

CITIGROUP Call Report

	Date	Time	Venue
Meeting	August 7, 2008 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). Additionally, Citi is the largest provider of credit in our flagships committing \$360 M. 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 understands Lehman's preference to post \$2 B in collateral (specifically less liquid investment grade collateral vs. a deposit) to lessen impact on our balance sheet and liquidity. Citi also recognizes Lehman's concern related to the \$2B+ in exposure to Citi. 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 more effectively since discussions began, particularly in the US where we are managing below the \$3B intraday limit. Citi also confirmed that their systems in Europe have limitations in netting across the accounts in Europe which impacts their calculation of intraday exposure. Lehman has shown two collateral pools to Citi. Portfolio #1: Although Citi analyzed \$2B+ of Spruce and Verano CLO's as potential collateral; they concluded there is no market price for these securities. Citi's secondary CDO desk offered to analyze the underlying loans in the portfolio to try to determine 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 Lehman will only allow Citi to have rights to the collateral in the event of a default. Also, there are mechanical issues to be worked out to ensure substitutability of collateral. Please note, according to NY law, Citi would have the right to offset deposits, but not "unpledged" securities. 		
Additional Credit	<ul style="list-style-type: none"> Citi intends to renew its \$275 M (HK denominated) 2 year bilateral facility for an additional year at the end of August to retain cash capital status. Citi has requested increased pricing to meet internal pricing hurdles. (Loans up to 3 years carry an internal cost of L+ 130bps). Paolo pointed out he did not want to squeeze Citi or to 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 of credit in the Philippines. Citi agreed to support our Philippines' needs with an LBHI guaranty and also pointed out that in principle Citi would prefer to support our emerging market needs where value can be added. Lehman has also requested a tenor beyond three months. (Citi presently provides a US \$100 M line in the Philippines). Paolo also asked Chris and Michael to support and work with their Treasury to close by month-end the secured commercial mortgage facility that our Executive Management had proposed earlier this year. (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 with bondholders which would result if we were to designate Wilmington Trust as MTN successor trustee. Paolo pointed out that there should be a "Chinese wall" between Citi as trustee and Citi as creditor. Citi will discuss internally with their Corporate Trust whether this conversion can be delayed. No discussion on China, Israel or Brazil RFP's or other network management initiatives. 		
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. 		

