citigroup's April 7, 2014 offer of settlement to resolve representation and warranty repurchase claims related to certain legacy securitizations initially was extended to August 14, 2014. Citigroup subsequently agreed to further extend that deadline to October 31, 2014.

Mortgage-Backed Securities Trustee Actions: On June 18, 2014, a group of investors in 48 MBS trusts for which Citibank, N.A. served or currently serves as trustee filed a complaint in New York Supreme Court in *BLACKROCK ALLOCATION TARGET SHARES: SERIES S. PORTFOLIO, ET AL. v. CITIBANK, N.A.* The complaint, like those filed against other MBS trustees, alleges that Citibank, N.A. failed to pursue contractual remedies against loan originators, securitization sponsors, and servicers. The securitizations at issue were sponsored by American Home Mortgage, BNC, Countryplace, First Franklin, Goldman Sachs, Lehman Brothers, Merrill Lynch, PHH Mortgage, Wachovia and Washington Mutual. Additional information concerning this action is publicly available in court filings under the docket number 651868/2014 (N.Y. Sup. Ct.) (Friedman, J.). On June 27, 2014, a separate group of MBS investors filed a summons with notice in *FEDERAL HOME LOAN BANK OF TOPEKA, ET AL. v. CITIBANK, N.A.* The summons with notice alleges that Citibank, N.A., as trustee for an unspecified number of MBS, failed to pursue remedies on behalf of the securitization trusts. Additional information concerning this action is publicly available in court filings under the docket number 651973/2014 (N.Y. Sup. Ct.).

Counterparty and Investor Actions

On June 18, 2014, Abu Dhabi Investment Authority (ADIA) filed a petition for a writ of certiorari in the United States Supreme Court seeking review of the Second Circuit's affirmance of the District Court's confirmation of the arbitration award in favor of Citigroup. The petition is pending. Additional information concerning this action is publicly available in court filings under the docket numbers 12 Civ. 283 (S.D.N.Y.) (Daniels, J.), 13-1068-cv (2d Cir.) and No. 13-1500 (U.S.).

KIKOs

As of June 30, 2014, there were 103 civil lawsuits filed by small and medium sized export businesses against Citibank Korea Inc. (CKI). To date, 96 decisions have been rendered at the district court level, and CKI has prevailed in 76 of those decisions. In the other 20 decisions, plaintiffs were awarded only a portion of the damages sought. The damage awards total in the aggregate approximately \$38.7 million. CKI is appealing the 20 adverse decisions. A significant number of plaintiffs that had decisions rendered against them are also filing appeals, including plaintiffs that were awarded less than all of the damages they sought.

Of the 96 cases decided at the district court level, 65 have been appealed to the high court, including the 20 in which an adverse decision was rendered against CKI in the district court. Of the 62 appeals decided or settled at high court level, CKI prevailed in 45 cases, and in the other 17 cases plaintiffs were awarded partial damages. As a result, the aggregate damages awarded against CKI decreased by approximately \$10.5 million. CKI is appealing nine of the adverse decisions to the Korean Supreme Court and many plaintiffs have filed appeals to the Supreme Court as well.

As of June 30, 2014, the Supreme Court has rendered 24 judgments relating to CKI. CKI prevailed in 21 cases. The Supreme Court confirmed lower court judgments in which plaintiffs were awarded partial damages in three cases. As a result, the aggregate damages awarded against CKI decreased by approximately \$0.3 million.

After taking into account all decisions rendered through June 30, 2014 at the district court, high court, or Supreme Court levels, the damages awarded against CKI currently total in the aggregate approximately \$27.9 million.

Lehman Brothers Bankruptcy Proceedings

On July 21, 2014, PricewaterhouseCoopers, AG Zurich, as Foreign Representative and Liquidator of Lehman Brothers Finance AG, a/k/a Lehman Brothers Finance SA, filed a complaint in *LEHMAN BROTHERS FINANCE AG, IN LIQUIDATION, ET AL. v. CITIBANK, N.A., ET AL.* against Citibank, N.A., CKI and Citigroup Global Markets Ltd., asserting that the Citigroup defendants have improperly withheld termination payments under certain derivatives contracts. Plaintiffs seek to recover approximately \$70 million, plus interest. Additional information concerning this action is publicly available in court filings under the docket number 14-2050 (Bankr. S.D.N.Y.) (Chapman, J.).

SIGNATURES

Pursuant to the requirements 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, on the 1st day of August, 2014.

CITIGROUP INC. (Registrant)

By /s/ John C. Gerspach
John C. Gerspach
Chief Financial Officer
(Principal Financial Officer)

By /s/ Jeffrey R. Walsh
Jeffrey R. Walsh
Controller and Chief Accounting Officer
(Principal Accounting Officer)