TRANSCRIPT

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Speakers
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PRESENTATION

RICHARD RAMSDEN: Okay, we are going to kick off. I think it is easy to forget that with GDP growth in Europe and the U.S. muddling along at sub 2%, 40% of Citigroup's core revenues actually come from locations where GDP growth is expected to be between 4% and 6%. I think more importantly, Citigroup has also continued to transform itself in 2012 by shedding another $50 billion of non-core assets while generating positive operating leverage across a lot of their core businesses.

Their Basel III capital ratios have improved 150 basis points since the start of this year. We think that Citigroup is one of the most interesting restructuring stories in the U.S. banking industry today as witnessed by the announcement that they put out this morning, which I am sure John is going to talk about.

John has been with Citigroup since 1990 in a variety of positions. He has been instrumental in some of the transformation that we have seen at Citi, and we are delighted to have him here as our lunchtime speaker. So with that I will hand over to John.

JOHN GERSPACH: Great, thank you very much. So thank you, Richard, and thank all of you. Thank all of you for joining us here today.

Today I would like to cover a number of topics, including our year-to-date financial results, a summary of the repositioning actions we announced this morning, and some additional information on Citi Holdings. First, our results year-to-date continued to show strong momentum - building on revenue and earnings growth in Citicorp as well as a smaller impact from Citi Holdings. This momentum reflects the ongoing transformation of Citigroup as we continue to simplify our business model and focus our resources on our core Citicorp franchise while winding down Citi Holdings in an economically rational manner. Importantly, we are executing this strategy from a strong financial foundation with among the highest capital ratios in the industry and a highly liquid balance sheet.

At the heart of Citi is our global network and our unparalleled ability to facilitate trade and capital flows for our clients. This differentiated advantage is at the center of Citicorp's strategy: a simple back to basics model focused on individual and institutional banking and on serving those clients who most value our global capabilities. As such, our global network and local market expertise are paramount. However, we also need to be disciplined in how we execute this strategy at the country and product level while driving efficiencies across the organization.

With these goals in mind, this morning we announced a number of repositioning efforts to optimize our footprint, resize and realign certain businesses, and improve efficiencies. In total, these actions are expected to result in approximately $1 billion of repositioning charges in the fourth quarter and approximately $100 million of related charges in the first half of 2013, which I will discuss more in a moment.

Finally, we remain highly focused on winding down Citi Holdings, both in terms of minimizing the earnings drag as well as disposing of the assets as quickly as we can in an economically rational manner. Together the optimization of Citicorp and the wind-down of Citi Holdings represent a significant opportunity to improve equity returns over time as we build sustainable earnings in Citicorp, reduce the drag from Citi Holdings, and generate considerable excess capital for eventual return to our shareholders.

So let's move on to the next slide. First, I would like to quickly review our financial results for Citigroup as a whole. Throughout this presentation I will exclude CVA/DVA, gains or losses on the sales of minority investments, and in the third quarter of 2012, the impact of a tax benefit - each in order to provide comparability to prior periods. Year-to-date in 2012, revenues were over $58 billion with over 95% coming from our core businesses in Citicorp. Operating expenses were less than $37 billion, and credit costs continued to decline to less than $9 billion. In total, Citigroup net income grew 11% year-over-year to nearly $10 billion.

Now let's look at Citicorp specifically, including the Corporate/Other segment. Year-to-date in 2012, Citicorp revenues grew 3% year-over-year while expenses were flat and credit costs declined. Excluding the impact of loan-loss reserve releases, our core pretax earnings grew 35% to $16 billion. Net income grew 6% year-over-year to $12.5 billion, even with the loan-loss reserve release which was over 50% smaller than the prior year.

Importantly, this momentum was broad-based with growth and positive operating leverage in each of our businesses. In Global Consumer Banking, revenues grew 2% on a reported basis, or 5% in constant dollars, and credit costs continued to improve generating 7% growth in net income. In Transaction Services, revenues grew 3% year-to-date while expenses declined, generating 4% earnings growth. And in Securities & Banking, revenues grew 6% year-to-date with very strong results in fixed income, while expenses declined 5% versus last year, generating 27% earnings growth.

Our recent momentum reflects the sustainability of Citicorp's earnings. Slide six shows pretax earnings by business on a trailing 12-month basis, excluding the impact of loan-loss reserve releases. As you can see, our earnings have grown steadily this year and are diversified across the franchise with a significant contribution from Consumer Banking and Transaction Services. Citicorp is also diversified by region with no outsized exposure or reliance on a particular market. Our presence and capabilities across the regions, and particularly in the emerging markets, are core to our business model. However, as I mentioned earlier, we also need to be disciplined in how we come to market in each of these regions and thoughtful about how we are allocating our finite resources at the country level.

As we announced earlier today, we are planning several actions to optimize our network and drive efficiencies across the organization. We currently expect to incur approximately $1 billion of repositioning charges in the fourth quarter and approximately $100 million of related charges in the first half of 2013. These actions represent an important step in the rationalization and simplification of our operations while maintaining our unique competitive advantages.

First, we are driving efficiencies by further streamlining middle and back office operations, reducing capacity, and moving functions to lower cost locations. Second, we are realigning certain businesses and coverage models to better reflect our global strategy. One example is the previously announced repositioning of our consumer franchise in Korea reflecting the current operating environment in that country, which will result in bringing our footprint and client segment in that market more in line with our global retail model. And, third, we are on optimizing our consumer footprint by closing or consolidating low impact branches and closing underutilized office locations, as well as exiting geographies with low return potential.

Looking at the repositioning by business on slide 10, approximately 35% of the fourth quarter repositioning charges are expected to be incurred in Global Consumer Banking. First, we will either sell or significantly scale back low return franchises in Pakistan, Romania, and Turkey in EMEA and Paraguay and Uruguay in Latin America. These countries remain important in our global network in the emerging markets and we are maintaining our institutional presence to serve multinational clients.

Second, we are redefining our branch footprint in certain countries including the U.S., Korea, Hong Kong, Brazil, and Hungary. Branch closures or consolidations in these markets are intended to further concentrate our presence in high impact locations in major metropolitan areas, consistent with our urban-focused retail strategy. We will continue to invest to serve our target consumer segments in these countries.

In addition, as previously discussed, we are realigning the Korea franchise, and we are also tightening our focus on higher income segments in markets such as Brazil and Central America. On the institutional side, approximately 25% of the charges are expected in Securities & Banking and another 10% in Transaction Services. These actions are designed to streamline our client coverage model in banking and to improve overall productivity in our markets business, especially in areas experiencing continued low profitability, such as cash equities.

We are also taking actions to improve operational efficiency. Corporate/Other represents roughly 25% of the charges, including efficiency savings in the global functions and a charge to consolidate facilities in order to reduce occupancy costs. Finally, Citi Holdings represents only 5% of the expected charges, mostly related to branch rationalization in Greece and Spain.

On a net basis, we expect these actions to reduce total headcount by more than 11,000 positions. We currently expect the run rate of these annual cost savings to exceed the approximately $1.1 billion of total charges, and roughly $900 million of these savings should be achieved in 2013. These savings should result in lower total operating expenses. We also expect these actions to reduce annual revenues by less than $300 million.

Moving on to slide 12, while most of the repositioning efforts we announced today are focused on Citicorp, we are keenly aware that improving Citigroup level returns will also depend on the wind-down of Citi Holdings. This wind-down has two distinct forms. First is disposing of the assets which frees up excess capital for eventual return to our shareholders; and second, is reducing the net losses at Citi Holdings which create a drag on total profitability and returns.

Let me start with the assets. Citi Holdings assets have been significantly reduced by over $600 billion since their peak in early 2008, and stood at $171 billion as of the end of the third quarter, or 9% of total Citigroup assets. Since the fourth quarter of 2009, the Special Asset Pool has declined by nearly 80% to $28 billion. Local Consumer Lending, the largest segment, is down over 50% to $134 billion and Brokerage and Asset Management is down 70% to $9 billion - nearly all of which is related to the Morgan Stanley Smith Barney joint venture. In recent periods, the pace of Citi Holdings wind-down has slowed as we have already disposed of some of the larger operating businesses such as Student Loan Corporation and Primerica. However, we continue to pursue opportunistic sales and continually test the market capacity to accelerate the wind-down.

All sales out of Citi Holdings are evaluated against a consistent framework. First, of course, there has to be an appetite in the market for the assets. Then, we look at valuation and whether we consider a bid to be acceptable within a range of possible scenarios. Funding is often the most critical factor in determining whether a buyer can deliver an attractive bid.

As a well-capitalized institution with access to low-cost funds, we have a natural advantage versus non-bank buyers. This is perhaps the most significant impediment today to executing a larger sale of mortgage assets, as the depth of the funding market does not support a sizable transaction. The mortgages are accrual assets and, therefore, we carry them at the loan amount less any reserves we have established to cover credit losses embedded in the portfolio. We remain very comfortable with the level of reserves we have allocated to these mortgages. However, we still believe a sizable sale of the assets would require a substantial write-down driven by the cost of financing, a liquidity discount if you will, and a buyer's desired equity returns. In certain cases we have provided seller financing and some have suggested this as a potential solution for mortgages. But, in practice, this would limit our ability to deconsolidate the assets, and at best, it replaces a direct exposure to the assets with an indirect exposure through the buyer.

This is not to say, however, that we wouldn't sell an asset if it meant taking a loss; and in fact, we have made that decision where appropriate in many previous transactions. In particular, we have been willing to take a loss where the impact on regulatory capital is offset, or sufficiently mitigated, by a reduction in risk-weighted assets. This is important, as our goal is to continue building our regulatory capital ratios while also beginning to return capital to our shareholders.

It may also make economic sense to absorb a loss on a sale if we could significantly reduce the tail risk in a portfolio. As it relates to mortgages, in today's market we don't believe we could execute a sizable sale without a significant negative impact on our regulatory capital ratios. We continue to execute smaller sales, mostly of delinquent mortgages, and we continually test the market for larger trades, particularly as housing sentiment is improving. And, in a better environment, we may in fact have an opportunity to accelerate mortgage sales. It is important to note that selling the loans would not entirely eliminate our mortgage-related tail risk, as rep and warranty liabilities and litigation risk would remain.

Taking a closer look at the remaining assets on slide 14, as I stated earlier, there are fewer sizable operating assets left today. These would include OneMain financial and PrimeRe (both of which are profitable), our remaining stake in the Morgan Stanley Smith Barney joint venture and related assets, and our legacy retail operations in Spain and Greece. These operations totaled just over $30 billion of assets as of the end of the third quarter. The remainder is generally in run-off or targeted for opportunistic sales. The largest portfolio is North America mortgages at $95 billion, with an estimated weighted average life of six years. The Special Asset Pool had $28 billion of assets, including $14 billion of mark-to-market and AFS securities, as well as $7 billion of held-to-maturity securities with an estimated weighted average life of eight years. The Special Asset Pool has been reduced by nearly 40% in the past year, which has had a material benefit on risk-weighted assets, as the average risk-weighted assets to GAAP asset ratio as of the end of the third quarter was well over two times. We will continue to reduce the assets in Citi Holdings as quickly as possible in an economically rational manner with a goal of maximizing asset sales as those opportunities arise.

Turning now to the second aspect of the wind-down, which is minimizing the earnings drag from Citi Holdings. As shown on slide 15, on an operating basis, excluding rep and warranty reserve builds as well as legal and repositioning costs; we have maintained a small positive operating margin in Citi Holdings with declining revenues being matched with a corresponding decline in expenses. There are three key drivers, therefore, which are necessary to get Citi Holdings closer to break even. First is to get through the cycle of rep and warranty reserve builds, such that future putbacks can simply be charged against the existing reserve. Second, is to get past the current high level of legal costs which will require more clarity on the outcome of securitization-related litigation. And third, is to reduce credit costs by reducing net credit losses as well as releasing mortgage loan loss reserves, such that losses are charged against these reserves rather than falling to the bottom line.

On slide 16 we show the drag on revenues and expenses from environmental factors. Rep and warranty reserve builds have ranged from $200 million to $300 million over the past five quarters, mostly related to GSE activity. The amount of repurchases, while still variable, has generally settled within a range and we have not seen any new peaks in loan documentation requests since 2010. Legal and repositioning expenses have also mostly ranged from $200 million to $300 million per quarter, with the exception of the fourth quarter of last year which included the National Mortgage Settlement. The path of future legal expenses is more difficult to predict, and as I just stated, will largely depend on getting more clarity regarding securitization-related activity. Excluding legal and repositioning costs, our operating expenses have declined by over 25% from last year. In the third quarter of 2012, operating expenses of roughly $900 million were split with nearly a third related to North America mortgages, another third from branch-based operations such as OneMain, Greece, and Spain, and the remainder from all other portfolios.

The biggest opportunity we have to mitigate losses in Citi Holdings is related to credit costs. Over the past two years the quarterly charge-offs in Citi Holdings have been reduced by roughly two-thirds. Corporate credit losses in the Special Asset Pool are now essentially behind us and consumer losses have declined dramatically as well. North America mortgages represented over 70% of net credit losses in the third quarter of 2012. Importantly, these losses have largely been absorbed into earnings as we have not released any material loan loss reserves related to our North America mortgage portfolio. These reserves stood at $8.5 billion at the end of the third quarter, or an equivalent of 30 months of coincident net credit losses. While we have not released material mortgage reserves to date, we continue to watch the market closely and have certainly noted signs that housing is improving. However, we would like more clarity on economic trends in the U.S. before we can conclude that the housing recovery is sustainable. When we do begin releasing mortgage reserves - such that mortgage losses are charged against these reserves as opposed to falling to the bottom line - then we should be able to materially offset the net credit losses in Citi Holdings.

Looking at these mortgage losses in more detail on slide 18, we have significantly reduced the quarterly net credit losses on the portfolio, down nearly 40% to $850 million in the third quarter even while $40 million to $45 million of losses were accelerated into each of the second and third quarters of this year as a result of actions we are taking to fulfill our commitments under the National Mortgage Settlement. The decline in mortgage losses has been driven not only by run-off in the portfolio, but also by active risk mitigation. Since the third quarter of 2010, we have reduced the North America mortgage loans in Citi Holdings by nearly 30%, driven by $20 billion of pay downs, $9 billion of net losses, and $9 billion of asset sales. The sale of delinquent mortgages in particular has been an important means of mitigating losses. Since the beginning of 2010 we have sold nearly $15 billion of mortgages, nearly two-thirds of which were delinquent. We were most active in selling delinquent mortgages in 2010 at a pace of $1 billion to $1.5 billion per quarter. Activities slowed in the second half of 2011 and early 2012 as macroeconomic fears clouded the outlook for U.S. housing. However, mortgage sales picked up again in the recent third quarter, which in part lightly reflects the market's more constructive outlook for the sustainability of a housing recovery. Should the current environment persist, we believe it may be possible to execute mortgage sales in the range of $750 million to $1 billion per quarter.

Mortgage sales have also contributed to the improving quality of our portfolio, as shown on slide 20. In residential first mortgages, our portfolio has migrated to a higher FICO, lower LTV distribution, even as home prices continued to decline until recently. The total amount of first mortgages with an LTV above 100% has declined by nearly 40% since the end of 2010. Importantly, high LTV loans with FICO scores of less than 580 have declined by an even greater amount, down by half to roughly $3 billion. Likewise, the LTV and FICO distributions have improved in home equity loans where FICO in particular is a key variable in determining the likelihood of delinquency. Total home equity loans with an LTV above 100% have declined by a third since the end of 2010, and high LTV loans with FICO scores of less than 580 are down by nearly half to less than $2 billion.

In summary, we have two distinct opportunities to reduce the drag from Citi Holdings. First, is reducing the size of Citi Holdings and, therefore, the capital needed to support these assets which are down by nearly a third over the past year. We continually test the market's appetite and, if the environment changes such that a larger sale of mortgages is feasible, we would take advantage of that opportunity. Second is the mitigation of losses in Citi Holdings. As you can see, one of the main levers is reducing net credit losses and eventually releasing mortgage reserves to mitigate the impact on earnings. Rep and warranty builds and legal costs are also a continued drag, and we are working to put these issues behind us.

Turning now to capital on slide 22 - even as we have absorbed losses in Citi Holdings, we have continued to build our book and regulatory capital. We ended the third quarter with $155 billion of Tangible Common Equity. Our Basel I Tier 1 Common Ratio was 12.7%, and our estimated Basel III Tier 1 Common Ratio was 8.6%. The return on regulatory capital for our core Citicorp businesses remained attractive for the first nine months of the year at nearly 19%, even assuming a Basel III Tier 1 Common

Ratio of 9.5% of risk-weighted assets. However, the drag from Citi Holdings, both in terms of net losses and incremental risk-weighted assets, resulted in a total return on regulatory capital for Citigroup of just under 11%. Likewise, Citi Holdings had a negative impact on Citigroup's return on Tangible Common Equity, which was 8.7% for the first nine months of the year. Our midterm goal is to achieve a return on Tangible Common Equity in excess of 10% through a combination of optimizing our returns in Citicorp, including the resizing and efficiency actions we announced this morning; minimizing the drag from Citi Holdings, both in terms of reducing losses and shrinking the assets as quickly as we can in a responsible manner; and, importantly, by beginning to return excess capital to shareholders.

In summary, we continue to move forward with the transformation of Citigroup. Our year-to-date results in Citicorp reflected strong momentum and we recognize a need to continue to drive efficiencies and optimize the returns in our core businesses. The repositioning actions we announced today represent an important step in the rationalization and simplification of our operations while maintaining our unique competitive advantage. Additionally, we are keenly aware of the impact of Citi Holdings on both our profitability and return metrics. We continue to build book and regulatory capital while maintaining a strong and highly liquid balance sheet. And we remain highly focused on improving Citigroup-level returns with the goal of optimizing Citicorp, winding-down Citi Holdings, and beginning to return capital to our shareholders. With that, and with Richard's indulgence, I am happy to take any questions. Thank you.

QUESTION AND ANSWER

RICHARD RAMSDEN: Perhaps I could kick it off with a couple of questions.

JOHN GERSPACH: Do you mind if I sit?

RICHARD RAMSDEN: No, please. So I guess two things.

JOHN GERSPACH: Always seek permission. Sorry, Catholic school.

RICHARD RAMSDEN: I think Mike Corbat has been in the role for 50 days.

JOHN GERSPACH: I believe today marks day 50.

RICHARD RAMSDEN: So this is, obviously, a major restructuring announcement. But I guess my question is this, is this the totality of what has been found to date or is it -- i.e., should we expect more restructuring announcements as Mike continues to go through Citigroup's portfolio? Or what we should really just expect for 2013, i.e., how comprehensive is this?

JOHN GERSPACH: This is a fairly comprehensive initial foray. But I think that what you can expect from the management team at Citi is a continuing examination of every one of our businesses in order to make sure that we truly are optimizing the implementation of our strategy. And we will constantly seek to find new areas to improve efficiencies. It is somewhat a continuation of what we were doing throughout 2011 and 2012 with our continuous reengineering programs. Today, it's certainly an important action, but I view it as part of a continuum.

RICHARD RAMSDEN: Okay. The second question is really around the CCAR and I guess a couple of things. Your Basel III capital ratios are up a lot relative to where you were last year. Your Basel I capital ratios are also up a lot. Against that it does seem that this year's CCAR has a specific focus on developing Asia. The assumptions do seem to be quite a bit harsher than where they were last year. Based on your initial simulations, how much of a headwind do you think that could be in terms of the Fed's inferred losses on your portfolio?

JOHN GERSPACH: We are still running through the various models in order to put all the Fed scenarios through the paces, but I don't think it represents a huge difference from last year, quite frankly. It certainly represents a change, but I wouldn't classify it as a huge change. I would also say that I think that both we and the Fed have benefited from the nine months of dialogue that we have had since they have run their last test. We have no greater insight into how they actually run their models or how their models calculate exposure, but I think both sides now have got a much better view as to what information is sought in order -- as input into the models and what types of information we can provide. For instance, we cannot provide FICO scores for our credit card portfolio in Malaysia.

RICHARD RAMSDEN: Because they don't exist.

JOHN GERSPACH: They don't exist. So if that is a critical field that needs to be filled out in information templates we have now had the opportunity to have that discussion and learn what other types of information we may be able to provide to assist the Fed.

RICHARD RAMSDEN: And then, you did talk a little bit about how the improving housing market is impacting your ability to offload assets out of presumably your North American mortgage portfolio. Can you talk a little bit in the last two to three months as to how you have seen bid offer spreads change and how close we are to the point where it makes sense from an economic standpoint to offload some of the whole loans in particular where I guess the market has been the most illiquid?

JOHN GERSPACH: Yes, obviously it is whole loan sales that we are actually conducting because obviously we are selling it out of the mortgage portfolio. And the spreads have definitely widened as I noted towards the middle and the early parts of last year, and I think there were two things. One is there was certainly a lot of uncertainty regarding the recovery. There continued to be a lot of uncertainty as to where some policies were going in general. That now seems to have abated, so spreads have come back in and it is just a little bit friendlier market. But there still doesn't exist that market, especially from a funding point of view, to do what I think we and many people would like us to do, which is a truly large bulk sale. That just does not exist at this point in time.

RICHARD RAMSDEN: Is there an opportunity for you to securitize some of those assets prior to selling them?

JOHN GERSPACH: Don't see that as a viable nor necessarily an advantageous course to go down at this point in time.

RICHARD RAMSDEN: Okay. Let me open it up to the audience for questions.

SPEAKER 1: Can you go into a little more detail, please, John, on just exactly what you mean by lack of available funding? It seems to me that real money counts, whether they are insurance companies or asset management firms, by definition have long durated funding. It is not feasible for you to sell these assets to another bank, another levered regulated financial institution, but there are financial buyers of these assets that run funds with very long-term horizon. What do you mean that there is not the available funding?

JOHN GERSPACH: Well, for the buyers that are interested in this type of portfolio we don't see other financial firms, banks, insurance companies, quite interested in buying the portfolios.

SPEAKER 1: No, but I would imagine that -- not that I know anything about their investment objectives -- but PIMCO or somebody like that, they run a lot of fixed income money. They are looking for yielding securities. If they are getting inflows, which they probably have been for all I know, they are looking to put some of that money to work.

JOHN GERSPACH: They may be looking to put that money to work, Larry, but like I said, one, they are not looking directly to buy whole loans from us. If you are then going to say, well, why can't they put their money to work by backing somebody else, that is a question you are going to have to put to some of the firms that you mentioned.

SPEAKER 1: Then my second question for you is -- thank you for the detail on the RWA breakdown by asset category in Holdings. The $28 billion of securities – mark-to-market, available for sale, held to maturity, and then a small of accrual loan portfolio -- has the biggest RWA impact that translates, if I'm doing the math right, to $70 billion of RWAs. Everybody is wondering about the mortgage book and yet this would have a bigger bang for the buck. Are the prospects for disposing of these assets the same, different? What are the nuances there?

JOHN GERSPACH: Again, the market sort of ebbs and flows there. To the extent that the assets are left in the portfolio, first of all the held-to-maturity assets, Larry, obviously we don't have an opportunity to sell unless there is some sort of significant credit event that allows us then to take it out of the portfolio. The items that are left in the mark-to-market and available-for-sale portfolio, I would say that each one of them has got some structural element to it that means that it is not just something, a security that you can just put up on a screen some place and get a bid. So it is a matter of finding the right buyer with the right appetite. We are out in the market all the time trying to bring down the level of the Special Asset Pool assets.

RICHARD RAMSDEN: Do we have any other questions from the audience?

SPEAKER 2: So you spoke earlier about a sort of back to basics at Citi. Historically, Citi didn't have as big of a securities and brokerage business. The securities portfolio is $900 billion or so and it has got lower ROAs, the tail risks and everything associated with that. How are you thinking about that as you go back to basics? How do you think about the scale of that? How do you think about sort of getting rid of some of those assets and focusing more on some of the other parts of the business that have higher ROAs, less risk associated with them?

JOHN GERSPACH: Good question. You go back historically I think one of the weaker aspects of Citicorp back, old Citicorp back in the '90s, was that we just did not have an adequate capital markets capability. And it is something that actually got in the way of our ability to serve corporate clients at that point in time. The Securities & Banking business that we have today, the one that is in Citicorp, is one that is really there to serve the needs of our corporate clients. You have already seen where we have taken some level of assets out of that business in the third and the fourth quarter of last year. So we think that we have got that business fairly well sized at this point in time to meet current corporate client demand. However, if we find that we can serve our corporate clients with a lower volume of assets we will definitely go down that path because we want to try to improve the efficiency of every resource that we employ.

SPEAKER 2: At this point is it sort of as low as you think you can go for now?

JOHN GERSPACH: No, that is like asking me do I think that our efficiency ratios are as low as we think we can go. We always want to do better, but am I going to give you a near-term target? No.

SPEAKER 2: And what type of ROA then do you sort of have associated or targeted for the S&B business?

JOHN GERSPACH: We haven't gone out with a specific ROA on any specific business and this is a very difficult environment in which to talk about targeted ROAs, where we are from an interest rate point of view. Don't forget, our longer-term target for Citicorp in total is still in that 125 to 150 basis point range, and we still think we can get there, but not in the current interest rate environment.

RICHARD RAMSDEN: John, let me ask a follow-on question to that. Should we expect, under the new management team, Citigroup to come out with a broader range of financial targets to what you have historically had as well as time frames for achieving them? Is that something that is on the agenda?

JOHN GERSPACH: Richard, I think you see some of that even today where I have mentioned a midterm goal of improving the return on tangible common to at least get to 10%. So you can take that as a precursor of things to come.

RICHARD RAMSDEN: Okay great, I think we have time for one more question from the audience if we have one.

SPEAKER 3: In Consumer Banking in the U.S., does this mean you are not going to enter any additional markets? You are only going to try to expand your existing markets wherever they may be? And not become a footprint player like Wells and Chase and Bank of America?

JOHN GERSPACH: Well, that has been our stated strategy for the last three years. That is consistent with our focus on 150 key cities around the world we just want to be focused in certain urban centers, and that includes the U.S. So you can look to us to improve our branch capability in those key markets – New York, Chicago, etc., etc. But we don't look to become a footprint player, as you have put it, as some other institutions are. You're not going to see us opening up branches in Montana or Tennessee, or places like that. Not that we have anything against Montana or Tennessee; love both those states.

SPEAKER 3: In terms of Holdings, did you say $171 billion of Holdings is 5% of total assets?

JOHN GERSPACH: 9%.

SPEAKER 3: 9%, okay. And 95% of that is North America mortgages which consists of HELOCs and first mortgages?

JOHN GERSPACH: Correct.

SPEAKER 3: Thank you.

RICHARD RAMSDEN: All right, thank you very much.

JOHN GERSPACH: Richard, thank you. Thank you all very much.