

CITIGROUP Call Report

	Date	Time	Venue
Meeting	08-07-08 New York	1:00-2:30pm	1301 Avenue of the Americas
Bank Participants	Chris Foskett, MD, Global Head of FIG Banking Michael Mauerstein, MD, Global RM		
Lehman Participants	Paolo Tonucci, Global Treasurer Emil Cornejo, SVP		
AGENDA	<ul style="list-style-type: none"> • Update on Citi's request for Lehman to post \$2 Billion of collateral to support intraday credit lines for LBHI and LBI as a replacement of cash deposit. • Discuss pricing for renewal of the \$275 million 2 year HK cash capital facility. Current pricing is HIBOR + 22BPS (approximately one month LIBOR + 48BPS). • Request that Citi not resign as trustee on Lehman's MTN program given today's market conditions, SEC filing requirement and DTC notification. • Update on Lehman's 3rd quarter results. 		
RESULTS			
Collateral	<ul style="list-style-type: none"> • Citi understood Lehman's interest in posting \$2 B in collateral with Citi particularly less liquid collateral, but still investment grade since this would have the least impact on our balance sheet. Citi recognizes Lehman's interest in pulling the deposit and not having the \$2B in exposure to Citi. Citi did point out that according to NY law, Citi would have the right to offset deposits, but not securities which were not pledged. • Paolo also pointed out that Dan Fleming was still completing our analysis of the size of our intraday in Europe and we would come back with our findings in mid-August. Citi complimented Lehman on how we are now managing the intraday limits since discussions began, particularly in the US where we have managed below the \$3B intraday limit. Citi also admitted that their systems in Europe have limitations in measuring the intraday exposure. • Portfolio #1: Although Citi analyzed Spruce and Verano CLO's as potential collateral, there is no market price for these securities. Citi's secondary CDO desk though was willing to analyze the individual loans in the portfolio to try to come up with a market price—but Lehman declined to disclose this information. Paolo admitted that these securities trade only occasionally. • Portfolio #2: Citi has now been presented with a \$3B portfolio of investment grade private label ABS, CMOs. Lehman is awaiting feedback. • Documentation: Still under review by Lehman. There are legal issues in terms of the pledge agreement since Citi will only have rights to collateral in the event of a default. Also, the type of collateral will determine the mechanical requirements particularly since Lehman requires the right of substitutability. 		
Additional Credit	<ul style="list-style-type: none"> • Citi's \$275 M (HK denominated) 2 year bilateral facility will be extended an additional year at the end of August and retain its cash capital status. Citi has requested increased pricing to meet internal pricing hurdles. (Loans up to 3 years internal cost is L+ 130bps). Paolo pointed out he did not want to squeeze Citi or make Citi lend at a loss. He agreed to pricing of L + 150bps (HIBOR + 125bps). • At Lehman Asia's request, we asked for an additional \$25 M in credit in the Philippines. Citi agreed to support our Philippines' needs with an LBHI guaranty and also pointed out that Citi would prefer to support our emerging market needs where value can be added. • Paolo also asked Citi's relationship management team to try to work with their Treasury to close by month-end the secured mortgage facility that our Executive Management had discussed (V. Primiano coordinating). • Paolo also asked Citi to consider third party credit/liquidity support of our private equity funds, specifically Global Mezz and Real Estate Mezz. Citi agreed to consider, but would need to run pricing through their model. 		
Operational	<ul style="list-style-type: none"> • Paolo pointed out that we would prefer not to raise potential flags which would result if we were to designate Wilmington Trust as MTN successor trustee. Citi will discuss internally with their Corporate Trust whether this transfer can be delayed. • No discussion on China, Israel or Brazil RFP's. 		

New Business	<ul style="list-style-type: none">• Citi would like to be considered as underwriter on new debt/equity issuances. No issuances under consideration at this time.
Financial	<ul style="list-style-type: none">• No comment on 3rd quarter results due to public disclosure considerations.