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**First Quarter 2004 Earnings Review**

**April 15, 2004**

# ***First Quarter 2004 Highlights***

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## **Record Revenues and Earnings**

**Net Revenues of \$21.5B, up 16%**

**Net Income of \$5.3B, up 29%**

**Diluted EPS of \$1.01, up 28%**

**Return on Common Equity of 21.3%**

**Return on Risk Capital of 45%**

## **Strategic and Financial Highlights**

- ▶ **Record quarterly earnings in 6 of our 9 businesses**
- ▶ **16% revenue growth vs. 11% expense growth**
- ▶ **Announced KorAm Bank acquisition; closed Washington Mutual Finance acquisition**
- ▶ **Closed EFS sale – \$180 million gain, after-tax**
- ▶ **Launched China's first dual currency credit card**
- ▶ **#1 Global Debt and Equity Underwriter – tenth consecutive quarter**
- ▶ **Full implementation of risk-based capital management system**
- ▶ **Increased quarterly dividend 14%**

# First Quarter 2004 - Summary Income Statement

(\$B)

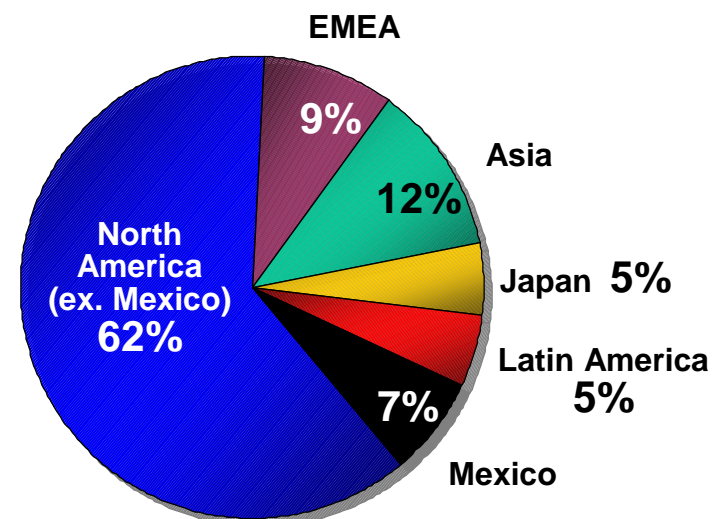
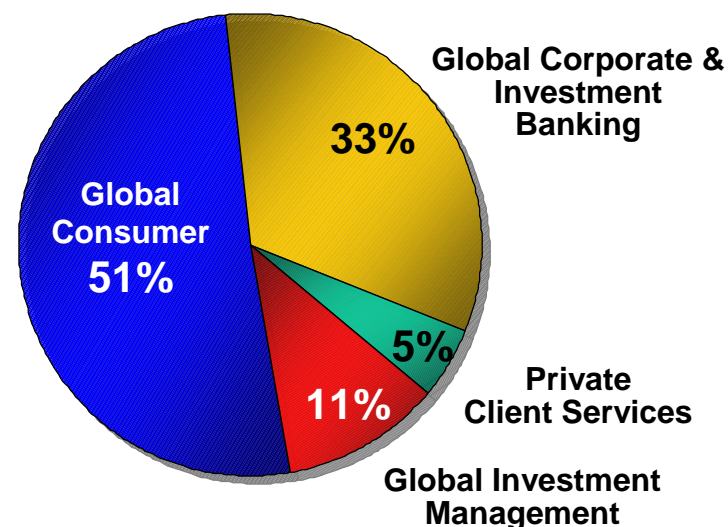
|                                       | 1Q04          | 1Q03          | I / (D)       |            |
|---------------------------------------|---------------|---------------|---------------|------------|
|                                       |               |               | \$            | %          |
| Net Revenues                          | \$21.5        | \$18.5        | \$3.0         | 16%        |
| Operating Expenses                    | 10.6          | 9.6           | 1.1           | 11%        |
| Insurance Claims                      | 0.9           | 0.9           | 0.0           | 1%         |
| Credit Costs                          | <u>2.2</u>    | <u>2.1</u>    | <u>0.2</u>    | 9%         |
| Total Claims & Credit Costs           | 3.1           | 2.9           | 0.2           | 6%         |
| Pre-Tax Income                        | <b>7.7</b>    | <b>6.1</b>    | <b>1.7</b>    | <b>28%</b> |
| Income Taxes and<br>Minority Interest | 2.5           | 2.0           | 0.5           | 26%        |
| Net Income                            | <b>\$5.3</b>  | <b>\$4.1</b>  | <b>\$1.2</b>  | <b>29%</b> |
| Diluted EPS                           | <b>\$1.01</b> | <b>\$0.79</b> | <b>\$0.22</b> | <b>28%</b> |
| Tax Rate                              | 31.0%         | 31.7%         | --            | --         |

Totals may not sum due to rounding.

# First Quarter 2004 Income

\$MM

|                                       | <u>1Q04</u>     | <u>1Q03</u>     | <u>%<br/>Change</u> |
|---------------------------------------|-----------------|-----------------|---------------------|
| Global Consumer                       | \$ 2,575        | \$ 2,122        | 21%                 |
| Global Corporate & Investment Banking | 1,707           | 1,401           | 22%                 |
| Private Client Services               | 251             | 162             | 55%                 |
| Global Investment Management          | 551             | 452             | 22%                 |
| Proprietary Investment Activities     | 26              | 38              | (32%)               |
| Corporate/Other <sup>(1)</sup>        | 163             | (72)            | NM                  |
| <b>Net Income</b>                     | <b>\$ 5,273</b> | <b>\$ 4,103</b> | <b>29%</b>          |
| <b>Diluted EPS</b>                    | <b>\$ 1.01</b>  | <b>\$ 0.79</b>  | <b>28%</b>          |

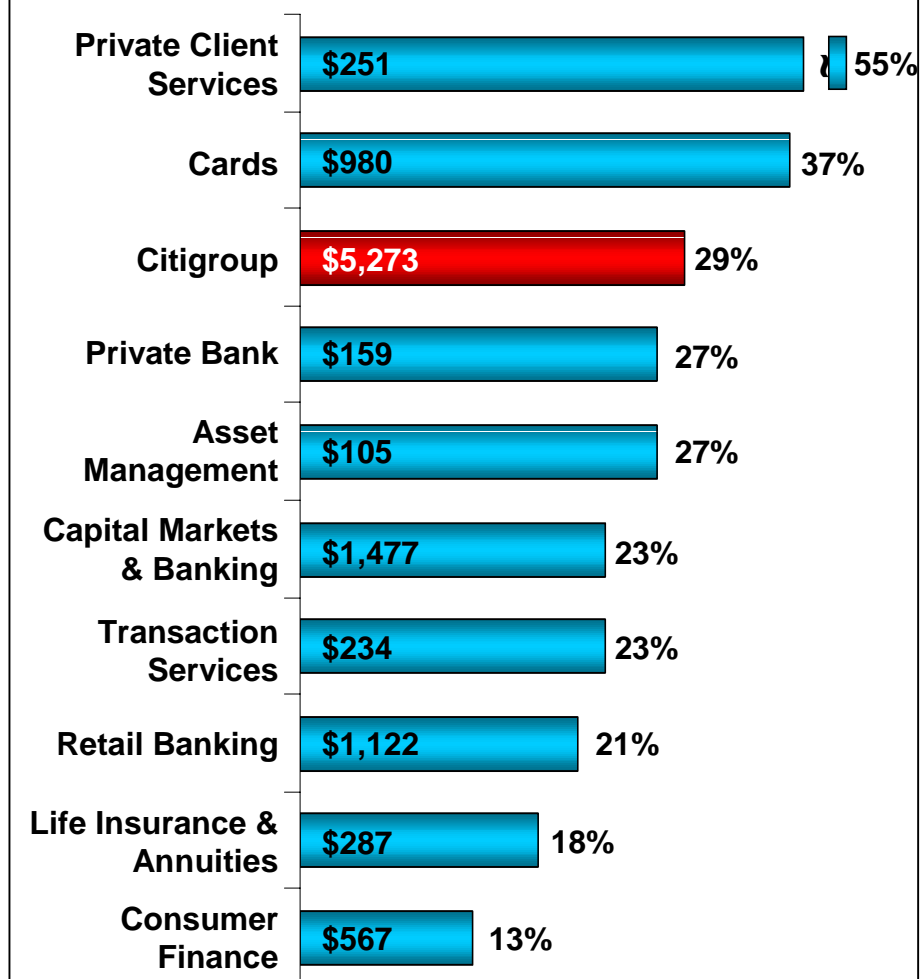


(1) Includes \$180MM after-tax gain from EFS sale in 1Q04.

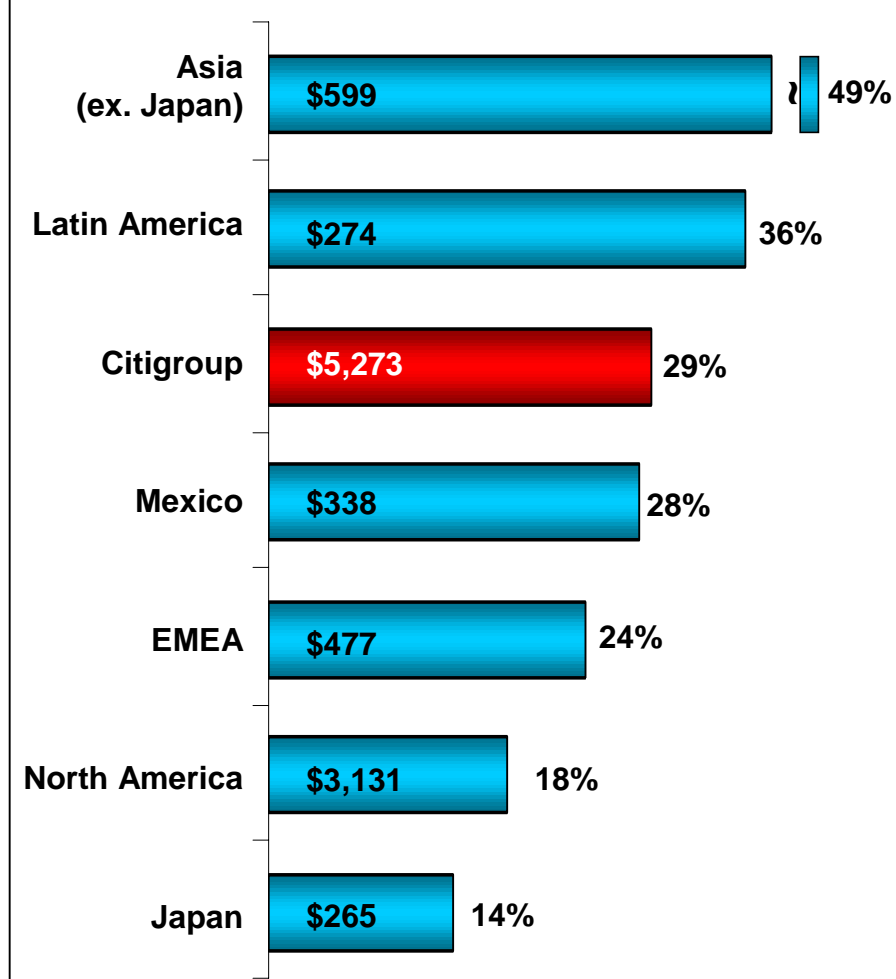
Note: Excludes Corporate/Other and Proprietary Investment Activities.

# First Quarter 2004 Net Income Growth

## Product View



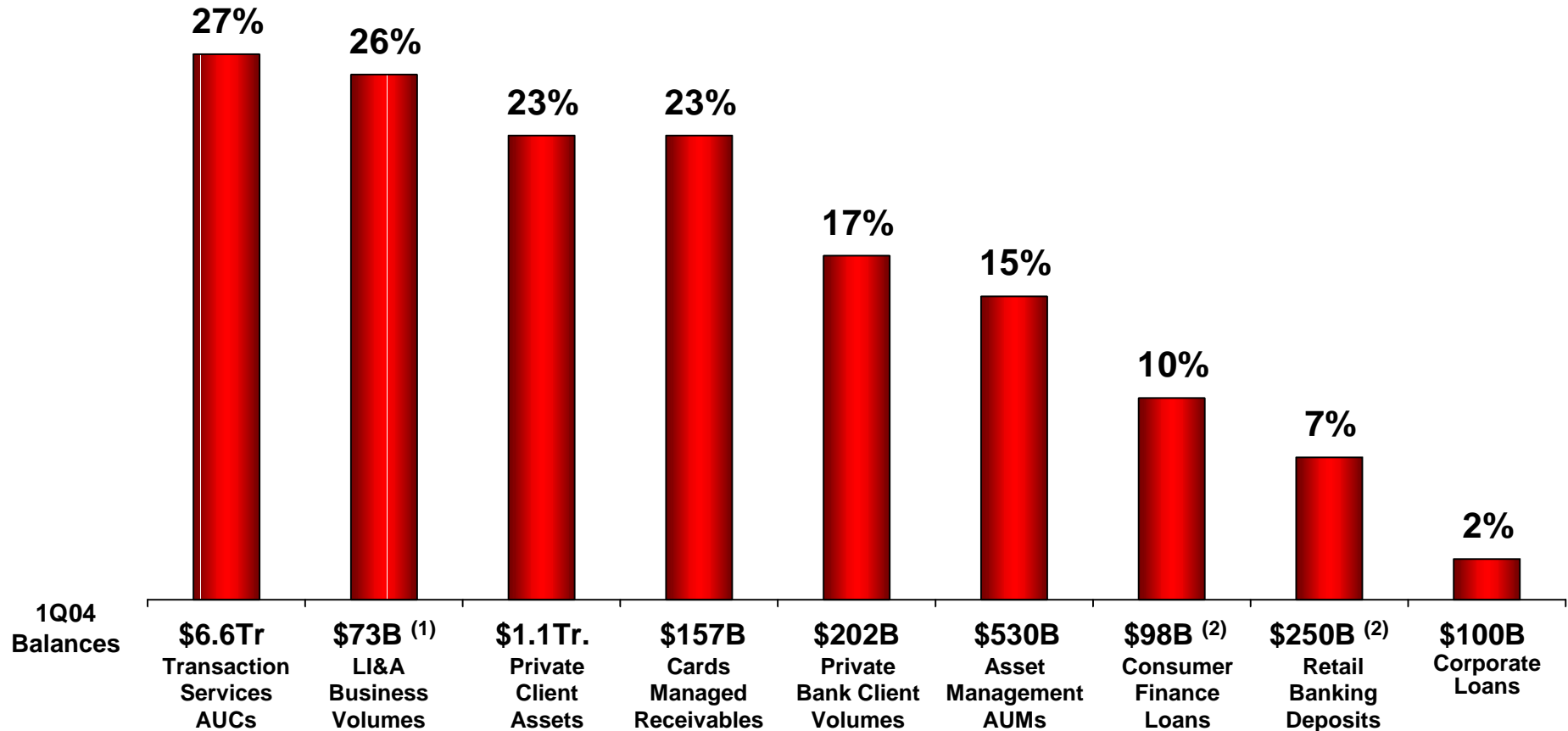
## Regional View



**Double-digit Growth across All Businesses and Regions**

# Growth in Customer Balances

YOY 1Q04 Growth Rate

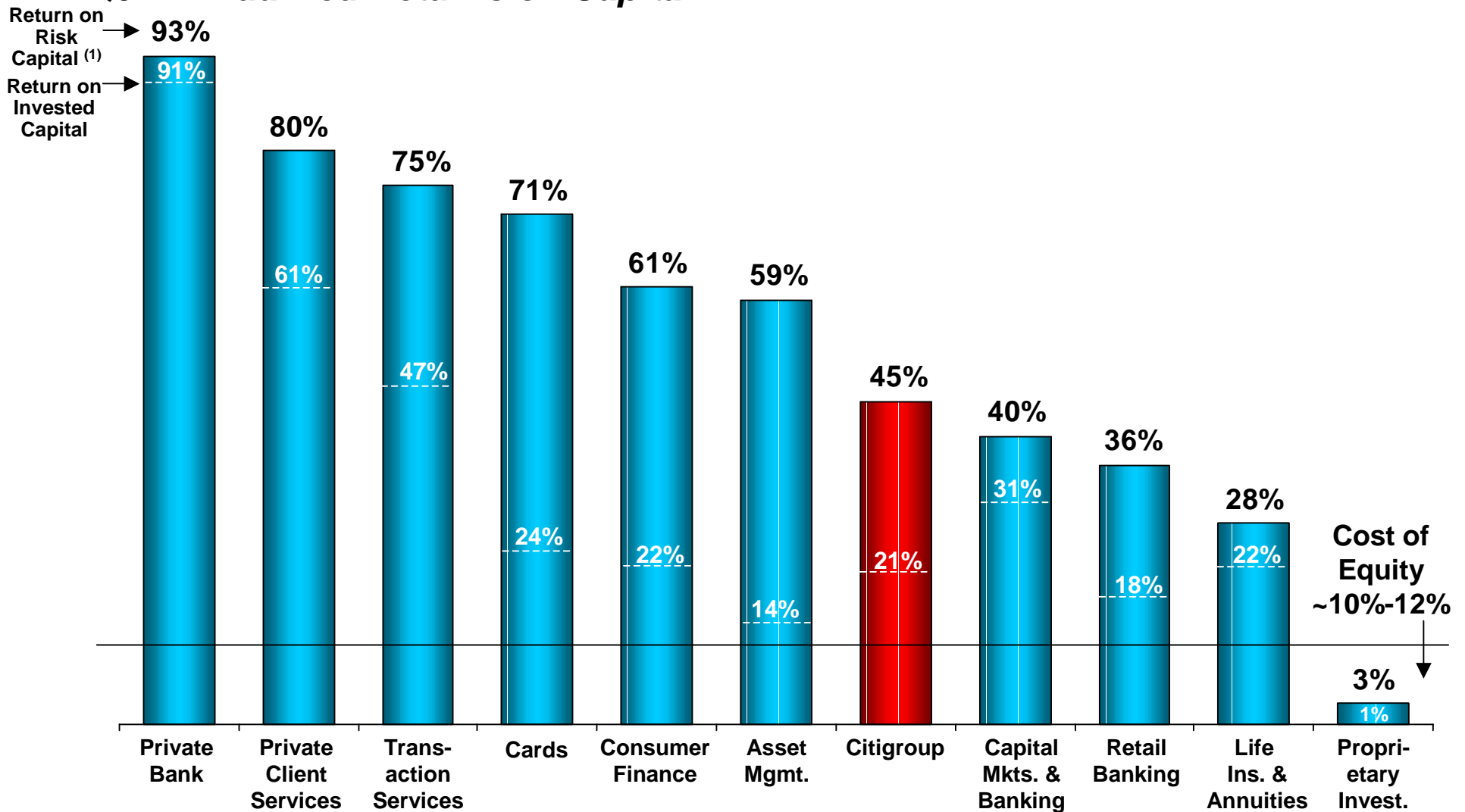


(1) Policyholder account balances and benefit reserves for retail annuities, institutional annuities and life products.

(2) 1Q04 average balance.

# Superior Returns

## 1Q04 Annualized Returns on Capital



Note: Returns on Risk Capital and Returns on Invested Capital are calculated using average 1Q04 Risk Capital and Invested Capital balances. Difference between Tangible Equity and Risk Capital held in Corporate/Other and included in Citigroup ROIC.

(1) Risk Capital is defined as the amount of capital needed to cover unexpected economic losses during extreme events. Return on Risk Capital is defined as income divided by Risk Capital. Return on Invested Capital is a similar calculation but includes adjustments for goodwill and intangibles in both the numerator and denominator, similar to those necessary to translate return on tangible equity to return on total equity. Return on Risk Capital and Return on Invested Capital are non-GAAP performance measures. Return on Risk Capital is primarily used to make incremental investment decisions and serve as a key metric for organic growth initiatives. Return on Invested Capital is used for multi-year investment decisions and as a long term performance measure.

# KorAm Bank Acquisition

## A Powerful Combination

|  | <u>Citigroup</u> | <u>Citigroup<br/>+<br/>KorAm</u> |
|--|------------------|----------------------------------|
| <b>Consumer</b>                                    |                  |                                  |
| Branches   | 12               | 234                              |
| Deposit base (KRW)                                 | 6.4B             | 31.4B                            |
| Retail customers                                   | 1MM              | 7MM                              |
| Credit card accounts                               | 0.6MM            | 3.9MM                            |
| Retail banking –<br>market share <sup>(1)</sup>    | 1%               | 5%                               |
| <b>Corporate</b>                                   |                  |                                  |
| Large corporate clients                            | 600              | 1,000                            |
| SME clients  | 350              | 5,650                            |
| Corporate banking –<br>market share <sup>(1)</sup> | 2%               | 6%                               |

## Key Strategic Advantages

- ▶ **Tender offer commenced April 3, 2004**
- ▶ **Expected closing 2Q04**
- ▶ **Strong organic growth opportunity**
  - 2003 - 2006E average GDP growth of 5.0% <sup>(2)</sup>
- ▶ **Benefits of combination**
  - Scale / Cost competitiveness
  - Citigroup product expertise tailored to local clients
  - Cross-selling opportunities

**Accretive to 2004 Earnings**

(1) Measured by revenues.

(2) Source: The Economist Intelligence Unit.

# Update: Acquisition Integration

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## Sears Credit Card Portfolio

- ▶ **Application and new account volume exceeding expectations**
- ▶ **Credit loss performance continuing better than forecast**
- ▶ **O&T integration generating significant cost efficiencies**
- ▶ **Cross-selling initiatives:**
  - Balcon programs / offerings to high credit quality customer
  - Citibank Electronic Banking Center in the new Sears Grand store in Gurnee, IL
  - Home equity lines of credit and mortgage direct mail tests to Sears card members

## Washington Mutual Finance

- ▶ **Closed January 2004**
- ▶ **Acquired 427 branches in 26 states including California, Texas and Florida**
  - 154 combined branch closings expected
  - Signage replacement 99% complete
- ▶ **Accretive to earnings immediately and exceeding projections**
- ▶ **Most platform and systems conversions complete**
- ▶ **Expanding processing capabilities**
  - After-hours processing
  - Centralized sales platform
  - Dual collections strategy

# Global Consumer

## 1Q04 Income Highlights (\$MM)

### Cards

|       | <u>1Q04</u>  | <u>1Q03</u>  | <u>%</u>   |
|-------|--------------|--------------|------------|
| NA    | \$832        | \$618        | 35%        |
| Int'l | \$148        | \$99         | 49%        |
|       | <b>\$980</b> | <b>\$717</b> | <b>37%</b> |

- Revenues up 39%
- EOP managed receivables up 23% vs. 1Q03 to \$157B
- Managed NIM up 225 bps vs. 1Q03 and 23 bps vs. 4Q03
- Balcons <sup>(1)</sup> down 22%
- Return on managed assets of 2.32%, up 15 bps vs. 1Q03

### Consumer Finance

|       | <u>1Q04</u>  | <u>1Q03</u>  | <u>%</u>   |
|-------|--------------|--------------|------------|
| NA    | \$444        | \$340        | 31%        |
| Int'l | \$123        | \$163        | (25%)      |
|       | <b>\$567</b> | <b>\$503</b> | <b>13%</b> |

- Average loans increased 10% vs. 1Q03 to \$98B
- Avg. NIM down 52 bps vs. 1Q03 and up 20 bps vs. 4Q03
- NCL ratio decreased 11 bps vs. 4Q03
- Japan stabilized

### Retail Banking

|       | <u>1Q04</u>    | <u>1Q03</u>  | <u>%</u>   |
|-------|----------------|--------------|------------|
| NA    | \$756          | \$661        | 14%        |
| Int'l | \$366          | \$269        | 36%        |
|       | <b>\$1,122</b> | <b>\$930</b> | <b>21%</b> |

- Record quarterly earnings
- Avg. deposits up 7% vs. 1Q03 to \$250B
- Avg. loans up 4% vs. 1Q03 to \$166B
- Return on assets up 23 bps vs. 1Q03 to 1.89%

(1) Excludes Home Depot and Sears.

Note: Income figures exclude Global Consumer Other Income of (\$94MM) in 1Q04 and (\$28MM) in 1Q03.

# Global Corporate and Investment Banking

## 1Q04 Income Highlights (\$MM)

### Capital Markets and Banking

| <u>1Q04</u> | <u>1Q03</u> | <u>%</u> |
|-------------|-------------|----------|
| \$1,477     | \$1,203     | 23%      |

- Record quarterly earnings
- Investment Banking Revenues
 

|                       | <u>1Q04</u> | <u>4Q03</u> | <u>1Q03</u> | <u>1Q YOY Chg.</u> |
|-----------------------|-------------|-------------|-------------|--------------------|
| – Advisory & Other    | \$203       | \$290       | \$193       | 5%                 |
| – Equity Underwriting | \$302       | \$288       | \$153       | 97%                |
| – Debt Underwriting   | \$498       | \$542       | \$656       | (24%)              |
- Lending
- Equity Markets
- Fixed Income Markets
- Positive operating leverage
- Provision for credit losses decreased to (\$26) vs. \$107 in 1Q03

### Transaction Services

| <u>1Q04</u> | <u>1Q03</u> | <u>%</u> |
|-------------|-------------|----------|
| \$234       | \$191       | 23%      |

- Record quarterly earnings
- Liability balances up 21% to \$111B
- Assets under custody increased 27% to \$6.6Tr.
- Cost of credit decreased \$43
- Forum Financial Group integration nearly complete

Note: Income figures exclude Global Corporate and Investment Banking Other Income of (\$4MM) in 1Q04 and \$7MM in 1Q03.

# Market Share and Strategic Initiatives

|  | Rank |      | Market Share |       |
|--|------|------|--------------|-------|
|  | 1Q04 | 1Q03 | 1Q04         | 1Q03  |
| Global Debt & Equity                   | #1   | #1   | 10.2%        | 10.4% |
| Global Long Term Debt                  | #1   | #1   | 11.2%        | 11.2% |
| Global Equity                          | #3   | #4   | 10.3%        | 9.2%  |
| Global Debt & Equity<br>Disclosed Fees | #2   | #1   | 8.8%         | 12.0% |
| Global Announced M&A                   | #6   | #8   | 18.6%        | 9.7%  |
| Global Completed M&A                   | #5   | #5   | 12.8%        | 14.0% |

| Strategic Initiatives   |
|---|
| <p>▶ <b>Investing in equities platform</b></p> <ul style="list-style-type: none"> <li>- Technology</li> <li>- Derivatives</li> <li>- Prime brokerage</li> </ul> |
| <p>▶ <b>Expanding fixed income business</b></p> <ul style="list-style-type: none"> <li>- Derivatives</li> <li>- Restructuring / distressed debt</li> </ul>      |
| <p>▶ <b>Strengthening M&amp;A franchise</b></p>   |

**10 Consecutive Quarters #1 in  
Global Debt and Equity Underwriting**

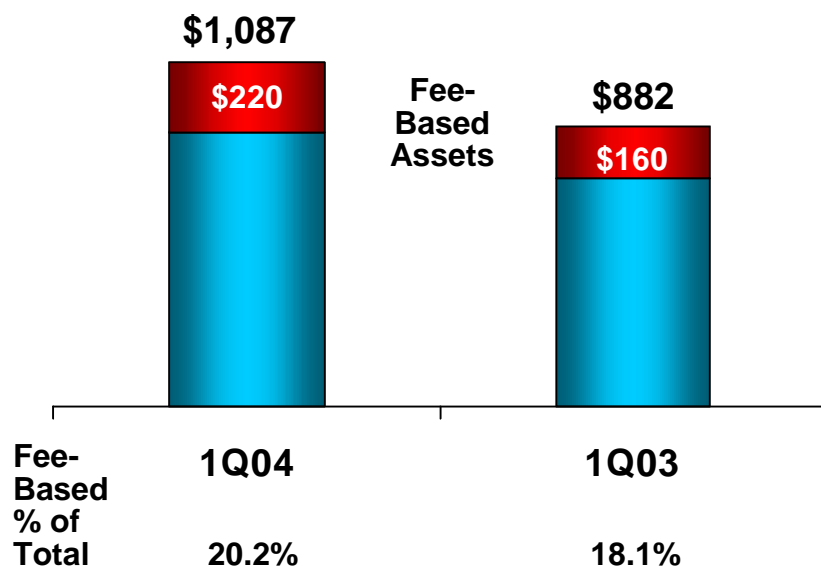
# Private Client Services

## 1Q04 Income Highlights (\$MM)

### Income

| <u>1Q04</u> | <u>1Q03</u> | <u>%</u> |
|-------------|-------------|----------|
| \$251       | \$162       | 55%      |

### Client Assets (\$B)



- Pre-tax profit margin of 24%
- Net revenues up 30%
- Net flows of \$6B
- Fee-based assets of \$220B, up 38% from 1Q03
- Total client assets up 23% to \$1.1Tr.

# Global Investment Management

## 1Q04 Income Highlights (\$MM)

### Life Insurance & Annuities

| <u>1Q04</u> | <u>1Q03</u> | <u>%</u> |
|-------------|-------------|----------|
| \$287       | \$244       | 18%      |

- Record quarterly earnings
- Net revenues <sup>(1)</sup> up 32%
- Business volumes up 26%
  - Retail Annuities NWP up 42%; Life NWP up 84%
- Net investment income up 11% to \$782
- Japan VA sales reach \$1.4B

### Private Bank

| <u>1Q04</u> | <u>1Q03</u> | <u>%</u> |
|-------------|-------------|----------|
| \$159       | \$125       | 27%      |

- Eleventh consecutive quarter of record earnings
- Client business volumes up 17% to \$202B
- Net revenues up 25% driven by client trading and higher management fees

### Asset Management

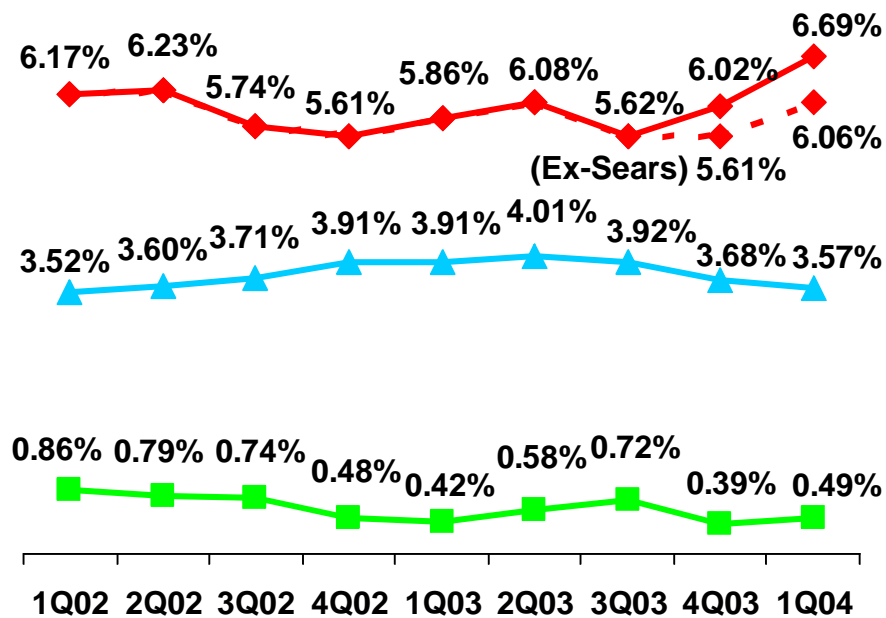
| <u>1Q04</u> | <u>1Q03</u> | <u>%</u> |
|-------------|-------------|----------|
| \$105       | \$83        | 27%      |

- Record quarterly earnings
- Net revenues up 28%
- Net flows of \$3.4B; Retail / Private Bank flows of \$3.9B
- AUMs up 15% to \$530B vs. 1Q03

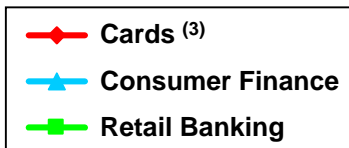
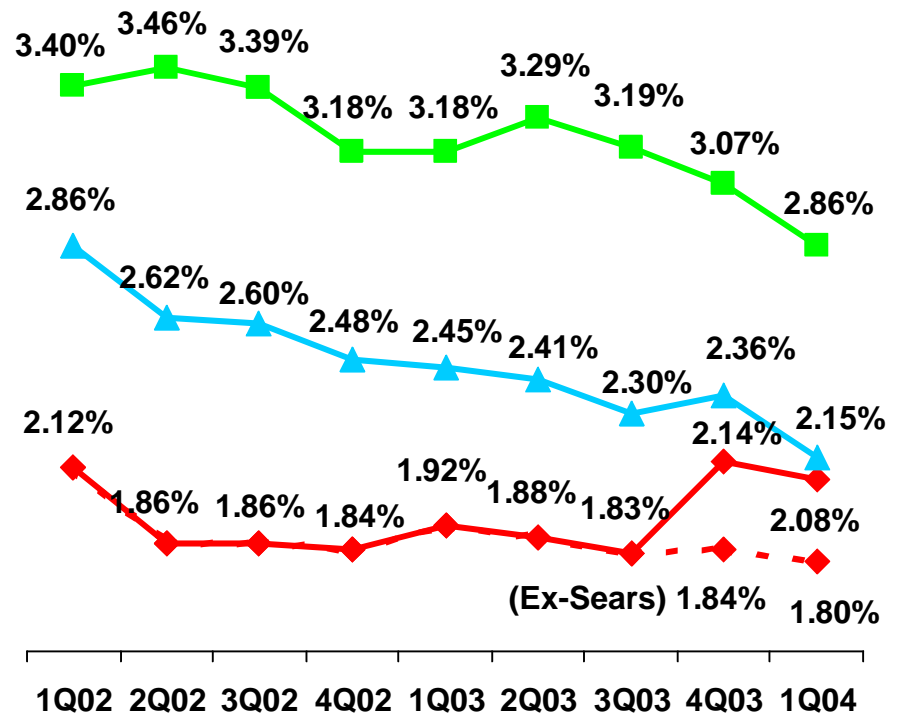
(1) Revenue net of interest expense and provision for benefits and claims

# Credit Quality – Consumer (1)

**NCLs as a % of Average Loans (2)**



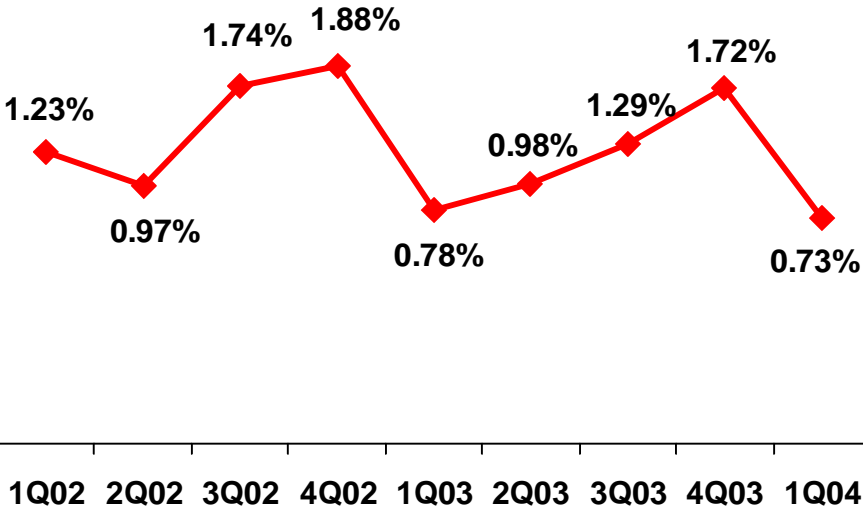
**90+ Days Past Due (2)**



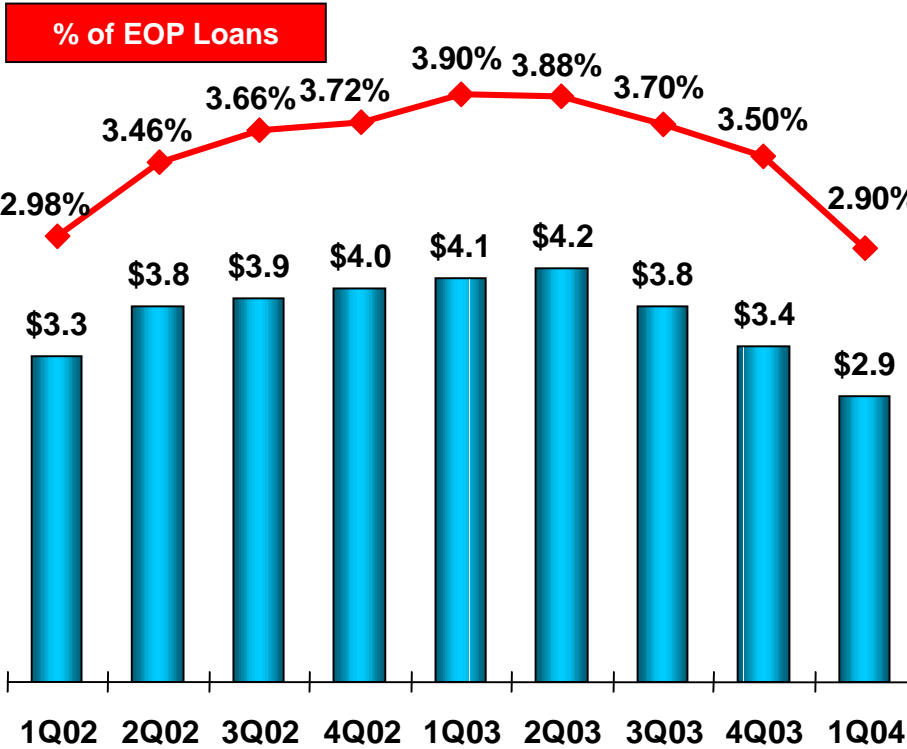
(1) Excludes Commercial Markets.  
 (2) Managed Basis.  
 (3) Coincident managed NCL.

# Credit Quality - Corporate

**NCLs as a % of Average Loans**

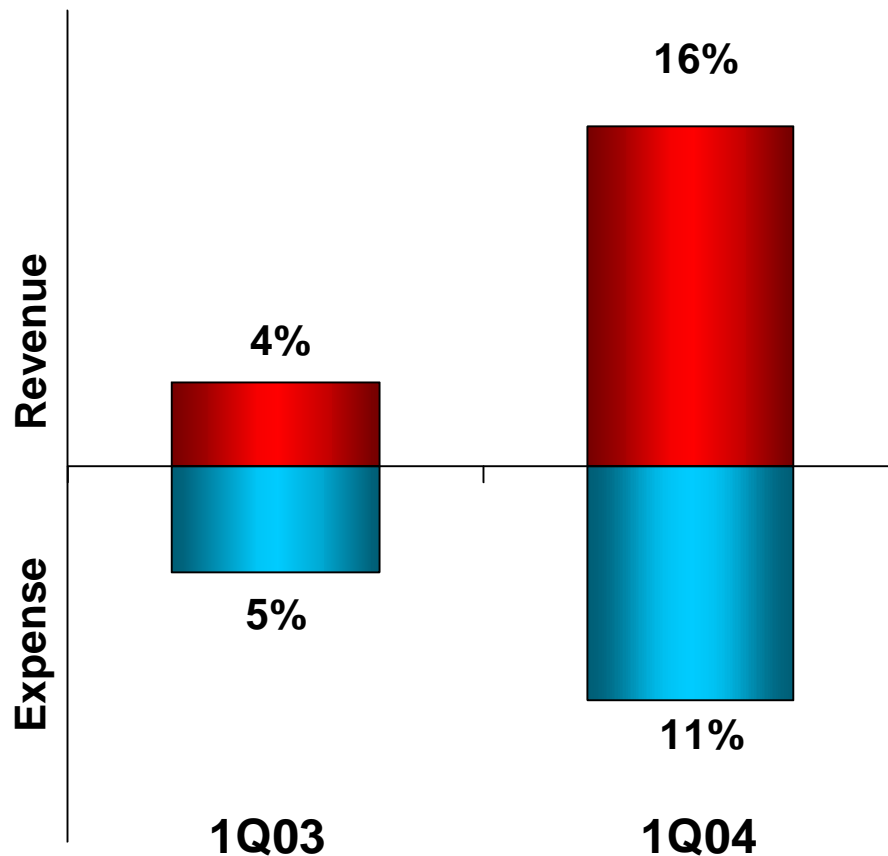


**Cash-Basis Loans (\$B)**



# Operating Leverage

## Revenue Growth vs. Expense Growth



▶ **Revenue growth in all 9 businesses**

- Double-digit growth in 5 of 9 businesses

▶ **Investing in growth**

- Advertising and Marketing
- Technology
- Front end expansion

▶ **Absorbing expense headwinds**

- Stock option expense
  - Pension expense
  - Legal
- } ~ \$270 increase vs. 1Q03

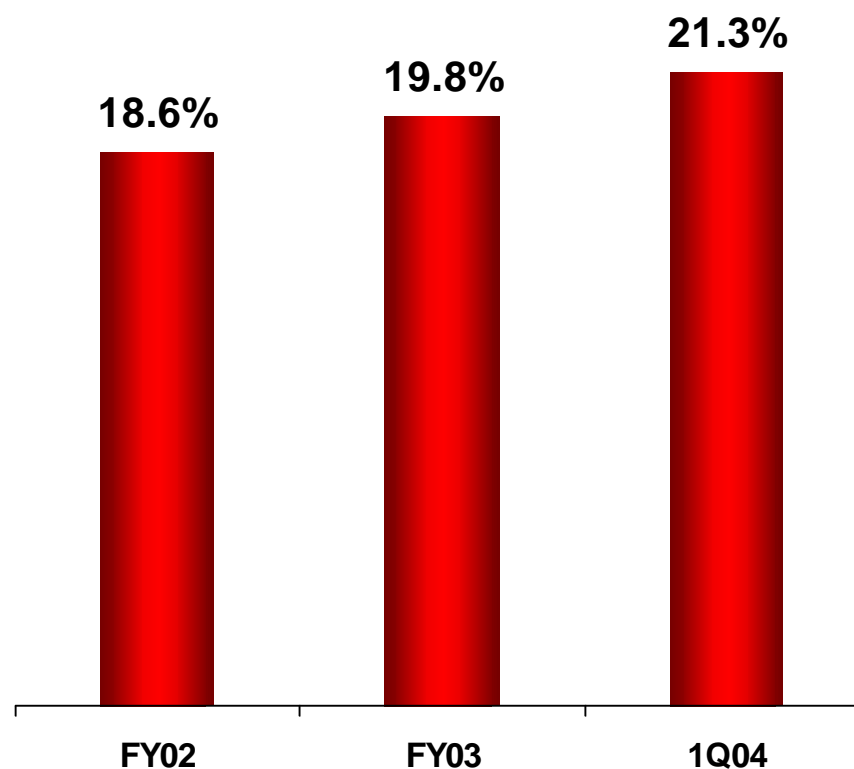
# Capital Discipline

|  | 1Q04 <sup>(1)</sup> | 1Q03           |
|--|---------------------|----------------|
| <b>\$B</b>   |                     |                |
| <b>Total Stockholders' Equity and Trust Preferred Securities</b> | <b>\$108.2</b>      | <b>\$94.0</b>  |
| <b>Tier I Ratio</b>  | <b>9.0%</b>         | <b>8.7%</b>    |
| <b>Total Capital Ratio</b>                                       | <b>12.3%</b>        | <b>11.6%</b>   |
| <b>GAAP Assets</b>   | <b>\$1,318</b>      | <b>\$1,137</b> |

| <b>Common Dividends</b>     | 1Q04         |
|-----------------------------|--------------|
| <b>Dividends paid (\$B)</b> | <b>\$2.1</b> |
| <b>Payout ratio</b>         | <b>40%</b>   |

| <b>Share Repurchases</b>       | 1Q04         |
|--------------------------------|--------------|
| <b>Shares repurchased (MM)</b> | <b>10.5</b>  |
| <b>Purchase price (\$MM)</b>   | <b>\$524</b> |

## Return on Common Equity



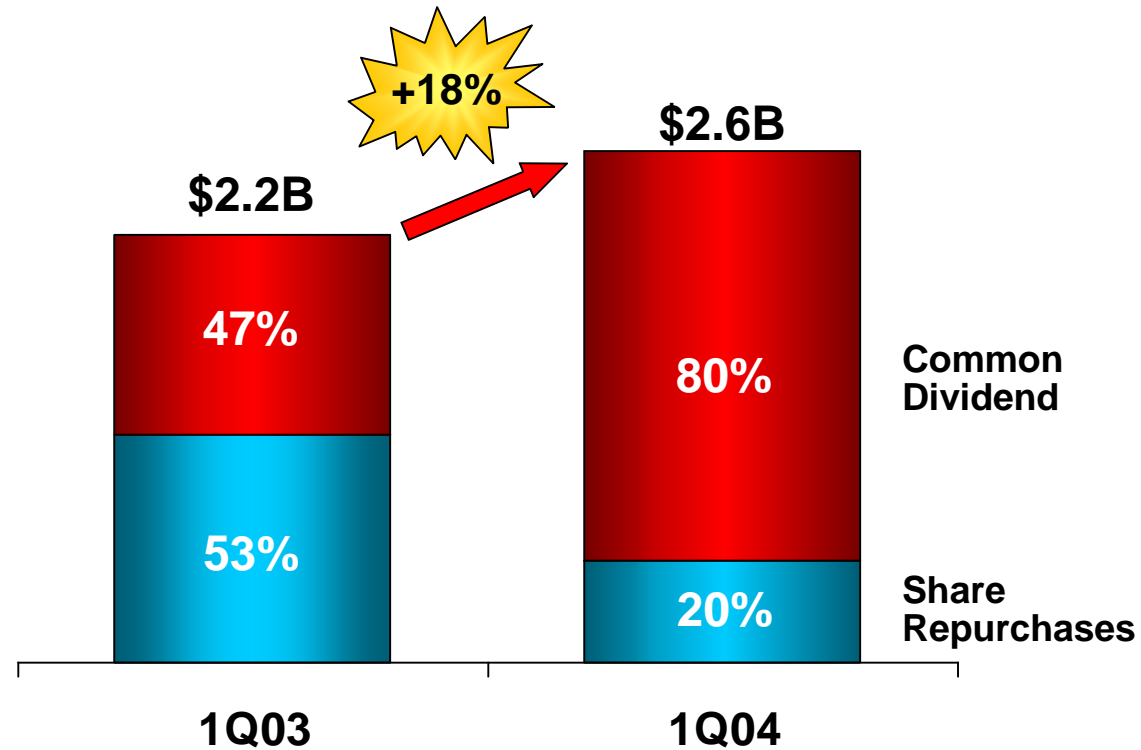
**Consistently High Returns**

(1) Preliminary.

# Commitment to Shareholder Returns

- ▶ Increased quarterly dividend 14% to \$0.40 in 1Q04
- ▶ 1Q04 payout ratio of 40%

## Capital Returned to Shareholders



# 1Q04 Summary

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- ✓ **Record revenues and earnings; Strong returns on capital**
- ✓ **Double-digit income growth in all businesses and regions**
- ✓ **Strategic transactions to grow franchise**
  - KorAm; WaMu Consumer Finance; China Cards JV
- ✓ **Strong business momentum**
  - Double-digit revenue growth: Cards, PCS, LI&A, Private Bank, Asset Mgmt.
  - Executing on key strategic initiatives; Cards, Retail Banking, Equities, GTS, PCS, Private Bank
  - Strong growth in customer balances and business volumes
  - Positive operating leverage
  - Investing in organic growth: advertising & marketing, technology
- ✓ **Corporate Credit improving; Consumer credit stable**
  - Businesses well-positioned for improving economic environment
- ✓ **Capital discipline; Dividend increase and share buybacks**

Certain statements in this document are “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act. These statements are based on management’s current expectations and are subject to uncertainty and changes in circumstances. Actual results may differ materially from those included in these statements due to a variety of factors. More information about these factors is contained in Citigroup’s filings with the Securities and Exchange Commission.