THE NEW CITI:

COMMITMENT, STRENGTH AND PROMISE

Dear Fellow Shareholders,

For Citigroup, 2009 was a watershed year, financially, strategically and operationally. Over the course of those 12 months, your Company made much progress. By year end, the distinctive outlines of a strong “New Citi” had emerged from an extraordinarily difficult period in the history of the Company and the world financial system.

Through the hard work, perseverance and sacrifice by people everywhere in Citi, I believe we have largely succeeded in addressing the fundamental challenges the Company faced when I became Chief Executive Officer a little more than two years ago. Moreover, despite all the turbulence in the economy, our people have steadfastly maintained solid revenue performance. In fact, we generated $91 billion in managed revenue against $48 billion in expenses in 2009, while also bringing our balance sheet leverage down to 12 to 1 from the peak of 19 to 1 in the fourth quarter of 2007.

Citi today rests on a solid foundation, poised to achieve our goal of sustained profitability. To reach that goal, what we now need is a positive turn in the economy, with a new cycle of job and credit creation. Longer-term, though, Citi’s potential is not limited just to sustained profitability. I believe the possibilities are much more dynamic for our unique institution with operations spanning over 140 countries and a 198-year history of client service.

THE BOTTOM LINE

Citigroup reported a net loss for 2009 of $1.6 billion. Diluted earnings per share was a loss of $0.80. This figure is sharply smaller than the loss in 2008 for various reasons, primarily lower revenue marks and a gain on the transaction that created our Smith Barney joint venture.

Within this overall picture, our core businesses, together known as Citicorp, were profitable with $14.8 billion in net income, versus $6.2 billion in 2008. I believe this performance demonstrates the strength of the businesses we have identified as the future of Citigroup. Citi Holdings, where we have placed non-core businesses and assets for divestiture, had a 2009 loss of $8.2 billion, versus $36 billion in 2008.

The 2009 results underscored the importance of Citi’s strong global position, as approximately 50% of our revenues came from markets outside North America. Our businesses in these markets generally performed very well and overall, Citi’s results show the impact of improved risk management and disciplined focus on clients’ interests.

Of course, we are not at all satisfied with the Company’s bottom-line performance in 2009. We know that we have much more to accomplish and prove for shareholders.

COMMITMENT TO RESPONSIBLE FINANCE

Perhaps the most obvious evidence of our positive momentum is that we entered 2009 heavily in debt to the U.S. taxpayer under the Troubled Asset Relief Program (TARP), but we exited the year by paying back TARP, with a significant dividend for taxpayers. However, we still owe the nation’s taxpayers a debt of gratitude that goes beyond repayment of TARP dollars. While we know that many banks as well as companies in other industries received U.S. government funds, we at Citi took the need for assistance very hard and very personally. We felt a sense of obligation not only to repay the government as quickly as was prudent, but also to be engaged in financial reform and recovery.

We committed ourselves to what we call “responsible finance.” That means, first, we will serve the true interests of our customers above anyone else. If we do that successfully, we will be generating real, sustainable value for shareholders. Second, we will be a significant contributor to economic recovery. To us, these are the best, most meaningful ways to repay taxpayers fully for the support we received.

The strategic heart of the commitment to responsible finance is that Citi will be a bank first and foremost. Our core mission is not to be a financial supermarket or a “shadow bank.” Everything we do and represent will emanate from the basic functions of a true bank – to accept deposits, commit capital to clients, lend to individuals, transact for customers and live up to the highest standards of trust and integrity.

A STRONG FOUNDATION FOR GROWTH AND PROFITABILITY

In 2009, Citi’s progress covered the prerequisites for consistently strong profitability: financial strength, operating efficiency, strategic clarity, and the world-class talent to create and maintain all these fundamentals. Each is also essential to the practice of responsible finance.

Financial Strength

While Citi started the year as a TARP institution receiving “exceptional financial assistance,” by the end of the year our capital and liquidity positions were among the strongest in the banking world. We repaid TARP and exited the loss-sharing agreement with the U.S. government. Tier 1 Common rose by nearly $82 billion to more than $104 billion, with a ratio of 9.6%, and we had a Tier 1 Capital Ratio of 11.7% – one of the highest in the industry. Structural liquidity, at 73%, was in excellent shape. The allowance for loan loss reserves stood at $36 billion or 6.1% of loans. Worldwide, deposits grew by 8% to $836 billion.

The other essential component of Citi’s revived financial strength has been a large reduction in our risk exposure. By year end, we had reduced assets on our balance sheet by half a trillion dollars, or 21%, from peak levels in the third quarter of 2007. This includes a substantial decline in our riskiest assets over those years.

The actions we took restored Citi’s financial strength and therefore were essential. I deeply regret that they also resulted in significant dilution for our shareholders.

Citi remains committed to preserving our considerable financial strength and remaining one of the strongest banks in the world.

Operating Efficiency

We already have reduced the size of the Company by 21%, as measured by assets. Efforts to centralize operations and technology, as well as other functions, contributed to new efficiencies and clearer accountability for performance. We are improving and creating technology to support our clients in a fast-changing, innovative world. In 2009, we also cut annual expenses by $11 billion (excluding the goodwill impairment recorded in 2008). Throughout the Company, there are stringent new cost controls in place, and the size of our enterprise is being steadily reduced by the divestiture of non-core assets in Citi Holdings.

In addition, we have lowered headcount by nearly 110,000 since the peak in 2007. For me, the reductions were some of the most difficult and personally painful of the actions we took, yet they were absolutely necessary, given the state of both the economy and the Company.

Strategic Clarity

As we wrestled with Citi’s challenges in 2008, we determined that no meaningful improvement in our performance or culture could be made unless we sharpened the strategic focus of our businesses. Our business priorities were not well-defined largely because we were in too many diverse operations. Consequently, we undertook a wide-ranging, dispassionate analysis of Citi’s businesses. Nothing was sacred. Everything was weighed against a careful study of the trends driving future economic growth, including globalization, emerging markets, consumer demographics, the dynamics of funding and risk transfer, as well as many others.

The outcome of this examination was that we realigned the Company's many and diverse businesses into two primary operating segments: Citicorp and Citi Holdings. This action clarified for our employees and all other stakeholders our strategic priorities for the future of Citigroup in the United States and around the world.

Into Citicorp, we placed the businesses that are core to our strategy and that offer shareholders the greatest earnings potential within appropriate risk parameters. These businesses are:

- Global Transaction Services
  - Treasury and Trade Solutions
  - Securities and Fund Services
- Securities and Banking
  - Global Banking
  - Global Markets
  - Citi Private Bank
  - Citi Capital Advisors
- Regional Consumer Banking
  - Four Regional Consumer Banks in North America, EMEA (Europe, Middle East, and Africa), Latin America and Asia that each include retail banking, local commercial banking and Citi-branded cards

These businesses position us squarely against the world's high-growth markets and products. Our core mission is to be *the* global bank for institutions and individuals, and to serve our clients with distinction. We bring them unique value through our global reach and innovative solutions.

In Citi Holdings, we assembled assets and businesses that are not central to our strategy. Some have significant value in their own right. Some have iconic brand names. Many are economically sensitive. Citi Holdings encompasses:

- Brokerage and Asset Management, which includes the Morgan Stanley Smith Barney joint venture
- Local Consumer Lending
  - North America, which includes residential and commercial real estate loans; auto, student and personal loans; and retail partner cards
  - International, which includes Western Europe consumer banking and other consumer finance franchises around the world
- Special Asset Pool, which includes non-core assets, many of which are illiquid in current markets

We are managing the Citi Holdings businesses with an eye toward tightly controlling their risks and divesting them as quickly as market conditions and other factors enable us to maximize their value. Since the end of 2007, we have completed more than 35 divestitures. Our riskiest assets, which are pooled in Citi Holdings, already have been substantially reduced, as I have noted, and they will continue to shrink. Overall, Citi Holdings assets have declined by $351 billion, or almost 40%, over the past two years. Financial resources gained from our ongoing divestitures are being reallocated to Citicorp.

Our restructuring of the Company for strategic clarity, I should add, has been an important means of achieving further operating effectiveness and efficiency because we have expedited sound decision-making on asset and liability management, capital allocation and other priorities.

World-Class Talent

Of course, all of our accomplishments would mean very little for the future of Citi without the right people and management in place to execute our plans. Talent is the bedrock of our strategy. In the slightly more than two years since I became CEO, we have extensively revamped the leadership of Citi and its businesses, not only at the very top but also throughout our organization.

We have been successful in recruiting more than our share of the very best people in our industry. In risk management, for instance, the leadership team was thoroughly overhauled with an impressive array of veteran talent from outside, as well as inside, Citi. In our operating businesses, we have emphasized the recruitment of individuals with the experience and expertise to carry out a strategy distinctively geared to our sharp client focus, vast global network and constant innovation. Our leaders also meet another essential criterion: they embrace a team-oriented, collegial approach to their work. That is an essential aspect of the new Citi culture.

At the Board of Directors level, there also have been impressive additions of talent important to our positioning for the future. During 2009, seven new non-management directors joined the Board. They bring to Citi distinguished backgrounds of success in banking or financial services as well as other closely related experiences that help support the execution of our strategy.

In sum, 2009 was a year when we laid a strong foundation for Citi, with financial soundness, new operating efficiency, strategic clarity and world-class talent.

FUNDAMENTALS OF CITI'S STRATEGY

As we build shareholder value on the strength of that base, the essential elements of our strategy are client focus, global strength and constant innovation. All three are tightly woven together in the fabric of our strategy, but client focus is the dominant thread throughout.

Client Focus

Everything we do must serve the customers' interests first. This is our uncompromising mandate, and our managers around the Company will be held accountable for meeting it. Obviously, the financial system as a whole strayed from this customer-centric focus, and the consequences around the world have been stark.

We are concentrating our operations and our people directly on customers in many different ways. At the broadest level, we reorganized the Company so that our products, services and investments will be readily responsive to local clients' needs. For example, rather than have the CEOs of our businesses run operations across regions globally, we installed regional CEOs in most areas. We also have emphasized investment in local markets and have customized tailoring of products to those areas. In our hiring practices, we have prioritized more than ever the recruitment of local residents. For instance, in our Institutional Clients Group today, 99% of our employees outside the United States are local or regional hires.

Global Strength

We are determined to capitalize fully on Citi's most immediately distinctive trait that our competitors cannot match: the strength of our global positioning and network. For nearly 200 years, Citi has been creating an international network. Today, it includes an on-site presence in nearly 100 countries and operations in more than 140. This is one reason why 95% of the *Fortune* 500 companies and 85% of the global *Fortune* 1000 are our clients. Citi is integrated into the economic life and communities we serve in developed and emerging markets around the world. No competitor has a global presence approaching ours, so we have a clear advantage, particularly in view of major trends that are increasingly driving economic growth in the world:

- *We are seeing a rising wave of middle-class consumers in emerging markets. In the past, the U.S. consumer was by far the main source of credit creation and spending in the world. Now there is a seismic shift toward consumers elsewhere, and they will be a major factor, along with those of us in the United States, in generating the next credit and spending cycle that will revive world economic growth. Of course, the millions who are rising into the middle class also will require increasingly sophisticated and convenient banking services.*

- *The United States, and almost all other significant economies, must have healthy export markets more than ever. No developed or emerging nation can rely on internal demand for strong growth nearly as much as in the past.*
- *To compete, companies are becoming more and more multinational in their operations and marketing. This requires first-rate international banking capabilities.*
- *All of us as individuals are in a very real sense becoming citizens of the world — in our travel, education, communication, investment and spending. Social, political and economic forces are being compressed into a smaller and smaller globe in ways that are at once both powerfully creative and dangerously fragile. We all are profoundly affected by the complexity and intensity of this phenomenon.*

Citi, among all banking institutions, is uniquely qualified to meet the challenges of globalization for clients. Our Global Transaction Services (GTS) business, for example, provides unparalleled resources in trade finance, cash management, securities and fund services, and other specialties. Its global payment flows are as high as $9 trillion per day. Within GTS, Citi continues to invest in technology for its global network and develop innovative solutions, including pre-paid, commercial cards and new online banking technology beyond traditional transaction management and reporting. GTS is also building out its Investor Services suite of solutions for the large, under-penetrated market for middle and back office outsourcing among a full range of investors.

Our Securities and Banking businesses serve clients with the combination of global reach, local experience, product scope and expertise that defines Citi. Our comprehensive trading and distribution platform operates via local trading desks in 75 countries, complemented by superior market-making capabilities and best-in-class origination. Our investment bank advised on many of the largest deals in 2009, ranking #3 in global completed M&A volume. Our focus on our clients' needs earned us Best Global Corporate and Institutional Bank honors from *Global Finance* magazine and our commitment to providing clients with intellectual capital and independent, insightful research earned us a top-four ranking in each major geography in *Institutional Investor's* highly regarded research poll.

Our Citi Capital Advisors business was restructured and streamlined into three asset classes and substantially all funds have outperformed their respective benchmarks. Our personalized wealth management platform, Citi Private Bank, advised more than one third of the world's billionaires through 60 offices located in 31 countries.

Our aspiration is to deliver on the promise that "a client of Citi anywhere is a client of Citi everywhere." Through our advantageous geographic positioning and our capabilities in virtual technology, we are not far from that goal.

Constant Innovation

To be client-centric and globally competitive requires obsessive attention to innovation. Even at the height of the financial crisis, we knew we could not afford to abandon this priority, and we did not. Now, with strong fundamentals in place, we are able to expand our investment in this vital dimension of our businesses.

There are many initiatives that showcase Citi's lead role in banking innovation. For example, in Japan, our new "Ubiquity" bank branches offer a fascinating model of the high-tech innovations that clients everywhere are starting to expect from state-of-the-art banking services. Worldwide, we intend to deploy an integrated banking and cards platform that gives us a 360-degree view of our clients' needs and relationships with us. In addition, we are successfully developing mobile consumer banking in most markets. And the high-tech GTS platform, which spans the globe, points to one of the most important goals of innovation for us: to be *the* "digital bank of the future."

In a world of constant change, our dedication to the practice of responsible finance and client centricity demands relentless innovation. It is a business imperative and a basic dynamic of the culture of the New Citi. The strength and scope of our global network enable us to scale up innovations quickly around the world. We can take a new product, service or technology in one country and readily integrate it into others.

Successful innovation plus our genuine client focus and unique global strength – together with the exceptional talent we have recruited or retained across our organization – are clear indicators of a bright future for Citi.

THE FUTURE

The enormous long-term promise of Citigroup should be clear because we have made much progress with all the fundamentals, and because our operating businesses in Citicorp have maintained good revenue momentum. The key issues affecting short-term earnings are not internal but environmental: the cost of credit and job creation. They will determine when we can achieve sustained profitability.

Meanwhile, we are confident we can navigate whatever challenges we confront and still keep Citi in a position to capitalize on a turnaround in the economy. We believe we can do so by concentrating on these priorities in 2010:

- Preserving our high levels of capital, liquidity and reserves
- Mitigating credit costs
- Sustaining the momentum of our Citicorp operating businesses from their strong 2009 performances
- Continuing the reductions of assets in Citi Holdings
- Investing strategically in innovation and the Citicorp businesses that drive Citi's earnings potential
- Developing further our already leading global position, especially in emerging markets
- Maintaining and expanding our role as a constructive force in the world, shaping public policy debates and meeting economic and social challenges. All of this is important to our business interests but also is intrinsically the right thing to do.

CITI: A TRUE GLOBAL CITIZEN

The Debate on Financial Reform

In playing a constructive role in public policy debates, the natural focus of Citi at this time is financial reform. We have spoken out on the need for change that will promote systemic safety in the United States and globally. We will continue to do so.

I believe reform must encompass changes in regulatory architecture that create a level competitive field for both banks and "shadow banks"; much more transparency in market transactions, especially over-the-counter derivatives; higher capital standards for systemically important institutions; effective controls over the risk profiles of financial firms; clear authority for the resolution of troubled institutions; and greater global coordination. In pursuing these objectives, naturally, we must be careful to preserve the absolutely essential role of the banking system in capital formation and global trade flows.

Our strategic and operating changes at Citi in 2008 and 2009 have been consistent with the direction in which such reforms would take the financial world. Not only have we overhauled risk management, reduced the size of Citi and focused our businesses squarely on client interests, but we also have exited much of our proprietary trading business, which today amounts to less than 2% of our revenue.

Meeting Economic and Social Challenges

In January of this year, I traveled to Haiti in the wake of the horribly tragic earthquake there. I wanted to visit the families of the five Citi colleagues who lost their lives, spend time with our people whose lives had been devastated and deliver medical supplies. Like everyone else who has witnessed the effects of this disaster, I was deeply moved by the human suffering everywhere I went.

At the same time, I was inspired by the courage and resolve of our colleagues, who reopened our operations in Haiti only 11 days after the quake. Our facilities had been almost totally destroyed, but our colleagues made it clear that they felt they had an obligation to provide services essential to the recovery effort and to the everyday lives of the people of Haiti. As a result, they overcame every obstacle, and Citi reopened more quickly than had seemed possible.

In the end, my trip was a poignant reminder of how important it is for us to understand the special responsibilities Citi has by virtue of our presence in numerous countries, large and small, rich and poor. We strive to demonstrate that sense of responsibility in various ways.

One of the most important priorities we had last year was to contribute to economic recovery in the United States. Citi has been one of the most active institutions in helping people avoid foreclosures on their mortgages. In fact, since the start of the housing crisis in 2007, we have helped 824,000 homeowners in their efforts to avoid foreclosure on mortgages totaling nearly $98 billion. In addition, Citi has been one of the banks serving the largest number of borrowers under the federal Home Affordable Modification Program. Currently, we are helping over 1.6 million credit card members manage their card debt through a variety of forbearance programs.

Citi also is committed to providing small and mid-sized companies access to the credit they need to expand and hire. We furnished more than $4.5 billion of new and renewed credit to small and mid-sized businesses in 2009. Citi is now working with the U.S. Department of the Treasury and the Small Business Administration on several initiatives expected to be launched in 2010.

During 2009, Citi provided $439 billion in new credit in the United States. When we were in TARP, we deployed funds to help expand the flow of credit to U.S. consumers, communities and businesses through various initiatives that were supported by TARP capital. We also were the only bank to issue regular, detailed reports on how TARP capital was being deployed.

Further, Citi applies its business and philanthropic skills to some of the world's most pressing problems. Citi Microfinance, for example, works across our businesses, product groups and geographies to serve more than 100 microfinance institutions networks and investors in more than 40 countries. One is Bangladesh, where Citi Dhaka helped arrange a syndicated loan for $21.7 million for BURO, a not-for-profit that is one of the fastest-growing microfinance institutions in Bangladesh. BURO serves more than 700,000 customers, 99% of whom are women. The Citi-arranged local currency loan will support the expansion of micro-lending to small farmers and marks the first time that a syndicated loan has been structured for a microfinance institution solely in support of the agricultural sector in Bangladesh.

The Citi Foundation invests in non-governmental organizations committed to the economic empowerment of low-income households and looks for ways its grants can foster innovative solutions and produce sustainable and measurable impact. Key results it seeks from its grant making include increasing the number of microentrepreneurs, growth of small businesses that create jobs, helping consumers accumulate and preserve assets through savings and homeownership, and increasing the number of college graduates. The Citi Foundation was selected to receive the 2010 Community Reinvestment Award for its support of the Self Employment Tax Initiative, a national demonstration sponsored by the Corporation for Economic Development to test the delivery of no-cost, high-value, financial counseling and business development services to low-income entrepreneurs as part of the U.S. annual income tax filing process. This award honors the work of financial institutions advancing innovation in financial services and financial education.

2009 IN SUMMARY

Toward the end of last year, members of our senior leadership team and I traveled separately to 17 cities in 14 states where Citi has operations. We met with representatives of more than 200 not-for-profit groups with whom Citi is associated, including our partners in foreclosure prevention and other community-service activities. The work our colleagues and these groups do together at the grassroots of America truly is impressive. It offered me a vivid and deeper perspective on why the people of Citi should feel good about what the Company has accomplished over the past year and about our collective ability to handle all the challenges still before us.

Citi has overcome problems that many critics said we could not surmount. We are emerging from a very bleak financial environment. Throughout this time, however, we have never stopped playing a constructive role in the communities of this nation by helping to alleviate the economic pressures on individuals and their families. We also have opened our lending capacity to a wide range of business and other organizations. At the same time, we have aggressively and effectively attacked the problems that threatened to undermine the Company.

Appropriately, then, I return to where I started this letter: by expressing gratitude to the people of Citi, whatever their roles and wherever they work in the global expanse of the Company. And again, all of us at Citi are deeply appreciative of the assistance we received from the people of the United States.

Naturally, I am profoundly grateful to our customers as well. They have shown us incredible loyalty and support through even the worst days. They have reinforced our determination that, in operating our businesses, the needs of our clients will come first. Experience clearly has shown that where this principle is not followed, there can be no genuine, lasting business success.

For all my fellow shareholders, I emphasize how far we have come and my keen awareness of both the cost incurred in doing so and our obligation to achieve the profitability and growth that will convincingly demonstrate the promise of Citi. We believe our progress in 2009 has positioned us to deliver new and substantial value to shareholders. That is our ultimate purpose and most immediate objective.

Sincerely,

VSPandit

Vikram Pandit
Chief Executive Officer, Citigroup Inc.