CITIGROUP AGENDA

	Date	Time	Venue
Meeting	June 17, 2008	4:00 -5:00pm	745 Boardroom , 31st Floor
Bank Participants	Brian Leach, Chief Risk Officer (See bio) Pat Ryan, MD, Head of Credit for Institutional Banking Tom Fontana, MD, Senior Credit Officer for Broker Dealers Zion Shohet, Treasurer Chris Foskett, MD, Global Head, Financial Institutions Group Michael Mauerstein, MD, Global RM		
Lehman Participants	Ian Lowitt, CFO Paolo Tonucci, Global Treasurer Julie Boyle, SVP, Global Head of Creditor Relations Emil Cornejo, SVP Dan Fleming, SVP		
Citigroup Agenda	• **Review Lehman's intraday exposure and Citi's credit concerns.** • Address Lehman's operating performance and risk management practices. • Introduce Brian Leach, CRO, who is new at Citi and in his role, to Ian and Paolo, as well as to the Firm.		

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Lehman Agenda	**Lehman is very disappointed by Citi's knee jerk reaction in tightening our intraday clearing lines. This reaction is contrary to Citi's Relationship Management's focus to increase operating revenues from Lehman. This decision was driven by Brian Leach. Lehman wants Citi to explain how it views exposure under our intraday limits.** **CREDIT** • **On June 12, Michael Mauerstein and Tom Fontana asked Lehman to collateralize $3-5 Billion in intraday clearing lines as requested by Citi's Senior Risk Management. This request was sudden and in response to several counterparties requesting novations to assume Lehman counterparty exposure. These requests started in Asia.** • Lehman did not agree to pledge cash or give the right of set-off on collateral as Citi requested, but we reluctantly did agree to deposit $2B in a call account, callable daily. • Citi is Lehman's largest provider of committed unsecured cash capital with $335 MM in our flagship facilities and a $300 MM bilateral facility in Hong Kong. This is in addition to uncommitted intraday clearing lines and local currency letters of credit/short term loan facilities. • On June 5, P. Tonucci and Chris O'Meara met with Tom Fontana and Chris Foskett to give Citi a heads up on Lehman's pre-announcement of 2nd quarter results. (Brian Leach was not able to attend). **NETWORK MANAGEMENT** • Citi is ranked #1 in Asia, #2 in the US, and #3 in Europe in total operating fees paid by LEH. Fees exceed $30 MM p.a. Citi has been #1 on the short list to be awarded new operating business due to to the substantial credit support provided until its action of June 12. Most recently, Citi was awarded our Brazilian outsourcing.

Brian R. Leach
Chief Risk Officer
Citi

Brian Leach assumed the role of Chief Risk Officer in March 2008, reporting to Citi's Chief Executive Officer, Vikram Pandit. Brian is also the acting Chief Risk Officer for the Institutional Clients Group.

Citi is a leading global financial services company and has a presence in more than 100 countries, representing 90% of the world's GDP. The Citi brand is the most recognized in the financial services industry. Citi is known around the world for market leadership, global product excellence, outstanding talent, strong regional and product franchises, and commitment to providing the highest-quality service to its clients.

Prior to becoming Citi's Chief Risk Officer, Brian was the co-COO of Old Lane. Brian, along with several former colleagues from Morgan Stanley, founded Old Lane LP in 2005. Earlier, he had worked for his

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entire financial career at Morgan Stanley, finishing as Risk Manager of the Institutional Securities Business, where he reported directly to its President. As Risk Manager, he oversaw capital allocation, strategic revenue enhancement opportunities, and all aspects of credit, market, and operational risk management. He was a member of Morgan Stanley's Institutional Securities Division Management Group, Co-Chairman of the Capital Commitment Committee, and Chairman of the Board of Trustees of the Morgan Stanley Foundation.

From October 1998 to December 1999, Brian was seconded to Long-Term Capital Management, the Greenwich, Connecticut-based hedge fund. He was one of 6 managers selected from a consortium of 14 global financial institutions to manage the liquidation of LTCM and was one of only two present for the duration. Upon his return, he was given the responsibility as the Chief Operating Officer for the Fixed Income Division, where he had broad oversight responsibilities for the division's risk, technology, operations, and legal issues.

Brian has a BA in economics from Brown University and an MBA from Harvard Business School.

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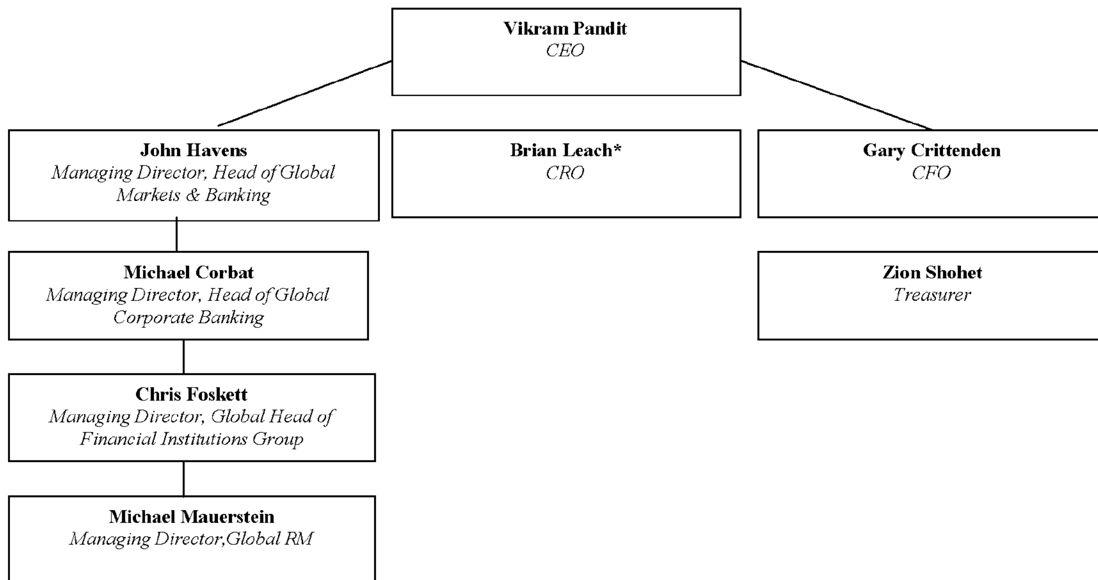

* Pat Ryan reports indirectly to Brian Leach.

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is $3.05, down from $3.30. Our price target is $34 and based on our DCF and ROIC valuation models. It represents a P/E of 11.1x our 2009 estimate.

1Q08 RESULTS

* In 1Q08, C reported a net loss of $1.02 per share using a basic share count of 5.1 billion (diluted share count would have resulted in anti-dilution). This compares to a gain of $1.01 a year ago and a loss of $1.99 in the prior quarter. Consensus called for a loss of $0.96. The loss was driven by fixed income related losses (ABS CDO, leverage loans) and higher consumer credit costs (continued weakness in mortgage and a higher expectation of losses in auto, which is primarily indirect/subprime, and card).

* Revenues fell 48% and gained 33% linked quarter, amid lower marks. Double-digit revenue growth in Asia, Latin America and Japan was offset by revenue declines in the U.S. and EMEA. Excluding gains/marks, revenues were relatively stable y-o-y (acquisitions added 200bps) and increased 3% linked quarter. Excluding gains/charges, C's revenue would have been in the $25 billion area. Still, U.S. Consumer Lending, International Consumer Finance and Securities & Banking each posted losses for the third straight quarter.

* Relative to 4Q07, net interest income rose 7% as its net interest margin jumped 30bps, fee income improved amid lower market-related losses, expenses declined, its loan loss provision declined from elevated levels (reserve up $2.1B), its NPA ratio rose 19bps and its NCO ratio increased 5bps. Its effective tax rate was a relatively high 43.1%, due largely to higher tax rates in the jurisdictions where the losses were incurred.

* Relative to 4Q07, its tier 1 capital ratio increased from 7.1% to 7.7% (was 8.8% pro forma; 7.5% target), while its TCE/RWMA ratio rose from 5.6% to 6.2% (6.5% target). Its book value declined roughly $2 (9%) to $20.73.

QUALITY OF EARNINGS

* Results included $6.0 billion in pre-tax write-downs and credit costs on sub-prime related direct exposures (fixed income markets). At 1Q08, it had sub-prime related direct exposures of $5.4 billion of gross lending and structuring exposures (vs. $8.0B at 4Q07) and $22.7 billion of net ABS CDO super senior (down $29.3MM; $33.2B gross) exposure. During the quarter, C refined its models to better incorporate its subprime exposure when calculating HPA (cumulative price decline from peak to trough of 20% with 8% in '08 and 3% in '09), in addition to now using a weighted average combination of the implied spreads from single name ABS bond prices and ABX indexes and CLO spreads when calculating its discount rate (observable CLO spreads and applied a liquidity discount prior).

* There was an incremental loss of $1.5 billion ($1B in '07) principally related to credit rating downgrades of hedged counterparties with subprime exposure, primarily monoline insurers (fixed income markets). The market value direct exposure to monolines increased from $5 billion at 4Q07 to $7.3 billion.

* Results included write-downs of $3.1 billion (net of underwriting fees) on funded and unfunded highly leveraged finance commitments (debt u/w, lending). At 1Q08, its exposure stood at $37.7 billion ($20.7B funded; $16.9B unfunded), down from $43.2 billion at year-end. Since the end of 1Q08, $8 billion of its funded commitments have been sold in a structure which allows C to lock in the price and eliminate potential down side risk with these commitments (though maintains a portion of the credit risk). It also sold $4 billion of funded commitments in the normal course of business after the end of 1Q08. As of mid-April, its remaining position is $25 billion, of which $17 billion is unfunded.

* It had write-downs of $1.5 billion on auction rate securities inventory due to failed auctions and deterioration in the credit markets (fixed income markets). The most significant markdowns were taken on student loan paper ($697MM) as ABS spreads widened significantly. In addition, it took a $365 million write down on municipal bonds and $132 million on tax exempt and other assets. At 1Q08, its exposure was $6.5 billion (par value), down from $8.1 billion at 4Q07 ($11B in Feb.).

* It had a $1.0 billion write-down (net of hedges) on Alt-A mortgages (fixed income markets; $0.9B trading, $120MM impairment). Its exposure totaled $18.3 billion ($13.6B AFS, $4.7B trading), down from $22.0 billion at 4Q07.

* It recorded write-downs of $0.6 billion on commercial real estate positions. At 1Q08, its CRE exposure was comprised of $23.1 billion (-$0.7B) in fair value, $21.2 billion (-$2.3B) in loans & commitments and $6.4 billion equity method (no change; limited partnership). Included in its fair value book is $2 billion of AFS securities and a $2.3 billion trading portfolio in Alterative Investments.

* It recorded repositioning charges of $622 million, tied to this quarter's instalment of its reengineering plan. C revealed it intends to layoff an additional 9,000 employees (2.4%).

* It established a $250 million reserve related to facilitating the liquidation of investments in a C managed fund for GWM clients (expenses).

* Results included a $212 million mark-to-market loss on SIV assets. The value of the SIV assets and liabilities was $47 billion, including $170 million of junior notes, at 1Q08. Though some of the junior notes are still intact, it has recorded a loss because losses are calculated for each SIV independently.

* The quarter included a $212 million pre-tax write-down of an equity investment held by Nikko Cordial.

* It recorded a $202 million write-down of a multi-strategy hedge fund intangible asset related to Old Lane (expenses). During the quarter, Old Lane sent out alerts on its multi-strategy fund, offering redemptions in light of its change in the management. C expects a number of investments will be redeemed. As a result, it has fully written down the intangible assets tied to this fund.

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* Revenues included a $1.3 billion gain related to the inclusion of C's credit spreads in the determination of the market value of those liabilities for which the fair value option was elected.
* It posted a $663 million gain on the sale of Redecard shares.
* IPO related benefits of $633 million included revenues of $467 million and an expense benefit of $166 million.
* It had an $282 million expense benefit related to a legal vehicle restructuring in Mexico.
* The net of the above cost it $1.73 ($1.56 diluted). Note C's basic share count was 5.1 billion, while its diluted share count was 5.6 billion. It used its basic count because using actual diluted shares would result in anti-dilution.
* Its loan loss provision of $5.8 billion (-$1.8B) exceeded NCOs by $1.9 billion ($0.25). Its reserve for loans/unfunded commitments rose 24bps to 2.47%.

FORWARD LOOKING COMMENTS
* The two main forward looking statements made by management include, the company did not rule out additional capital raises, and it expects U.S. consumer credit costs to continue to rise. We believe C is in the midst of pricing a $6 billion preferred (52bps).
* C's capital targets are a tier 1 ratio above 7.5% (7.7% in 1Q) and a TCE/RWMA ratio of 6.5% (6.2%). It does not expect to achieve its internal TCE/RWMA target in 2Q08, as previously stated.
* It commented the U.S. consumer credit environment continues to deteriorate (particularly in mortgage and card). Outside of Mexico (primarily cards) and India (primarily consumer finance), international consumer credit remains generally stable.
* C unveiled plans to reduce headcount by 9,000 (2.4% of FTE), which is on top of the 4,200 revealed in 1Q08 and the 17,000 from its April 2007 reengineering program.
* It reiterated it intends to continue to divest non-strategic assets. C has a schedule by which it hopes to reduce assets and a schedule by which it aims to sell businesses. Roughly three weeks ago it said it expected its mortgage business to roll-off $45 billion of assets over the next 12 months.
* With respect to the net interest margin, it commented this quarter's 30bps rise was a little more than one should plan on going forward.
* C commented it feels pretty good about its CDO positions and the potential of those positions if it hold those positions through to maturity. It also commented its leverage loans have also been marked down pretty significantly, and it is seeing a pretty good opportunity to hold these positions to maturity.
* The company commented the market for auction rate securities, while still very thin, is starting to show momentum in certain areas such as municipal bonds and preferred markets. It also remarked the leverage loan market is beginning to trade.

TRADITIONAL VIEW
Net interest income – Net interest income rose 27% y-o-y and increased 7% linked quarter. Average earning assets fell 3%, or $57.0 billion. Gains in consumer loans (up $3.6B) were overshadowed by declines in Fed Funds sold (-$32.4B), trading assets (-$23.6B), investments (-$16.4B) and corporate loans (-$3.6B). Period-end loans rose 2% with consumer up 1% and corporate gaining 4%. Deposits rose 1% with U.S. DDA up 7%, foreign DDA up 4%, and interest-bearing deposits unchanged. Its net interest margin jumped 30bps to 2.83%. The primary driver of margin improvement was from lower cost funding, driven primarily by deposits and fed funds. Its yield on AEA fell 24bps to 6.29% (loans -24bps, FF sold -92bps), while its cost of IBL declined 60bps to 3.77% (deposits -66bps, FF -86bps).

Fee income & expenses – Reported fee income was a loss of $254 million vs. a $5.4 billion loss in 4Q07. Reported expense rose 27% y-o-y and declined 2% linked quarter. Operating expenses grew 4% y-o-y with FX accounting for 3 percentage points of that growth. Excluding acquisitions expenses were actually down 4% and on an operating basis (large charge in 1Q07), expenses increased 2%. Headcount declined from 375K to 369K linked quarter.

Provision/reserve - Its loan loss provision of $5.8 billion (-$1.8B) exceeded NCOs by $1.9 billion ($0.25). Its reserve for loans/unfunded commitments rose 24bps to 2.47%. The reserve build included $1.2 billion in U.S. consumer tied to first and second mortgages, unsecured personal loans, credit cards and auto loans. It increased its international consumer reserve by $312 million, driven primarily by Mexico cards and India consumer finance.

Net charge-offs/delinquencies - Its NPA ratio increased 19bps to 1.52%. Dollar NPAs grew $1.7 billion or 16%. Its NCO ratio increased 8bps to 1.91%. Managed consumer NCOs rose 56bps to 3.03% led by US consumer lending (up 58bps to 1.80%) and international card (up 132bps to 5.38%). Its U.S consumer NCOs ratio rose 49bps to 2.39%, while international consumer NCO's increased 58bps to 3.70%. Its U.S. consumer reserve/loan ratio stood at 2.51% (up 36bps), while int'l consumer was 3.26% (up 31bps). Mexico (primarily cards) and India (primarily consumer finance) accounted for approximately 25% of the net charge-offs and 75% of the reserve build in international consumer. In the U.S. first mortgage NCOs increased 44bps to 1.07%, while delinquencies rose 48bps to 3.02% (7.85% for subprime). Seconds saw NCOs jump 149bps to 3.16%, while delinquencies rose 7bps to 1.45% (3.16% LTV over 90%). It U.S. mortgage business is at a 14.7 month coincident reserve ratio (13.3 months for 1sts, 15.6 months for 2nds). Corporate improved.

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LINE OF BUSINESS

For the purposes of the entire discussion below we exclude marks in 1Q08 and 4Q07 and one-time gains/charges in all quarters. Its 1Q08 revenue mix ex. one-time gain/marks (CDO, LBO) was 36% US consumer (14% card, 13% retail, 6% consumer lending, 2% commercial), 30% int'l consumer (11% card, 4% consumer finance, 16% retail), 22% markets & banking (11% securities & banking, 11% transaction services), 16% wealth management (13% GB, 3% PB), -2% alternative investments and -2% corporate. U.S. Consumer Lending, International Consumer Finance and Securities & Banking each posted losses for the third straight quarter.

U.S. Cards – Income fell 66% y-o-y and declined 46% linked quarter amid higher provisioning. Operating revenues fell 6% y-o-y and dropped 19% linked quarter as results were hurt by higher funding costs and higher credit losses in securitization trusts. Open accounts fell 3% y-o-y and declined 2% linked quarter. Purchase sales rose 4% y-o-y and declined 14% from 4Q07. Averaged managed loans rose 5% y-o-y and increased 2% linked quarter (-4% period-end). Relative to 4Q07, bankcards (78%) rose 2% and private label (22%) was stable. Managed net interest revenues as a percent managed loans was relatively stable at 10.14%. Its managed NCO ratio rose 72bps to 5.83% with bankcards up 66bps to 5.31% and private label up 95bps to 7.65%. Lagged 12-month NCOs rose 85bps to 5.15%. Loans 90-days past due increased 20bps to 1.96% (bankcard up 18bps, private label up 26bps). In card, the rate at which delinquent customers advanced to write-off has increased (especially in markets where housing most stressed).

U.S. Retail Distribution – Income fell 64% y-o-y and declined 43% linked quarter. Revenues grew 9% y-o-y and slipped 2% linked quarter (NII up 1%, fees down 6%). Linked quarter, revenues at Citibank fell 6%, CitiFinancial rose 3% and Primerica gained 1%. Average loans grew 24% y-o-y and gained 4% linked quarter (Citibank up 8%, CitiFinancial up 2%). R/E secured loans grew 6% linked quarter, personal loans rose 4% and sales finance fell 10%. Average deposits rose 5% y-o-y and rose 3% linked quarter (checking up 5%, time -4%). Its net charge-offs ratio rose 49bps to 3.52%. Loans 90-days past due increased 11bps to 2.09% (H/E)

U.S. Consumer Lending – It posted a loss of $438 million, down from a $1.2 billion loss in 4Q07. Revenues rose 10% y-o-y and fell 3% linked quarter (NII up 3%). R/E lending revenues fell 2%, student lending dropped 25%, and auto grew 4%. R/E loans fell 1% linked quarter. Mortgage originations fell 13% y-o-y, but gained 16% linked quarter $34.3 billion (29% held off balance sheet vs. 42% in 1Q07). Servicing gains fell from $340 million to $192 million. NIR/loans in R/E lending improved from 1.76% to 2.05%, pushing NII up 15% from 4Q07. NCOs increased 31bps to 1.72%, while delinquencies increased 42bps to 2.73% (auto).

U.S. Commercial Business – Income fell 26% y-o-y and declined 33% linked quarter. Revenues declined 11% y-o-y and declined 5% linked quarter (NII up 6%). Average loans grew 5% y-o-y and was stable linked quarter. Relative to 4Q07, CRE fell 1%, equipment finance was stable and other rose 3%. Its NCO ratio increased 15bps to 0.37%, while delinquencies increased 16bps to 0.69%.

International Cards – Income fell 37% on both a y-o-y and linked quarter basis, amid higher loan loss provisioning, particularly in Mexico. Revenues grew 38% y-o-y (aided by acquisitions) and increased 6% linked quarter. Revenues gained in EMEA, Japan and Latin America, while Mexico and Asia declined. Average loans grew 5% from 4Q07, with each region advancing. Open accounts increased 2% from 4Q07, while sales declined 3%. Its average yield improved 66bps to 15.77%. Its NCO ratio rose 133bps to 5.36% (up 202bps to 6.21% on 12-month lagged). Delinquencies improved 4bps to 2.20%.

International Consumer Finance – It posted a loss of $126 million, up from a $26 million loss in 4Q07. Japan posted a net loss of $69 million due to the ongoing impact of consumer lending laws passed in 4Q06 ($168MM loss in 4Q). Revenues declined 9% y-o-y and increased 21% from 4Q07 (NII up 25%). Excluding Japan, revenues rose 10% y-o-y and declined 2% linked quarter. Relative to 4Q07, EMEA and Asia rose, while Mexico and Latin America declined. Loans grew 9% y-o-y and were relatively stable linked quarter. Asia drove the linked quarter growth. After falling last quarter, its average yield improved from 13.44% to 15.50%. Its NCO ratio rose 14bps to 7.33% (driven by India), while delinquencies rose 10bps to 2.12%.

International Retail Banking – Income rose 21% y-o-y and declined 24% linked quarter. Revenues rose 22% y-o-y and fell 5% from 4Q07 (NII up 1%). Linked quarter, revenues declined in all regions, except Latin America, where they were stable. Loans grew 28% y-o-y and gained 4% linked quarter, with most geographies and types advancing (led by mortgage & installment). Deposits also grew 4%. Its NCO ratio increased 30bps to 1.71%, while delinquencies increased 16bps to 1.05%.

Securities and Banking – The company commented that the last two weeks of March were particularly difficult. Additionally, heavy marks continued to weigh. It posted a loss of $6.3 billion vs. a loss of $11.4 billion in 4Q07. Linked quarter, debt underwriting revenues were a negative $2.1 billion, compared to a gain of $414 million in the prior quarter ($200MM positive ex. marks). Equity underwriting (-$232MM, market conditions) and advisory (-$240MM, market conditions, #2 announced)

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also fell. Fixed income markets posted negative revenues of $5.9 billion, better than negative $16.9 billion in 4Q07 (lots of marks offset record FX & local emerging markets revenues). Equity markets revenues grew (up $241MM; strong customer flows/growth inequity finance offset by weakness in prop/converts), while lending declined (-$416MM; CDS gains offset by marks). By region, Asia was particularly strong. Expenses declined 4%, while C reduced head count by over 1,300.

Transaction Services – Income rose 63% y-o-y and gained 6% linked quarter. Revenues grew 42% y-o-y (aided by Bisys) and 4% linked quarter to a record level. Relative to 4Q07, trading increased 15%, securities services rose 2% and cash management increased modestly (all records). Revenues grew at a double-digit pace in Japan, Latin America, Asia, U.S. and EMEA. AUC fell 2% linked quarter to $12.9 trillion, while average deposits and other customer liabilities rose 2% to $283 billion.

Global Wealth Management – Income fell 15% linked quarter in Smith Barney and declined 15% in Private Banking. Revenues declined 5% and 7%, respectively. At Smith Barney, client assets under fee-based managed fell 6% to $422 billions, while total clients assets fell 4% to $1.5 trillion ($1B net outflows). Private banking client assets also fell 5% (client flows stable), while loans increased 3%.

Alternative Investments/Corporate – It posted a loss of $509 million versus a $61 million gain last quarter. On an operating basis, it posted a loss of $373 million. Client revenues fell 46% linked quarter to $112 million, while prop revenue dropped 65% to $115 million. Hedge funds posted negative $257 million, vs. a negative $57 million last quarter. Capital under management fell 5% linked quarter to $54.3 billion (client down 11%, prop up 4%).

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