

Summary of Terms and Financial Impact to Citi From Morgan Stanley Smith Barney Joint Venture



Summary of Terms

Summary of Transaction	<ul style="list-style-type: none"> ▶ Citi will exchange 100 percent of its Smith Barney, Smith Barney Australia and Quilter units for a 49 percent stake in the joint venture and an upfront cash payment of \$2.7 billion <ul style="list-style-type: none"> – Citi to retain its private bank and bank branch advisors ▶ Morgan Stanley will exchange 100 percent of its global wealth management business for a 51 percent stake of the joint venture
Governance	▶ Board: 4 Morgan Stanley, 2 Citi and JV President*
Brand	▶ Morgan Stanley Smith Barney
Non-compete Restrictions	▶ In place until the earlier of an IPO, the 6 th anniversary of closing or a party ceasing to own at least 10% of the JV
Exit Terms	<ul style="list-style-type: none"> ▶ Morgan Stanley has a call on 14/49, 15/49 and 20/49 of Citi's 49% interest, beginning on the 3rd, 4th and 5th anniversaries of closing, respectively, payable in cash at fair market value ▶ If Morgan Stanley exercise its first two calls, Citi can put its remaining 20% interest at the later of the 6th anniversary of closing and 1 year after Morgan Stanley exercises 2nd call ▶ Either party can cause an IPO after year 6
Change of Control	<ul style="list-style-type: none"> ▶ Citi can put 100% of its JV interest to Morgan Stanley upon a change in control of Morgan Stanley ▶ Morgan Stanley can call 100% of Citi's JV interest upon a change in control of Citi
Deposits	▶ Each party to retain their existing deposits. Deposits from new accounts to be shared pro-rata based on ownership percentages
Commercial Arrangements	▶ Citi, Morgan Stanley, JV entering into agreements related to distribution by Citi and Morgan Stanley of retail securities through the JV, the provision of research by Citi and Morgan Stanley to the JV and the routing of securities order flow from the JV to Citi and Morgan Stanley, each at levels consistent with current practice

Financial Impact on Citi

Gain on Sale (pre-tax)	▶ ~\$9.5 billion
Gain on Sale (after-tax)	▶ ~\$5.8 billion
Tangible Common Equity	▶ ~\$6.5 billion
Tier 1 Capital	▶ ~\$6.4 billion

* Note: Updated to provide a minor clarification on governance