# *Citi Acquisition of Wachovia's Banking Operations*

**September 29, 2008**

# Transaction Structure

| | |
|---|---|
| **Transaction Details** | ▸ **Citi acquires Wachovia’s retail bank, corporate and investment bank and private bank businesses**<br>– Citi pays $2.2 billion to Wachovia in Citi common stock<br>– Citi assumes substantially all of Wachovia’s debt; preferred stock excluded<br>– Wachovia remains a publicly-traded holding company consisting of its retail brokerage and asset management businesses |
| **Capital** | ▸ **Citi expects to raise $10 billion in common equity from the public markets**<br>▸ **Citi issues preferred stock and warrants to FDIC with a fair value of $12 billion at closing, accounted for as GAAP equity with full Tier 1 and leverage ratio benefit**<br>▸ **Quarterly dividend reduced to $0.16 per share immediately**<br>▸ **Regulatory capital relief on substantially all of the $312 billion of loss protected assets** |
| **Risk Mitigation** | ▸ **Citi enters loss protection arrangement with the FDIC on $312 billion of loss protected assets; maximum potential Citi losses of $42 billion**<br>– Citi is responsible for the first $30 billion of losses, recorded at closing through purchase accounting<br>– Citi is responsible for the next $12 billion of losses, up to a maximum of $4 billion per year for the next three years<br>– FDIC is responsible for any additional losses<br>– Citi issues preferred stock and warrants to FDIC with a fair value of $12 billion at closing |
| **Approvals** | ▸ **FDIC approved; subject to formal Federal Reserve approval and Wachovia shareholder approval** |
| **Closing** | ▸ **Anticipated by December 31, 2008** |

# *Terms of Loss Protection Arrangement with FDIC*

- **$12 billion face value of preferred shares issued to the FDIC**
  - 6% preferred dividend
  - Recorded at a discount to par value
    - 100% Tier 1 credit
    - Discount accretes over time through retained earnings
- **Warrants on common stock, such that the combination of the value of the warrants plus the fair value of the preferred shares total approximately $12 billion**
  - 100% Tier 1 credit
- **$12 billion loss protection arrangement value to be amortized over 4 years through other expenses on the income statement**
  - 4 years reflects the expected average life of the loss protected assets

# *Loss Protected Portfolio*

| | Assets ($B) |
|---|---|
| Residential Mortgages | $156 |
| Commercial Real Estate | 100 |
| Other Assets | 56 |
| Total Loss Protected Portfolio | $312 |

**$30 billion expected losses recorded purchase accounting**

**Additional potential losses to Citi capped at $12 billion ($4 billion a year for 3 years)**

# Earnings Impact to Common Shareholders

***At closing***

**Year 1:**

- **Transaction expected to be accretive before accounting for a $2.0 billion pre-tax restructuring charge**
  - Approximately $1.3 billion in pre-tax expense synergies, offset by revenue dis-synergies
  - Approximately $3.0 billion pre-tax charge related to loss protection arrangement with the FDIC [1]
  - 6% dividend on $12 billion face value of preferred stock and accretion of discount on the preferred stock

**Years 2-4:**

- **Transaction expected to be accretive under all assumptions**
  - Fully loaded pre-tax impact of annual expense synergies of approximately $2.8-$3.2 billion, offset by revenue dis-synergies of $1.5-$1.7 billion
  - Restructuring charges of approximately $600 million
  - Approximately $3.0 billion pre-tax annual charge related to loss protection arrangement with the FDIC [1]
  - 6% dividend on $12 billion face value of preferred stock and accretion of discount on the preferred stock

**Extremely strong NPV, IRR and ROIC**

(1) Assumes straight-line amortization of $12 billion loss protection arrangement over a four year period.

# Balance Sheet Impact

***Pro forma as of June 30, 2008*** [(1)]

| Pro forma Balance Sheet | |
|---|---|
| GAAP Assets | ~$2.9 Tr |
| Risk-weighted Assets | ~$1.4 Tr |
| Tier 1 Capital | ~$130 B |
| Total Capital | ~$170 B |

| Pro forma Capital Ratios | |
|---|---|
| Tier 1 | 8.8% |
| TCE/RWMA | 7.0% |
| Leverage ratio | 5.2% |
| Total Capital ratio | 11.8% |

- **Regulatory capital relief on substantially all of the loss protected assets**
  - 150+ member due diligence team to vet loss protected assets
- **Remaining acquired assets very attractive**
- **Significant improvement of structural liquidity (i.e. Long-term debt + Deposits + Equity)**
  - Approximately 71% of total assets on a pro forma basis
- **Approximately $100 billion of Wachovia's liquid assets expected to be saleable**

(1) Assumes capital issuances and dividend of $0.16/share. Also includes impact of deferred tax asset disallowance.

# Purchase Accounting Summary

*$B*

| | |
|---|---|
| Estimated net book value | ~$63 |
| **Purchase accounting adjustments:** | |
| Write-down of existing goodwill intangibles | (39) |
| Adjustment on credit impaired loans and securities | (30) |
| Release of existing LLR related to credit impaired loans | 9 |
| Other purchase accounting adjustments, including restructuring expenses | (4) |
| Book value after purchase accounting | $(1) |
| Purchase consideration | 2 |
| Goodwill / intangibles associated with transaction | 3 |

Note: Estimated at close.

# *Competitive Positioning*

| Branches (#) | | |
|---|---|---|
| Rank | Institution | Branches |
| 1 | Bank of America | 6,143 |
| 2 | JPMorgan Chase | 5,410 |
| 3 | Pro forma Citi (1) | 4,365 |
| 4 | Wells Fargo | 3,436 |
| 5 | Wachovia | 3,346 |
| 10 | Citi (1) | 1,019 |

| Total Deposits ($B) | | |
|---|---|---|
| Rank | Institution | Deposits |
| 1 | Pro forma Citi | $1,252 |
| 2 | JPMorgan Chase | 911 |
| 3 | Citi | 804 |
| 4 | Bank of America | 785 |
| 5 | Wachovia | 448 |

Source: SNL Datasource, except Citi and JPMorgan data. JPMorgan data from company presentations.
Note: Branch data as of September 29, 2008, except Citi data; deposit data as of June 30, 2008.
(1) Citi branches as of August 31st, 2008 and do not include 3,330 retail bank branches outside North America.

# Appendix

# *Strategic and Financial Rationale*

- **Creates a market-leading retail bank**
  - Complementary branch and deposit footprint in very attractive markets
    - Third largest retail branch network in the U.S. with more than 4,000 combined branches
    - Approximately $1.3 trillion in combined global deposits
  - Complementary customer base, including attractive middle market and mass affluent customers
- **Transaction structure optimizes shareholder value**
  - Very strong NPV, IRR and ROIC
  - Expected to be accretive to Citi in year 1 excluding restructuring charge; expected to be significantly accretive in year 2
  - Significant potential for revenue synergies not included in accretion analysis
- **Significant risk mitigation provisions in place**
  - Identified $312 billion of assets to be part of a loss protection arrangement with FDIC
    - Citi is responsible for the first $42 billion of losses; FDIC covers all additional losses
    - Citi receives regulatory capital relief on substantially all of the loss protected assets

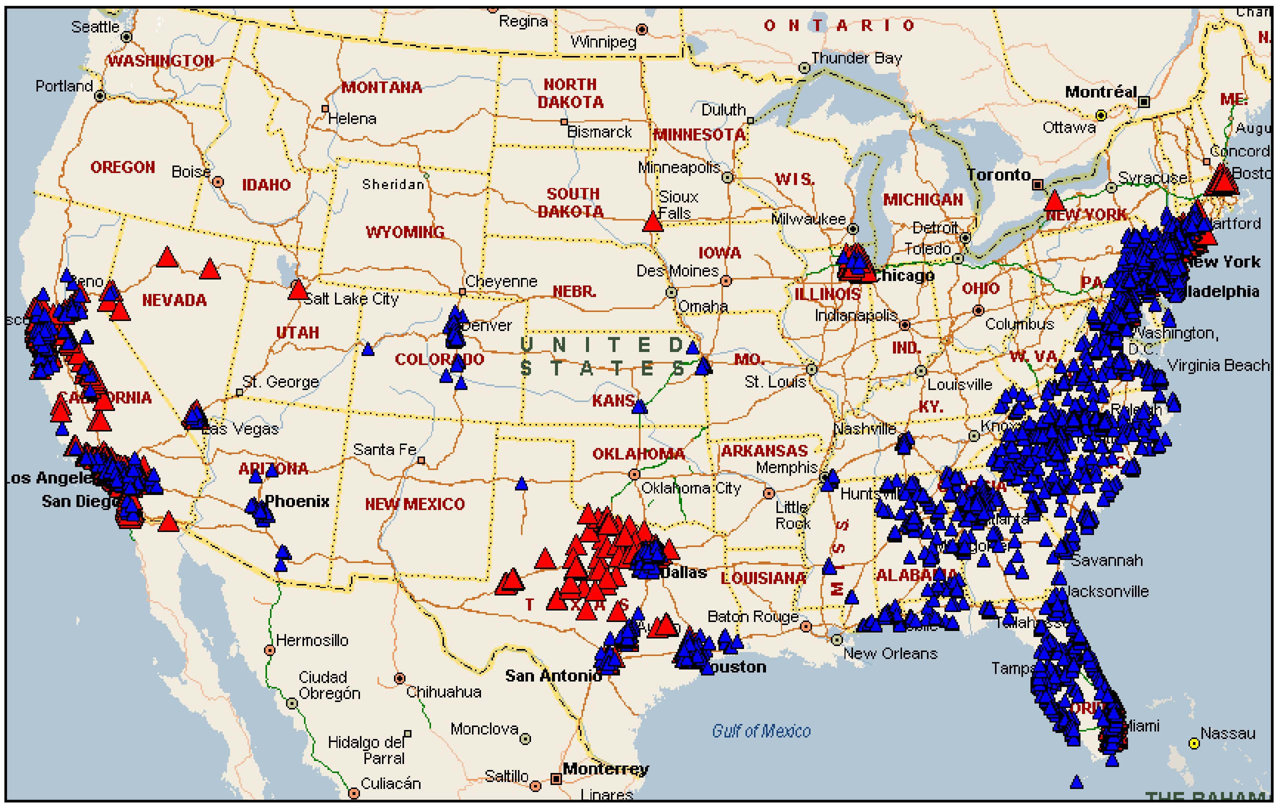
# *Market Leading Retail Bank*

- **Wachovia footprint concentrated in high growth and wealthy markets**
  - Located in MSAs with average population growth of 8% vs. U.S. average 6%
- **Leading position top MSAs**
  - 3,346 Wachovia retail branches complement existing 1,019 Citi branches
  - Wachovia branches concentrated in NC (#1 rank), FL (#1 rank) , PA (#2 rank) , NJ (#2 rank)
  - Adds 5,277 Wachovia ATMs
  - Significantly expands distribution of Citi cards and other consumer products and services
- **Minimal branch overlap**
- **$448 billion Wachovia deposits complement existing $804 billion Citi deposits**
- **3rd largest U.S. bank with 6.4% market share in deposits; targets middle market & mass affluent customers**

Note: Citi branch data as of August 31, 2008; deposits as of June 30, 2008.

# Pro forma Geographic Impact

| | Citi | Citi Pro forma |
|---|---|---|
| # MSAs where in Top 3 | 2 | 7 |
| # MSAs where in Top 5 | 4 | 13 |
| Deposit Share in Top 20 MSAs | 4.0% | 10.5% |
| National Deposit Share | 3.4% | 9.8% |




Citi branches   Wachovia branches

Source: SNL; Data as of June 30, 2007; Proforma for pending acquisitions.

# Other Strategic Benefits

## Other Retail Banking Benefits

- **Technology**
  - Strong in-house retail and commercial banking platform
  - Highly scalable
  - Expect a 2-year time frame for migration to Wachovia platform
- **Strong Talent Pool**
- **Integration capabilities**
  - Successful track record of merger integrations
- **Opportunity to market in 3,346 Wachovia branches (e.g. Cards/Consumer Finance)**

## Corporate and Investment Bank

- **Top 3 largest domestic cash management services provider**
  - Complements Citi's global footprint
- **U.S. mid-market corporate franchise enhances Citi's position**

## Private Bank

- **U.S. franchise strengthens Citi's domestic position in $5-$50 million**
- **Calibre Family Office focused on $50 million plus**

Source: Wachovia Investor presentation.