NOVEMBER 17TH TOWN HALL – PODIUM COPY SPEAKING NOTES

These notes contain forward-looking statements. Citi's financial results may differ materially from these statements, so please refer to Citi's SEC filings for a description of the factors that could cause its actual results to differ from expectations. In particular, these notes contain a number of financial targets for Citi and its various businesses. You should keep in mind that these are targets for 2009 and beyond, and are not estimates of future performance. They are based on a number of assumptions regarding Citigroup's businesses and the economy. Citi does not plan to update these targets on a regular basis.

INTRODUCTION AND SLIDE 1:

- Thanks for joining me this morning.
- Exactly one week ago, our company's leadership group got together to take stock of your accomplishments in 2008. We also mapped our goals and prospects for 2009.
- We walked away with a clear sense that we are entering 2009 in a strong position, much stronger than we entered 2008. We enter next year with a smaller balance sheet, less risk and stronger risk mitigation strategies, all of which I will discuss today.
- Everyone walked away enthusiastic and wanted to make sure that we shared this message with you. That is what I want to do today.
- While this may be a 'longish' town hall, I'd like to share this entire message with you. And of course as always, I am happy to take questions.
- All of you have done an outstanding job in the last 11 months: We are in a far stronger position going into 2009 than we were going into 2008. And we are even better positioned for 2010.
- Our underlying business continues to be strong and despite a challenging environment, adjusted revenues, which I will address in more detail, were flat.
- We have been very successful at bringing our expenses down. 2009 expenses are targeted to be down almost 20 percent from peak levels.
- We entered 2008 with more people, more businesses and more assets than fit our strategy. We expect near-term headcount to be down 20 percent in order to run the company in the right way.
- We have significantly reduced our risky assets while putting the company in a very strong capital position.
- We have spent the last year "getting fit", are more streamlined, and are in a strong competitive position to take advantage of future opportunities. We will be the long term winner in this industry.

ENVIRONMENT:

- On the environment, I have been consistent in saying to you that this was going to be challenging. That is why we got ahead of it 11 months ago with the dramatic moves we made, including the capital raises.
- There is still a lot of rebalancing ahead of us. As I have said to many of you before, there are four key cycles that need to be rebalanced:
    - The housing cycle
    - The consumption savings cycle

  - The deleveraging cycle, and
  - The commodities cycle

- The one that has adjusted the most is the commodities cycle and that is good for the economy.
- With all the infusion of capital in the financial system, we are a lot further ahead in deleveraging than we were, although nobody can know exactly when we will be done.
- On the housing cycle, we are finally seeing the curve ‘bend,’ even if it is only in some areas and early. Although this will take time, it’s encouraging.
- The trickiest cycle to rebalance is the savings versus consumption cycle. And although we are seeing the savings rate rise, this comes at the expense of unemployment and lower economic activity. This is what we are going through and are going to have to go through for some time.
- All of this is usually accompanied by policy responses. We have seen some here, primarily monetary, and some around the world. We have not yet seen true fiscal policy responses but there are expectations that our new administration will consider these seriously. And this is important since the extent of the policy response will determine the length and depth of this slowdown. As we have said before, we have done scenario planning to include unemployment rates ranging between 7% and 9% into 2009. We think that this type of scenario planning is a prudent way to think about the future. As you all know, a challenging business environment continues so far this quarter.
- Understanding that we’re only half-way through the fourth quarter, the environment is affecting both asset values and consumer credit.
- One reason for that is the funding markets which, while improving, are still tight. The result is enormous liquidity premiums in the market. So much so that one can get better returns and better value by buying loans in the secondary markets than making a new loan. That is an indication of stress in the credit markets. Clearly this is not good for the economy and this disparity has to close concurrently with improvements in the economy. But the other thing that is clear is that it reinforces the value of funding. If you have funding, you can make money, and we do have funding.
- In addition, it reinforces the universal banking model as the right model because it is based on a solid funding architecture and it is scaleable and stable.

STRATEGY:

- Let me now talk about our long-term strategy and progress against that strategy.
- As I said, we are a bank. What does a bank do?
- A bank takes deposits and puts them to work by investing and making loans.
- It pays for deposits at a rate, puts them to work at a better rate, and that’s how we earn a net interest margin.
- A good bank takes deposits, augments that with wholesale funding, and then puts the total to work. The best banks have a diversified source of deposits and put them to work in a diversified way. We at Citi can gather deposits in 109 countries across all types of corporations and clients, high net worth and retail, and put them to work globally in 109 countries, across emerging markets, credit cards, fixed income, equities and consumer loans.
- That is the formula for a stable, diversified deposit and funding base, and a diversified investment base. This should lead to a stable margin and more importantly, because of our global reach and tilt towards high growth businesses, greater growth.

- Historically, we found out that raising deposits in Houston and investing them all in Houston was not a good idea. Similarly, raising all your deposits in the U.S. and investing them in Latin America was not a good idea. This go around, we have found out the other way, raising deposits globally and putting too many to work in US residential real estate was not a good idea.
- Today, our strategy is simple: To be the world's truly global universal bank. Because by doing this we can serve clients the best, create the most stable and high growth return for our shareholders, and attract the best talent in the world, because we can choose from 6.5 billion people.
- How do you do that?

SLIDE 2:

- This slide tells you the full value chain.

SLIDE 3:

- On the right, we have three deposit taking businesses: Transaction Services, Wealth Management and retail banking
- On the left, we have three businesses where we put them to work: Securities and Banking, Global Cards and consumer lending.
- This is the best picture of any bank, and we will talk about some numbers later.
- What does it take to run these correctly:
    - One, it takes a strong treasury to optimize deposit gathering, it takes strong risk management to get the asset allocation and diversification right, and it takes a strong CFO to blend the two to optimize NIM so that we can grow. With Gary, Brian and Zion we are doing exactly that with new systems and a world class effort. This is a key 2008 accomplishment.
    - Two, it takes category killer business across these 6 areas, and we have that, and we are enhancing many:
        - We are number 1 in cards globally.
        - We are number 2 in wealth management globally.
        - We are unique in GTS globally.
        - We have always had a top 3 investment bank and trading business globally.
        - We have incredible consumer lending businesses such as CitiFinancial in the US.
        - And we have a unique global retail bank with 9,000 consumer outlets around the world and leading positions in Mexico, India, Poland, Korea, etc, and the brand is a high end global brand with tremendous potential.
        - We have great managers against these businesses with some new, some reassigned, and some existing managers. This was done in 2008.
    - Three, it takes a rationalized, integrated and efficient infrastructure to enjoy the benefits of scale. We are doing that with Don Callahan, Marty Lippert, Mark Rufeh and others. The team was assembled in 2008.
    - Four, it takes a client oriented organization to use the advantages of our diversification to serve clients seamlessly. As one analyst said, "While most companies brag about not being all things to all people, Citigroup is all things to all people because it can be. Others simply

cannot. Find another bank with the geographic and product reach. I would argue there is no other." We set up a regional management structure with Manuel, Ajay, Shirish and Bill to do exactly that. I also asked Alan McDonald to be our chief client officer to drive, measure and enhance our success. Our deposit growth strategy is an outcome of this and well coordinated with higher growth than US-only banks. This was all put in place in 2008.

SLIDE 4:

- I talked to you a little bit about the strategies we are employing to run this company correctly, but on slide 4, I want to talk about where we can put these strategies into play.
- You've heard a lot about Citi's unique global franchise over the years, so let me tell you why a diversified global reach has the potential to generate higher returns.
- First of all, deposit growth outside of North America far outpaces domestic growth. Looking at the chart, you can see that even excluding the effect of acquisitions, we have grown more quickly overseas.
- That said, we are also growing the businesses where we deploy those deposits outside of the US. Adjusting for acquisitions, our cards portfolio is growing over three times as fast internationally as domestically. Our domestic competitors simply cannot keep pace with us on this front.
- Not only are we growing our international businesses more quickly, many of them tend to be more profitable. For example, our international net credit margin in Cards is over twice as high as our domestic margin, and for other consumer loans over three times as high.
- As we and our domestic competitors vie with a slowing US economy next year, our international diversification should allow us to continue to grow as GDP expands outside of the United States.
- So let me say this again, no other bank has the reach and scale to do what we can do in so many countries for so many clients.

SLIDE 5:

- I want you to see some of the management changes we have made at the company.
- As the slide shows, we have added 9 new people, including myself, and we still have 13 people from the old team, some of them in different positions.
- One thing that is clear is that with a clear strategy, you don't need everything we had before, and we don't need the cost structure we had, the assets we had. That is what 'getting fit' is all about. And that is what you all have been doing over the last 11 months.

SLIDE 6:

- Slide 6 shows the 8-quarter sequential trend of our total assets.
- After a protracted cycle of asset building, we have reduced assets by over $300 billion since last year's third quarter.
- In difficult markets when most were deleveraging, we are executing against our asset reduction targets successfully. Our people have done a great job at this.
- Also shown on this graph is the excellent progress we have made on reducing the legacy assets which we mentioned on Citi Day. These are lower by over $100 billion, or more than 20%.
- Both Gary and I will talk to you later today about the risk positions that have driven many of our losses this year, and about how we have managed them down.

SLIDE 7:

- Let's turn to slide 7, which outlines the divestitures we have done recently.
- I told you on Citi Day that we had identified about $500 billion of legacy assets. I also said that these were assets that are not core to our mission going forward, and would be run off or sold over time.
- Here you can see the progress we have made against this goal, and it is substantial.
- We expect these divestitures to generate $9.4 billion of Tier 1 capital.

SLIDE 8:

- Looking at slide 8, the strength of our capital base is evidenced by the substantial capital we've attracted and the improvements to our capital ratios.
- By being one of the first banks to raise capital proactively in 2007, we got ahead of the capital issue early. Over the past 15 months, Citi has added approximately $75 billion in new capital, including approximately $50 billion through public and private offerings.
- Despite a decline in our capital ratios in the third quarter due to the loss we recorded, we are far better positioned today than we were last year.
- The chart at the bottom of the slide makes the point clear. Our Tier 1 ratio improved by 110 bps since the beginning of this year. This does not include the benefit from $25 billion raised recently from the US Treasury.
- A word on the TARP: This is $25 billion of capital at a 5% coupon. We plan to keep it and, most importantly, we're going to use it by putting it to work to expand credit and serve our clients, and that will increase our profits.

SLIDE 9:

- Turning to slide 9, notice that our Tier 1 ratio, pro-forma for the TARP capital as of the third quarter is slightly lower than JP Morgan but higher than the other two competitors on the slide.
- As you have heard me say before, we are very well positioned from a capital standpoint to weather further potential challenges in the environment and to benefit from opportunities that are presented to us.

SLIDE 10:

- Slide 10 shows a 7-quarter sequential comparison of our loan loss reserves.
- As you can see, as of the third quarter, we had $24 billion in total reserves, which was almost double from the prior year period and up approximately $8 billion since the beginning of the year.
- To put this in perspective, we have now reserved against 3.4% of our total loans, up nearly 200 bps from the beginning of 2007.

SLIDE 11 :

- The chart on slide 11 compares our TCE/RWA ratio, along with our allowance as a percent of total loans, with those of our peers.
- As you can see, our Tier 1 ratio is the second highest among our largest domestic banking competitors, a clear indicator of financial strength.

- The TCE ratio, which divides equity, minus preferred stock, goodwill and certain intangibles, by risk weighted assets, has received some scrutiny lately. It is one of the metrics used to evaluate a firm's capital position.
- On loan loss reserves, as I showed on the previous slide, we have added approximately $8 billion to our reserves just in the first nine months of the year. As a result, our loan loss reserve ratio exceeds that of our peers by a substantial margin.

SLIDE 12:

- Slide 12 shows our liquidity position relative to some of our largest domestic and international competitors, and the story here is a good one.
- Structural liquidity, which is defined as equity, long-term debt, and deposits, as a percentage of total assets, is 63%. This is up significantly from 55% one year ago, and is the second highest among our large, domestic competitors.
- The blue bar at the bottom of the slide displays structural liquidity as a percentage of risk weighted assets, a metric that shows one measure of credit risk associated with these assets. Here you can see that, along with JPMorgan, we have the strongest ratio in the industry.
- One point to note: We have not shown this ratio for certain competitors either because they are under a different accounting convention or have adopted Basel II which would skew the comparability.
- Finally, we have moved quickly to adjust our liquidity profile to the changing market dynamics. Our reserve of cash and highly liquid securities has more than doubled to $51 billion since last year. We also have extended the maturity profile of Citigroup Inc. senior unsecured borrowings, and reduced our commercial paper program.

SLIDE 13:

- Slide 13 shows a sequential quarter comparison of our managed revenues, adjusted for disclosed marks in our Securities-and-Banking business and press release disclosed items.
- First, I want to revisit something we discussed on Citi Day. Back then, I told you that 75% of our underlying revenues are from stable, annuity-like businesses, such as Cards and Consumer Banking, while 25% are from more volatile businesses, such as Trading.
- Here on the slide, you can see that steady, annuity-like businesses still generate the bulk of our revenues. Our GTS business has continued to show strong underlying momentum, with revenues increasing despite the market dislocation.
- Similarly, our Wealth Management and Consumer Banking businesses, while suffering from credit losses and lower market values, have remained relatively stable.
- In Cards, after adjusting for the net impact of credit card securitizations, which are shown in the checkered box at the top of each column, managed revenues have remained consistent for the past two quarters, even growing relative to last year's third quarter.
- Securities and Banking continues to remain our most volatile business, and you should expect this to continue as market uncertainty persists. This has been a tough time in the industry. One of our largest competitors has declared bankruptcy, while another two have been acquired by larger banks. Indeed, the entire industry is transforming and searching for a future. That said, I want you all to know that we are well positioned in the best areas, the highest growth areas, such as the emerging markets. Once the markets return to some degree of normalcy, we will be well positioned to leverage our outstanding global platform to grow revenues.

- I hope this slide helps make more obvious the benefits of the universal banking model that I discussed earlier. For while we face turbulent markets in uncertain times, the strength of our franchise is evident in the businesses where each of you work, businesses which continue to perform well amidst an exceedingly difficult environment.

SLIDE 14:

- Slide 14 is another cut of the previous slide.
- What I want to show you here is that when looking at adjusted revenues over a twelve month period, we stack-up fairly well against last year. In fact, on a managed basis, revenues were flat.
- You should also remember that in the first half of 2007 we had some of our most profitable quarters on record. Given the difficulties we have faced since then, I think this slide proves that underlying all of the noise you have been hearing about Citi is a strong and healthy franchise.

SLIDE 15:

- Slide 15 shows a 9 quarter sequential comparison of expenses and headcount.
- We are targeting expenses of between $50 and $52 billion in 2009.
- If you were to divide these numbers by 4 to attain a quarterly average and compare that against the peak level of expenses in the fourth quarter of 2007, you will see that this is an approximately 20% reduction.
- Similarly, on headcount, our targeted level is approximately 300,000 people in the near term. Now this will not be exactly year end, it will likely take a little longer.
    - Approximately half the reduction from the third quarter 2008 level of 352,000, is expected to be from divestitures, some of which have been announced.
    - The other half will come from layoffs that have either already been announced or are planned.
- The most difficult part of what we all have to do is telling a colleague that their talent may be needed elsewhere and not at Citi. There is nothing easy about these decisions and the impact on our people. We do this because we must and not because we want to.
- Around the world our reengineering efforts among other efficiency efforts have led us to a situation where we have had to start informing some of our colleagues of this decision. I would have preferred to have announced this after the fact but given the news stories and out of respect for everyone here, I thought it was important to share that with you. It is the toughest part of everything we do.

SLIDE 16:

- On Slide 16, let’s quickly re-cap what you have all accomplished in the last few months.
- Adjusted managed revenues are an indication of how good a job you have been doing on driving our customer business and therefore keeping your underlying business performance flat in a very difficult environment. As always, your hard work will help determine where we come out on revenues.
- On the positive side, we have re-pricing of assets, including the card portfolio, the benefit of the extra capital and funding being put to work. On the negative side, volumes in Securities and Banking are likely to remain weak and we are in challenging markets. However you look at it, the underlying strength of the franchise and therefore its ability to generate revenues remains strong.

- Similarly, all balance sheet numbers are incredibly strong. As a result we are entering 2009 in much better shape than we entered 2008.
- How much profit we make will depend most on how our assets perform. That in turn will depend on housing prices, unemployment, and risk mitigation in our consumer books. It will also depend on marks in our mark to market books.

SLIDE 17:

- I've mentioned asset quality a few times. Let's discuss this in more detail.
- Turning to Slide 17, this shows our total exposure.
- I will address most of these in some detail on the following slides.
- This slide is a just a summary snapshot and shows a comparative balance sheet with some of the major categories broken out. I'll bet this is new information to a lot of you. This is a very different picture than at the beginning of the year. As I just said, the entire industry has exposures to this economy.
- Total assets at the end of the third quarter were just over $2 trillion, and look at the differences.
- US residential mortgage loan balances of $218 billion are substantially lower than all of the competitors shown here, and I'll take you through some more detail on this asset category on the next slide.
- Finally, trading account assets and brokerage receivables is a very broad asset category, but this is where almost all of our mark-to-market legacy assets are captured. As you see, the size of our asset base in this category is in the range of our competitors.
- What you don't see on the graph are a couple of asset categories such as commercial real estate and US SME, where our combined exposures are lower than most competitors.
- We are more diversified. We have a global portfolio due to our unparalleled international footprint. I would rather take that than more exposure to US real estate.
- With all of the hard work we have done in reducing assets, particularly our legacy assets, we have shifted our asset mix to assets with lower risk and higher revenue and earnings potential.
- More importantly, we do not have an outsized balance sheet relative to the industry.

SLIDE 18:

- Let's turn to slide 18 and dig deeper into our US consumer mortgage exposures – a topic with which many of you are very familiar.
- The first point is that our total exposure is substantially smaller than competitors'. The closest one has $84 billion more in loans than us. The largest one shown here has more than twice our US Residential mortgage exposure.
- In addition, we have no Option ARMS in our consumer loan portfolio. These are the mortgages that you read about a lot in the newspapers and are a big part of many of the credit problems in the housing market today.
- So, it serves us well to have a substantially lower portfolio size that that of our peers. Some of the purchase accounting charges taken in the two recent large industry deals will help in 2009 but not as much in 2010 and beyond.
- I am not saying we will not have losses. But, I want to put our exposures and risk in perspective.

- Now, let me spend a minute on the many actions we are taking to curtail this credit risk.
- In our US cards business, we have reduced our marketing expenditures, particularly on new accounts, reflecting the current environment. We also tightened underwriting criteria, such as initial line assignments, particularly in certain geographies and where we can use mortgage data to enhance our decision-making capabilities.
- Just last week, we announced major initiatives in our US mortgage business to build on and accelerate our loss mitigation efforts, which so far have prevented approximately 370,000 foreclosures representing over $35 billion in loans since early 2007.
- Outside of the US, within the countries experiencing current and expected deterioration, we are implementing risk mitigation programs with the same vigilance as in the US.

Gary Crittenden to cover slides 19, 20, and 21

SLIDE 19:

- Slide 19 gives you a sense of the quality of our international consumer banking and cards portfolios.
- The left chart shows average loans as a percentage of the total international consumer banking and cards portfolios in our largest countries. On the right, you see the net credit loss ratio for each of those countries.
- The clear message here is that many of the largest countries for us have low loss rates.
- While credit in countries like Mexico, India and Brazil has shown deterioration, there are many countries where we have large exposures that are doing just fine.
  - For example, Korea accounts for 13% of total International Consumer loans, making it the largest portfolio outside of Mexico. The NCL ratio was 85 basis points.
- The point is that we are a global company with a large international presence. As I mentioned earlier, our brand is an upscale one in every emerging market with a very strong customer base.

SLIDE 20:

- Now that I've given you a sense of our consumer loan portfolio, let's turn to our key mark-to-market exposures on Slide 20.
- The top graph lays out the percentage reductions in each of the key categories since the beginning of this year.
- As you can see, our CDO and highly leveraged finance commitment exposures are each down by 47%. SIVs, Alt-A and Commercial Real Estate are also down very nicely.
- The methods by which we have reduced these exposures really fall into two categories.
  - First, we have been able to sell positions, but have been careful to do this only when it makes economic sense. I will talk more about this in a minute.
  - Second, we have obviously marked them down and this has affected our revenues.
- Finally, we have been able to successfully hedge certain positions.
- Most importantly, let me spend a minute telling you why I am comfortable with these exposures.
- First, on our CDO positions, there has been an external validation of our marks by a few measures.

  - On July 28, Merrill Lynch agreed to sell $30.6 billion gross notional amount of its super senior ABS CDOs for a purchase price of $6.7 billion or 22 cents on the dollar.
  - As of the third quarter of 2008, our high grade CDOs, which comprised only 41% 2006 or later vintages, were marked at 41 cents on the dollar and our mezzanine CDOs, which comprised 53% of 2006 or later vintages, were marked at 21 cents on the dollar. If you were to do a weighted average, the combined positions were marked at approximately 29 cents on the dollar and less than half were of the riskier 2006 or later vintage.
  - A second and even more compelling validation is that in the third quarter, we were able to liquidate some of our high grade and mezzanine positions at a gain, an indication that our marks were appropriate.
  - Lastly, on our ABCP super senior positions, we have not had any cash flow deterioration as of the third quarter.
- Second, on our highly leveraged finance commitment exposures, just like all of our competitors in the industry, we have seen immense illiquidity, resulting in markdowns. Still, the marks have fallen substantially in the last two quarters, compared to the first quarter of the year. Additionally, we were able to sell approximately $9 billion of these loans in a successful trade in the second quarter of the year. Clearly, we are doing everything we can to continually reduce risk exposures in an economically sound manner.
- Third, we have $3.4 billion of Alt-A mortgages in our trading book. These were marked at 63 cents on the dollar.
- If you include our I/O and residuals, our marks would fall to 15 cents on the dollar.
- To sum up, we believe that many of our marks reflect the lack of liquidity for the underlying assets even though these assets represent substantial value. This problem is not unique to us. The industry is faced with a disrupted credit market and a fundamental lack of liquidity which has put tremendous pressure on asset values.
- That said, while this is not entirely intuitive from the asset values, the cash flows on some of these positions remain current and as a result, the loss adjusted yield is attractive enough to earn an appropriate return on equity. Put another way, we do not believe the realized credit losses on the portfolio will exceed our current marks.
- As a result, we're moving some of these assets to either held for investment, held to maturity or available for sale on our balance sheet, which has caused our stress losses for these positions to decline dramatically.
- To summarize, our overall risk exposures and marks are down substantially.

SLIDE 21:

- Slide 21, which is consistent with our SEC disclosure, shows that we have total involvement with SPE's of $1.2 trillion. This is composed of many different types of activity, and the exposure we have to each activity varies.
- Of the $1.2 trillion, $820 billion is exposure to Qualified Special Purpose Entities. As a result of a recently issued accounting pronouncement, QSPE's will cease to exist in the future, this change has created a perception that all $820 billion will come back on our balance sheet. This is a misconception.

  - Of the $820 billion, $667 billion relates to mortgage loan securitizations on which we do not bear the credit risk. In our opinion, it is highly unlikely that the vast majority of these mortgages will come back on our balance sheet.
  - Conversely, the $122 billion of cards in QSPE structures is expected to be consolidated once QSPE's cease to exist.
- We are planning for these eventualities from a capital and liquidity standpoint.
- Of the $406 billion of Variable Interest Entities assets included in our off-balance sheet disclosures, $82 billion of these assets are already consolidated in our financial statements, and are therefore not incremental exposures. Reserves and marks on these positions have been taken already if needed.
- On the $324 billion of unconsolidated VIE assets, we have a maximum exposure of $131 billion. An example of why our maximum exposure is lower than the total VIE assets is that we present total assets of the unconsolidated VIEs on the table, but may only provide financing for a portion of the activity, and therefore have no exposure to the rest of the VIE balance sheet. Of this exposure,
  - $44 billion is already included on our balance sheet as funded debt or equity investments through the third quarter. These investments have, where appropriate, already been marked down
  - Of the remaining $87 billion, $63 billion is funding commitments to ABCP conduits, primarily short-term liquidity arrangements that provide credit enhancements to the underlying SPE's debt, and $13 billion is composed of funding commitments, guarantees and derivatives to Muni Tender Option Bonds, structures that are over collateralized and therefore have comparatively low risk.
- In looking across all these businesses, we have similar exposure to the 2 largest risk classes, Credit cards securitizations and Asset-Backed Commercial Paper conduits, as the competition.
- In summary, off-balance sheet assets must be analyzed carefully as the risks associated with them can vary significantly by asset class, by type of structure and for a number of other reasons. We are very comfortable with our ability to manage these exposures and obviously, our risk management team has factored these into their planning scenarios.

SLIDE 22:

- So, let's take a minute to summarize our assessment of the last twelve months.
- First, if you look at adjusted GAAP revenues for the last twelve months, as I've already shown, they totaled $92.7 billion, a testament to all of your efforts in arguably one of the toughest environments this company has ever faced. Looking to 2009, I will not predict revenues but a few things to consider.
- On the positive side,
  - Many of our businesses have the characteristics to generate stable revenues.
  - We have made changes to this company's asset mix and therefore have improved the revenue generation capacity of those assets.
  - Our business model is diversified like no other competitor's which gives us sources of revenues that others just don't have.
  - We have certain pricing levers such as in our cards portfolio, which may provide some revenue upside.

  - Finally, we have the additional $25 billion from the TARP which gives us an expanded capital base from which to grow our revenues.

- On the negative side, it is likely to be one of the most difficult economic environments we have faced as a company and it is likely that the capital markets will continue to remain disrupted.
- On expenses, our last twelve month expenses totaled $61.9 billion. I have told you that we plan to bring this down to the $50-$52 billion range, a 16-19% reduction.
- The next blue bar represents our last twelve month net credit losses which have totaled $16.4 billion. Gary has spent a great deal of time on earnings calls discussing our expectations for credit losses, particularly in the cards business where losses are very closely correlated to unemployment rates.
- While it's impossible to know if historical relationships would hold in this environment, it remains possible that we may see loss rates exceed their historical peaks. For the cards portfolio, at the end of the third quarter, we were into the fourth consecutive quarter of increasing losses and for the mortgage portfolio, we were into the sixth consecutive quarter. Our scenario planning includes unemployment rates ranging between 7% and 9% into 2009. Obviously, such unemployment levels would result in higher credit costs well into 2009.
- As we go into the first half of next year, our current scenarios show that NCLs for our consumer portfolios could be $1-2 billion higher each quarter when compared to the NCLs in the third quarter of 2008.
- That takes to me to loan loss reserve builds which have been planned for based on the 7% to 9% unemployment rates scenarios. In the last twelve months, we have added $12.4 billion to our reserves.
- Assuming that unemployment peaks towards the end of 2009, we should be coming to the end of the significant additions to the consumer LLR over the next few quarters
- As the next bar shows, our aggregate Securities and Banking marks for the last twelve months were $41 billion, peaking in the fourth quarter of 2007 and coming down in every sequential quarter thereafter. Obviously, there is no way to predict what the marks could be but there are a few key things to keep in mind:
  - First, our risk exposures across some of the key categories generating these marks have come down substantially.
  - Second, the quality of many of these assets remains strong. In fact, we are moving or plan to move in the fourth quarter of 2008, approximately $80 billion of these legacy assets into a held for investment, held to maturity or available for sale category. This accomplishes two things:
    - It allows us to benefit from the inherent upside from these marked down assets as it is our belief that the loss adjusted yield is high enough to earn an attractive return on equity on these assets.
    - It reduces the earnings volatility that these assets could pose.
  - Finally, if the credit markets improve, we stand ready to benefit greatly from that. But, even if they don't we have put ourselves in a position from which we can effectively manage through a difficult credit, liquidity or capital markets environment.

- To summarize, I go back to where I started. I feel that this company is much better positioned to enter 2009 than it was when we entered 2008 and with all our plans, will be better still when we enter 2010.

SLIDE 23 AND WRAP-UP:

- So that brings me back to where we started.
- Our underlying business continues to be strong and despite a challenging environment, adjusted revenues, which I will address in more detail, were flat.
- We have been very successful at bringing our expenses down. 2009 expenses are targeted to be down almost 20 percent from peak levels.
- We entered 2008 with more people, more businesses and more assets than fit our strategy. We expect near-term headcount to be down 20 percent in order to run the company in the right way.
- We have significantly reduced our risky assets while putting the company in a very strong capital position.
- We have spent the last year "getting fit", are more streamlined, and are in a strong competitive position to take advantage of future opportunities. We will be the long term winner in the industry.
- So before I end, I want to remind you again that this is one of the greatest transformations in history.
- No part of this has been easy on anybody here.
- As one of the analysts just wrote, “It may take sometime to get out of this recession. But when the global economy emerges, Citigroup is there more so than any other international bank.”
- I couldn’t have said it any better myself. Let’s show the world what we can do.