



Global Retail Lending - Industry & Citigroup Inc. Profile

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www.datamonitor.com

Datamonitor USA

245 Fifth Avenue
4th Floor
New York, NY 10016
USA

t: +1 212 686 7400
f: +1 212 686 2626
e: usinfo@datamonitor.com

Datamonitor Europe

Charles House
108-110 Finchley Road
London NW3 5JJ
United Kingdom

t: +44 20 7675 7000
f: +44 20 7675 7500
e: eurinfo@datamonitor.com

Datamonitor Germany

Kastor & Pollux
Platz der Einheit 1
60327 Frankfurt
Deutschland

t: +49 69 9754 4517
f: +49 69 9754 4900
e: deinfo@datamonitor.com

Datamonitor Asia Pacific

Level 46, 2 Park Street
Sydney, NSW 2000
Australia

t: +61 2 8705 6900
f: +61 2 8705 6901
e: apinfo@datamonitor.com

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EXECUTIVE SUMMARY

Market Value

The global retail lending market shrank by 2% in 2008 to reach a value of \$27,489.2 billion.

Market Value Forecast

In 2013, the global retail lending market is forecast to have a value of \$32,748 billion, an increase of 19.1% since 2008.

Market Segmentation I

Mortgage lending dominates the market with 80.7% of the market share in value terms.

Market Segmentation II

Americas accounts for 50.4% of the global market's value.

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CHAPTER 1 MARKET OVERVIEW

1.1 Market Definition

This retail lending market profile covers the mortgage and consumer credit market. The market value reflects mortgage and consumer credit balances outstanding at the end of the year. At the time of preparation of this report, many financial markets were in a critical state due to the 'credit crunch', and it was difficult to predict how this would impact on retail lending. For this reason, all forecasts in this profile should be regarded as highly approximate. All currency conversions used in this profile were carried out at constant 2007 annual average exchange rates.

For the purpose of this report the Americas comprises Brazil, Canada, Mexico and the US.

Europe comprises Belgium, the Czech Republic, Denmark, France, Germany, Hungary, Italy, Netherlands, Norway, Poland, Russia, Spain, Sweden and the UK.

Asia-Pacific comprises Australia, China, Japan, India, Singapore, South Korea and Taiwan.

The global figure comprises the Americas, Asia-Pacific and Europe.

1.2 Research Highlights

The global retail lending market generated total revenues of \$27,489.2 billion in 2008, representing a compound annual growth rate (CAGR) of 6% for the period spanning 2004-2008.

The mortgage lending segment was the market's most lucrative in 2008, generating total revenues of \$22,181.5 billion, equivalent to 80.7% of the market's overall value.

The performance of the market is forecast to decelerate, with an anticipated CAGR of 3.6% for the five-year period 2008-2013, which is expected to drive the market to a value of \$32,748 billion by the end of 2013.

1.3 Market Analysis

The global retail lending market has enjoyed steady growth in the period spanning 2004-2007. Following a decline in value in 2008, further deceleration is expected, however the market is set to recover in the forecast period.

The global retail lending market generated total revenues of \$27,489.2 billion in 2008, representing a compound annual growth rate (CAGR) of 6% for the period spanning 2004-2008. In comparison, the European and Asia-Pacific markets grew with CAGRs of 6.3% and 5.3%, respectively, over the same period, to reach respective values of \$9,557.3 billion and \$4,078.9 billion in 2008.

The mortgage lending segment was the market's most lucrative in 2008, generating total revenues of \$22,181.5 billion, equivalent to 80.7% of the market's overall value. The consumer credit segment contributed revenues of \$5,307.6 billion in 2008, equating to 19.3% of the market's aggregate revenues.

The performance of the market is forecast to decelerate, with an anticipated CAGR of 3.6% for the five-year period 2008-2013, which is expected to drive the market to a value of \$32,748 billion by the end of 2013. Comparatively, the European and Asia-Pacific markets will grow with CAGRs of 3.6% and 2.8%, respectively, over the same period, to reach respective values of \$11,411.7 billion and \$4,684.4 billion in 2013.

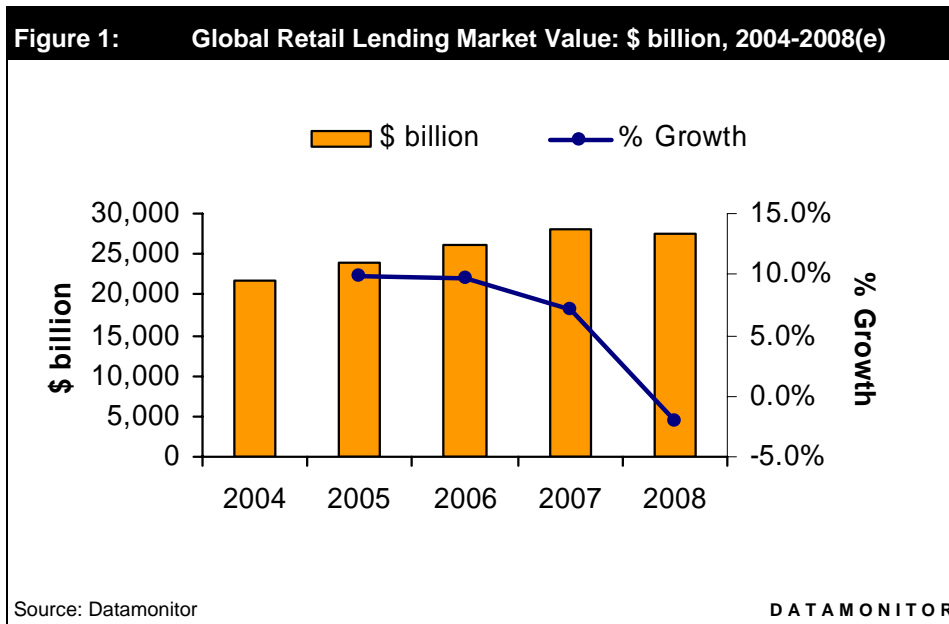
CHAPTER 2 MARKET VALUE

The global retail lending market shrank by 2% in 2008 to reach a value of \$27,489.2 billion.

The compound annual growth rate of the market in the period 2004-2008 was 6%.

Table 1: Global Retail Lending Market Value: \$ billion, 2004-2008(e)		
Year	\$ billion	% Growth
2004	21,769.0	
2005	23,916.2	9.90%
2006	26,212.9	9.60%
2007	28,062.8	7.10%
2008(e)	27,489.2	-2.00%
CAGR, 2004-2008:		6.0%

Source: Datamonitor DATAMONITOR



CHAPTER 3 MARKET SEGMENTATION I

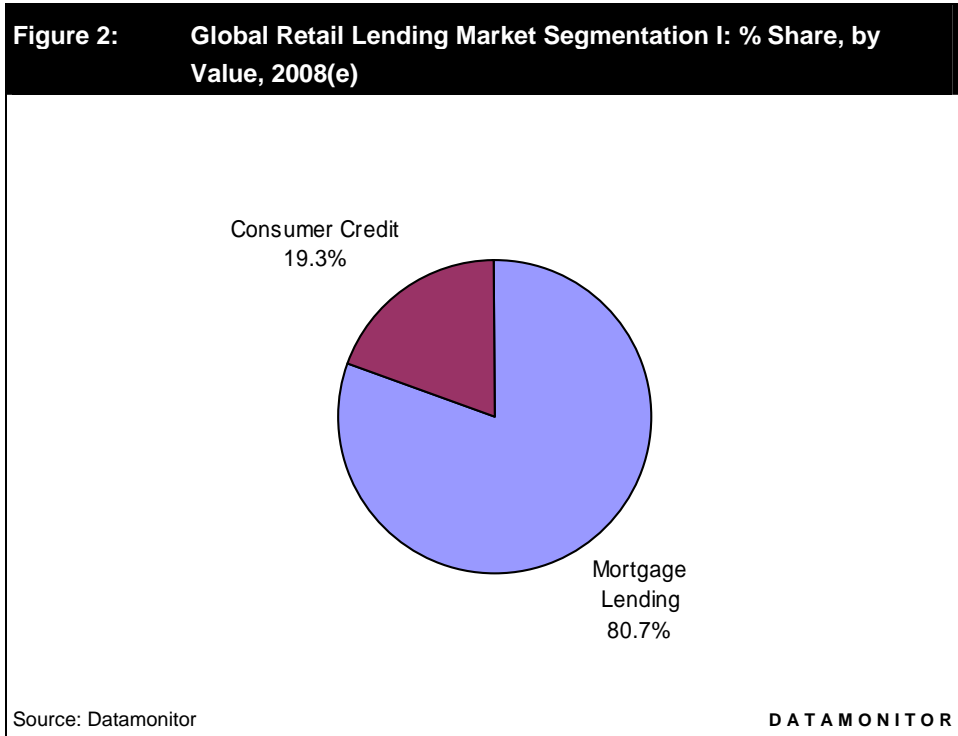
Mortgage lending dominates the global market with 80.7% of the market share in value terms.

Consumer credits account for a further 19.3% of the global revenues.

Table 2: Global Retail Lending Market Segmentation I: % Share, by Value, 2008(e)

Category	% Share
Mortgage Lending	80.70%
Consumer Credit	19.30%
Total	100.0%

Source: Datamonitor DATAMONITOR



CHAPTER 4 MARKET SEGMENTATION II

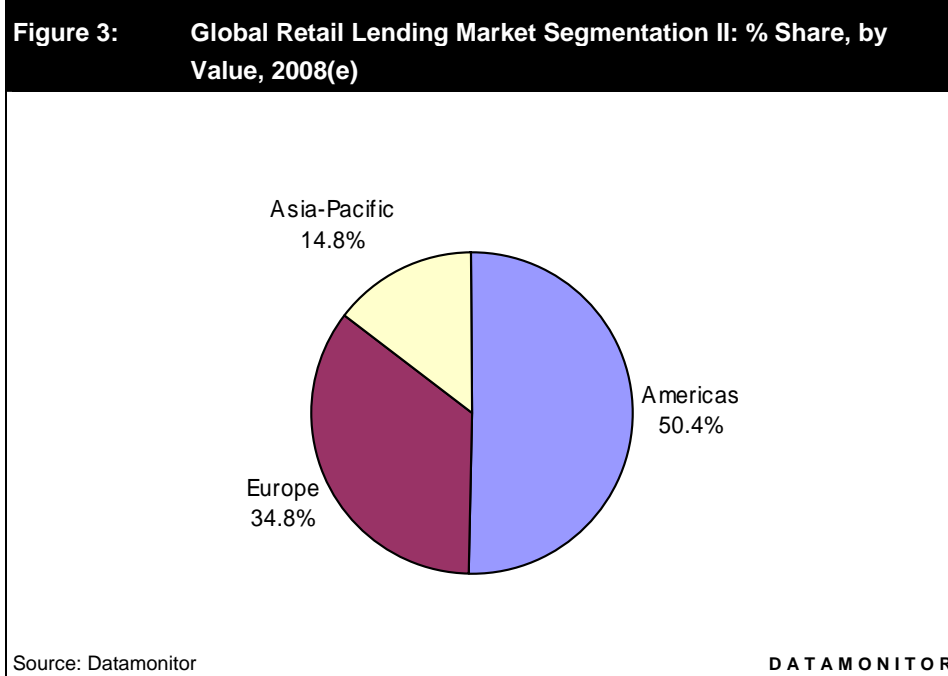
Americas accounts for 50.4% of the global market's value.

Europe generates a further 34.8% of the global revenues.

Table 3: Global Retail Lending Market Segmentation II: % Share, by Value, 2008(e)

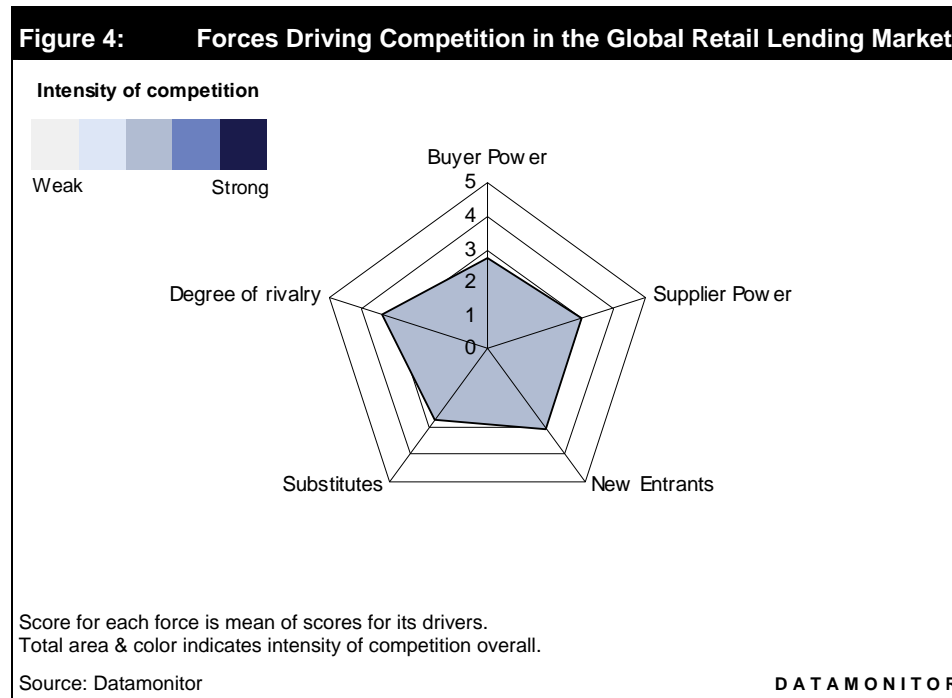
Geography	% Share
Americas	50.40%
Europe	34.80%
Asia-Pacific	14.80%
Total	100.0%

Source: Datamonitor DATAMONITOR



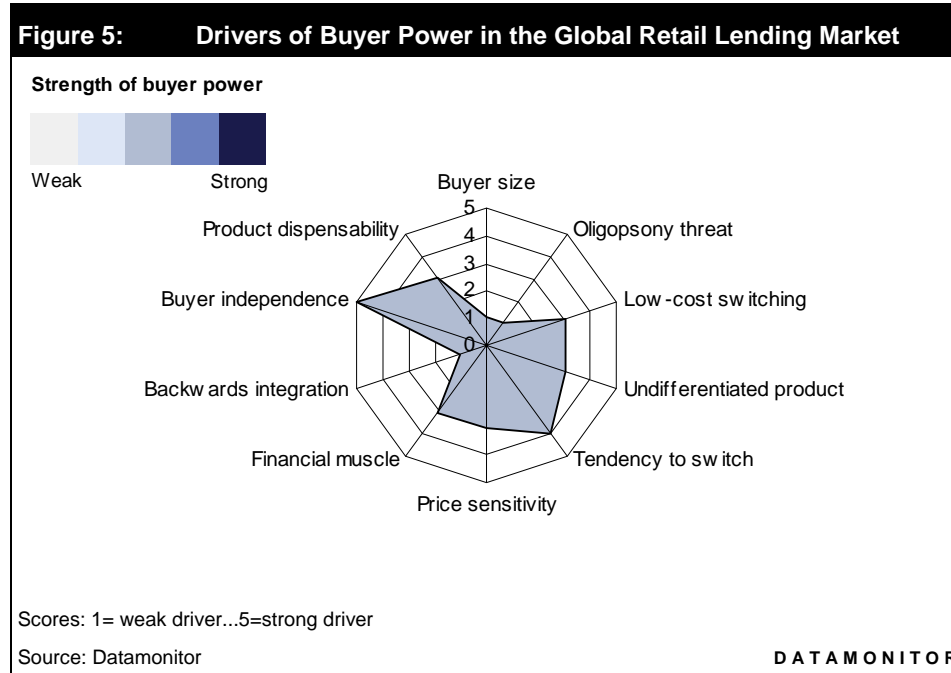
CHAPTER 5 FIVE FORCES ANALYSIS

5.1 Summary



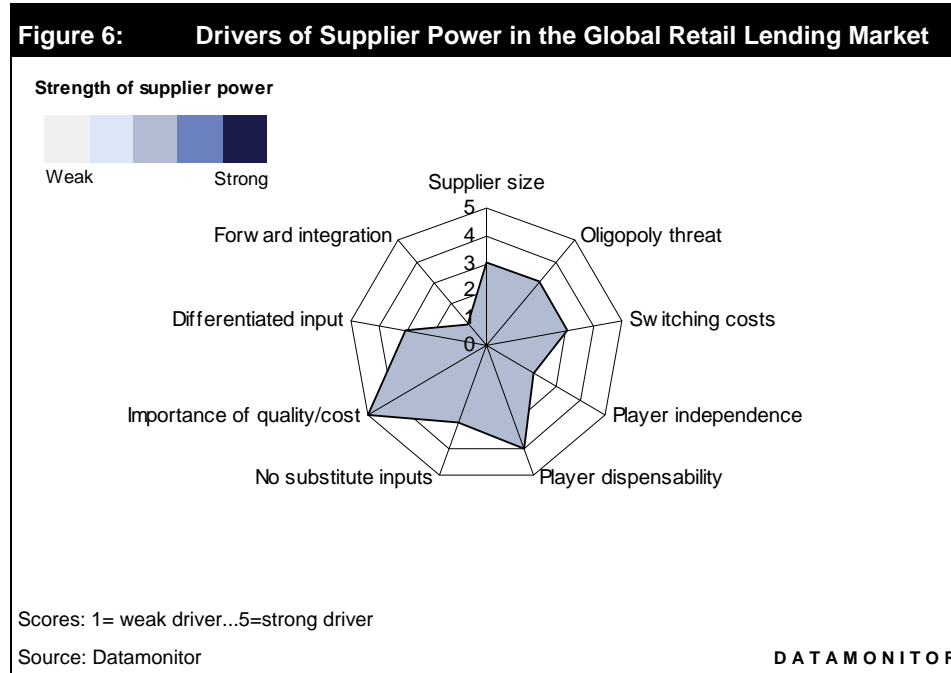
For the purposes of this profile, the global retail lending market consists of consumer credit and mortgages, valued in terms of outstanding balances rather than interest and non-interest revenues obtained by credit providers. Individuals taking any form of credit or mortgage are considered as buyers. Banks, building societies, credit card companies and any others financial institutions that are involved in the credit and mortgage market are taken as players and information technology and communications systems companies as suppliers. The buyer power in this market is moderate as players are trying to regain their confidence in financial products. The effects of the economic downturn have not directly influenced the suppliers, whose services are essential for running the financial business. The threat of new entrants is bigger in the countries of Western Europe and in the US where several major players ceased to exist, rather than in other countries where the well established institutions may post quite a substantial retaliation during recession. Alternative options to lending are growing as confidence in financial institutions weakens and individuals face uncertain times.

5.2 Buyer Power



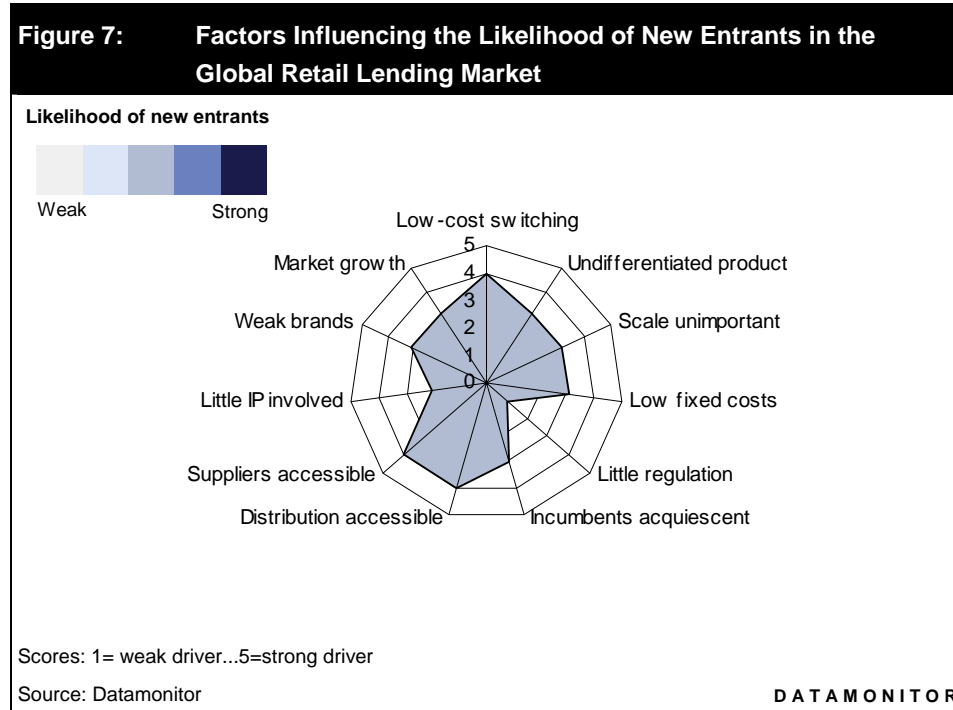
Considering the fact that in retail lending the buyers are individual consumers, buyer power in this market is weakened. Losing one customer has a fairly marginal impact on a typical credit provider, although at the time of writing this report the lending institutions tend to devote their funds and time in order to keep the customer or tempt them offering better terms of the agreement once switched from other lenders. Switching costs may also significantly weaken buyer power. For example, switching mortgage provider may require the buyer to spend time on paperwork and impose additional fees, even though a new provider might offer a cheaper loan in the longer term. Changing credit card provider can appear to have low switching costs - in fact, the buyer may be offered 0% interest for a period or other inducements to switch - but there is growing awareness that moving from one credit card provider to another too frequently can reduce a customer's credit rating, which constitutes a serious switching cost. Means of differentiation in this market include a variety of loyalty schemes for credit cards, and the development of products such as the 'current account mortgage': a current (checking) account that includes a mortgage and the facility to secure other loans against the mortgaged real estate. Consumer loyalty is the major issue for lenders as the current, unpredictable situation in the lending market pushes customers to switch around in the hope of finding the best and the most secured funds provider. Overall, buyer power is assessed as moderate.

5.3 Supplier Power



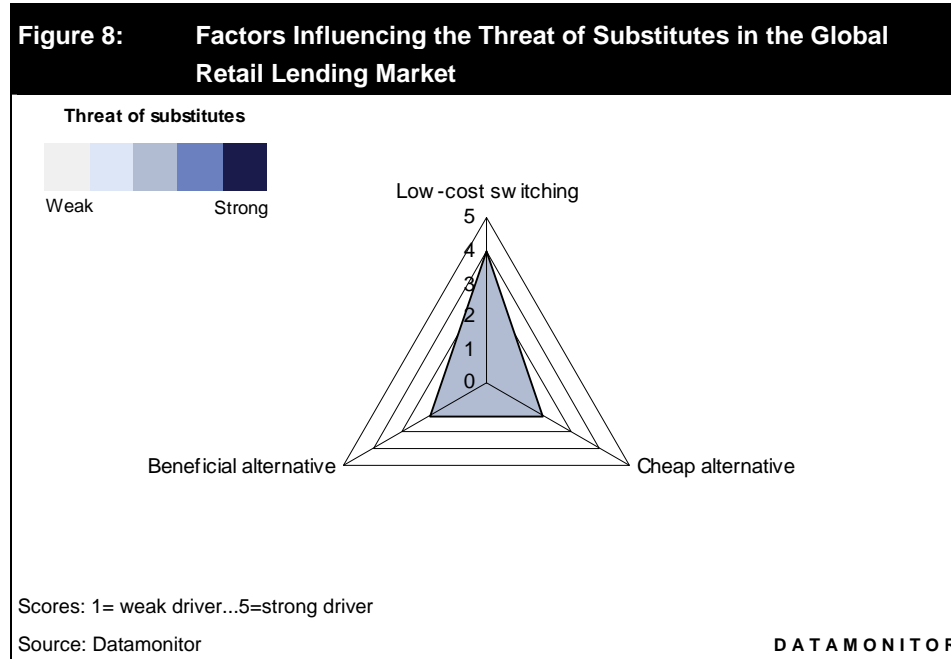
In the global retail lending market, suppliers of information technology and communications systems have considerable power. It is important for lenders such as banks, building societies, and credit card companies to have ITC systems that can deal with large numbers of transactions rapidly and reliably. As identity theft becomes an increasing threat, lenders must offer continual upgrades to their security systems. Typical suppliers are large companies such as IBM, since relatively few suppliers have sufficient resources and experience to analyse the complex ICT needs of a major retail lender and implement a solution. Furthermore, although major financial institutions will maintain their own IT departments, there is little likelihood of significant backward integration, which further strengthens suppliers (although it is equally unlikely that suppliers would attempt to integrate forwards into financial services). Switching costs are high, since there are significant sunk costs associated with the commissioning of a particular ITC system (custom hardware, staff training, etc). Additional costs for major retail lenders such as banks and building societies include salaries, rents, and other overheads associated with their extensive high street branch networks. While many companies offering lending facilities are financial institutions that hold the assets themselves, others act purely as retailers. For example, store cards and private label credit cards are offered to end-users by a variety of companies and organisations. In these cases, the suppliers are the companies extending credit upstream, and again, these will generally have moderate supplier power relative to the retailers. Supplier power is assessed as moderate overall in this market.

5.4 New Entrants



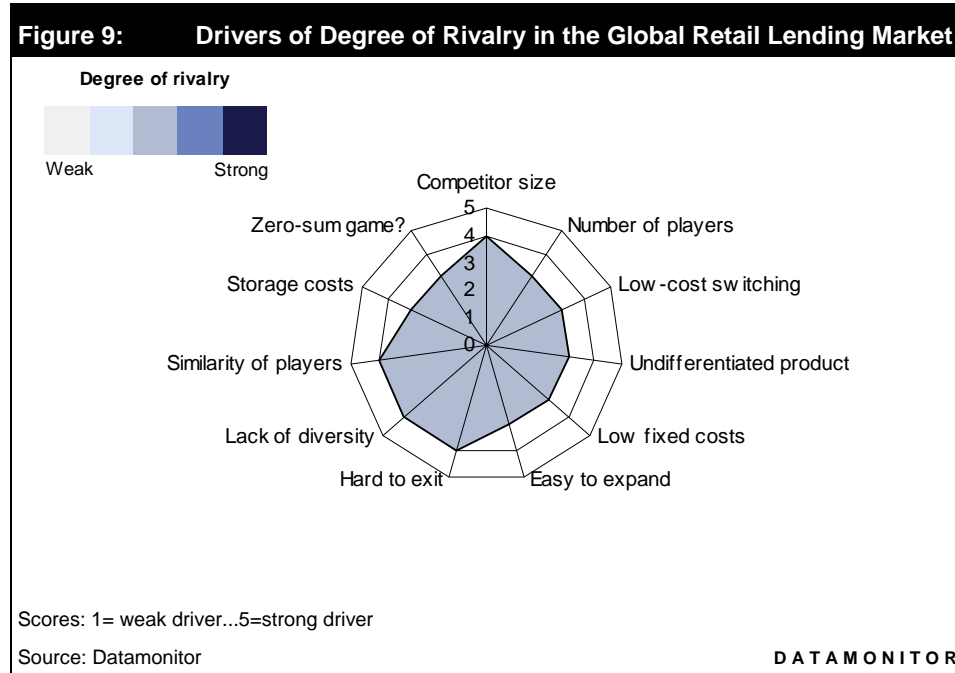
The global lending market is estimated to post quite healthy growth rates after 2010 which may encourage new entrants to emerge at this time. However, in the current economic climate lending has dropped and the housing market is facing decline, which offers an uncertain prospect for potential new entrants. The fact that customers’ confidence in established institutions has been recently impaired might push them towards new institutions with innovative (or just the opposite – traditional) attitudes towards lending. However, entry to the market in the form of a fully-fledged bank or similar financial institution requires substantial amounts of capital, to establish a branch network and brand identity, and also to comply with the international strict capital adequacy requirements. However, it is possible to enter the market as an intermediary, offering consumers credit that is ultimately sourced by a third-party institution. This is an easier mode of entry. Overall, the likelihood of new entrants is assessed as moderate.

5.5 Substitutes



The recent highly publicized crisis of various financial institutions along with the current economic climate and predictions of further downturn are strongly undermining the confidence in market players. The threat of recession and possible losses to loans banks is likely to inevitably result in the restriction of capital and lower willingness of consumers to borrow and, consequently, negatively affect the financial condition of banks and investors. Such a situation in the lending market may push consumers to look for alternatives. However, when considering, for example, the average price of property few realistic substitutes exist for mortgages. Rental seems to be the most suitable possibility, but over a typical lifetime may not be cheaper than purchase. Debit cards are a partial substitute for credit cards, offering the same advantages over cash (convenience, security, ability to carry out remote transaction such as online purchases), but of course do not offer credit facilities. Another substitute for retail lending is to delay purchases and use retail saving products, such as bonds, to build up sufficient funds, which is becoming even more popular at the time of the report writing. Generally, however, consumer credit has proved itself a very popular substitute for the more traditional approach. Overall the threat of the substitute in the global retail lending market is moderate.

5.6 Rivalry



The main primary sources of retail lending in the global market (banks and similar financial institutions) are all fairly similar in service portfolios and business models, although players try to differentiate themselves by offering a wide range of lending services and competitive interest rates. Retail lending is quite an important source of revenue for them, and it is unlikely that major players will leave the market. The latest situation in the global lending market caused major players like Lehman, to withdraw from the stage, reducing significantly the number of strong players. The general downturn in the housing market may intensify competition going forward. However, the lower demand for these services, caused by the general distrust mitigates the former. The, present decreasing global lending market, may cause the rivalry level to grow. All in all the rivalry level is assessed as moderate.

CHAPTER 6 MARKET FORECASTS

6.1 Market Value Forecast

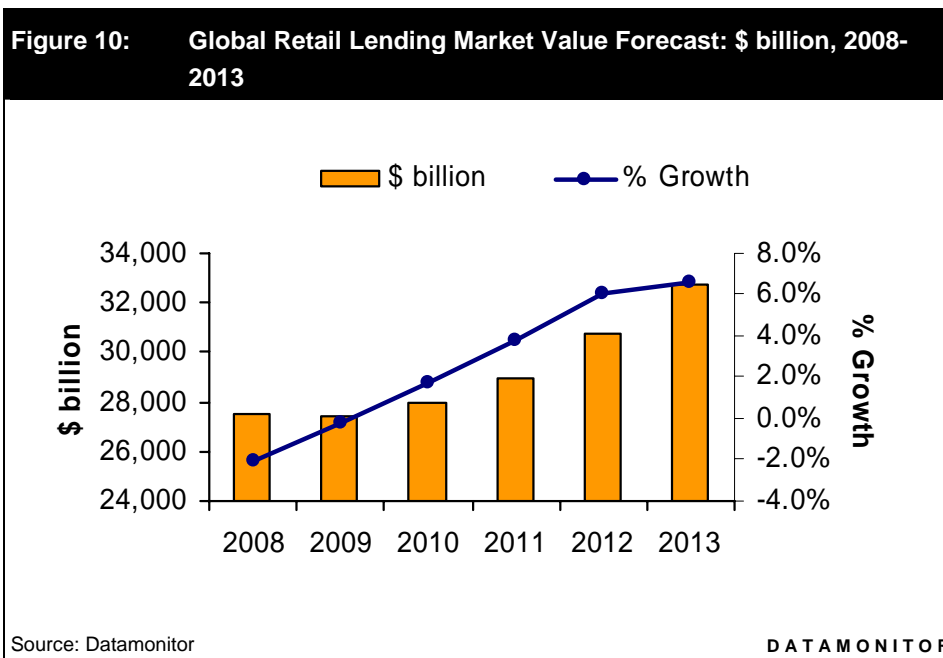
In 2013, the global retail lending market is forecast to have a value of \$32,748 billion, an increase of 19.1% since 2008.

The compound annual growth rate of the market in the period 2008-2013 is predicted to be 3.6%.

Table 4: Global Retail Lending Market Value Forecast: \$ billion, 2008-2013

Year	\$ billion	% Growth
2008	27,489.2	-2.00%
2009	27,438.8	-0.20%
2010	27,922.0	1.80%
2011	28,985.1	3.80%
2012	30,735.5	6.00%
2013	32,748.0	6.50%
CAGR, 2008-2013:		3.6%

Source: Datamonitor DATAMONITOR



CHAPTER 7 CITIGROUP INC.

7.1 Company Overview

Citigroup (or 'the group') is one of the most diversified financial services company in the world. The group's product portfolio includes retail banking, corporate banking, investment banking and asset management. The group has operations in 140 countries spanning North America, Latin America, Asia, Europe, the Middle East and Africa. Citigroup is headquartered in New York City, New York and employs about 322,800 people.

The group recorded revenues of \$52,793 million in the financial year ended December 2008, a decrease of 32.7% over 2007. The group recorded net loss of \$27,684 million in the financial year 2008, as compared to a net profit of \$3,617 million in 2007. The huge decline in the profits of the group was due to writes downs of investments which were directly exposed to the subprime mortgage market.

7.2 Key Facts

Table 5: Citigroup Inc. Key Facts	
Head Office	Citigroup Inc. 399 Park Avenue New York New York 10043 USA
Phone	1 212 559 1000
Fax	
Web Address	http://www.citigroup.com
Revenue / turnover (USD Mn)	52,793.00
Financial Year End	December
Employees	322,800
New York Ticker	C
Source: Datamonitor	

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7.3 Business Description

Citigroup is a leading financial services group with more than 200 million customer accounts in over 100 countries. The group's principal offerings include consumer finance, mortgage lending, retail banking products and services, investment banking, wealth management, cash management, trade finance and e-commerce products and services, and private banking products and services.

The group's activities are conducted through the Global Cards, Consumer Banking, Institutional Clients Group (ICG), Global Wealth Management (GWM) and Corporate/Other business segments.

The Global Cards segment is a global issuer of credit cards through the MasterCard, Visa, Diners Club, Private Label and American Express platforms.

The Consumer Banking segment includes a global, full-service consumer franchise delivering a wide array of banking, lending, insurance and investment services through a network of local branches, offices and electronic delivery systems.

The businesses included in the Company's ICG segment provide corporations, governments, institutions and investors in approximately 100 countries with a broad range of banking and financial products and services.

The Global Wealth Management segment is composed of the Smith Barney Private Client businesses and Citigroup Private Bank. Smith Barney provides investment advice, financial planning and brokerage services to affluent individuals, companies and non-profits. Private Bank provides personalized wealth management services for high-net-worth clients.

Corporate/Other includes net treasury results, unallocated corporate expenses, offsets to certain line-item reclassifications (eliminations), the results of discontinued operations and unallocated taxes.

7.4 History

Citigroup was formed by the merger of Travelers Group and Citicorp in 1998. The group grew inorganically in the years that followed. In 1999, Citigroup acquired Mellon Bank's credit card business that included a portfolio of \$1.9 billion in credit card receivables. Following that, the group acquired a \$558 million loan portfolio and 128 consumer finance branch offices from Associates First Capital. At the same time, Citigroup acquired Santiago, a Chile-based Financiero Atlas, a consumer finance company with 65 branches throughout Chile and \$460 million in assets.

Inorganic growth continued in 2000, when Salomon Smith Barney, a subsidiary of the group, acquired the investment banking businesses of Schroder. The acquisition was valued at \$2.2 billion and it doubled Citigroup's investment banking and equities business in Europe.

In 2001, Citigroup purchased AST StockPlan, a provider of stock benefit plan services. The group completed the acquisition of European American Bank from ABN Amro Bank. In Mexico, Citigroup acquired Grupo Financiero Banamex-Accival.

Citigroup acquired Golden State Bancorp, the parent company of First Nationwide Mortgage and Cal Fed, in 2002. The transaction enabled Citibank to expand its retail distribution franchise in California and Nevada, and added approximately 1.5 million new customers.

The group collaborated with a Chinese bank in 2003 to enter China's credit card market. Citigroup also acquired a 5% shareholding in the Chinese commercial bank Shanghai Pudong Development Bank (SPDB). In 2002, Citigroup had to bear a fine of \$400 million over a conflict of interest between its investment banking and research segments. This fine settled all regulatory accusations against the group and was the largest payout in the industry.

Citigroup acquired a \$29 billion portfolio of private label and credit card receivables from Sears at \$3 billion premium in 2003. The acquisition included Sears' financial products business and credit card facilities. In addition, the two companies signed a multi-year marketing and servicing agreement across a range of their businesses, products and services.

The group sold its Smith Barney index business to Standard & Poor's in 2003. Following that, the group acquired the consumer finance subsidiary of Washington Mutual, for \$1.3 billion in cash. The acquisition included more than 400 offices in 25 states, primarily in the southeast and southwest of the US.

In 2004, Citigroup acquired a majority stake in Nikko Cordial, a Japanese stockbroker. In the same year, Citibank Overseas Investment Corporation, a subsidiary, purchased KorAm Bank for about \$2.7 billion. The group settled a class-action lawsuit filed by shareholders of the bankrupt telecoms group, WorldCom, for \$2.7 billion. The group was sued by WorldCom investors over Salomon Smith Barney brokerage unit's close relationship with the bankrupt WorldCom. WorldCom went bankrupt in 2002, after it was revealed that the group had misstated earnings and was engaged in a large scale accounting fraud. Around the same time, Citigroup purchased the mortgage banking business of the Principal Financial Group, an Iowa-based financial services company, for around \$1.3 billion.

Citigroup, along with HSBC and Banco Bilbao Vizcaya Argentaria (BBVA), gave back \$830 million of Mexican bonds to the government of Mexico, in 2004. These companies received those bonds from local Mexican units in the 1990s, for funding the defaulted loans by the government of Mexico. In Japan, Citigroup shut down its Japanese private banking operations for violating banking laws. In 2004, Citigroup and Goldman Sachs announced that they would market a \$5.8 billion loan for Cemex to other lenders.

The group paid \$2 billion to settle a law suit over its role in Enron's accounting fraud in 2005. In the same year, Citigroup sold Travelers Life & Annuity and substantially all of its international insurance businesses to MetLife for \$11.8 billion. Subsequently, Citigroup sold its asset management business to Legg Mason in exchange for Legg Mason's broker-dealer business, in 2005.

In 2006, Citigroup established 1,165 new Citibank and consumer finance branches (862 in the international sector and 303 in the US). The group launched Citibank Direct, an e-banking business in 2006, which garnered \$12 billion in deposits in its first year. The group partnered with 7-Eleven to add 5,500 ATMs throughout the US, and 200 other retail and consumer finance branches opened globally.

Citigroup acquired a 20% equity stake in Akbank, a bank in Turkey, for approximately \$3.1 billion in January 2007. In March 2007, Citigroup acquired Grupo Financiero Uno (GFU), a consumer finance business in Central America. Following that, the group acquired Quilter, a wealth advisory firm from Morgan Stanley. In May 2007, Citigroup acquired Egg Banking the world's largest pure online bank and one of the UK's leading online financial services providers, from Prudential. Citigroup acquired Grupo Cuscatlan's banking, insurance, and other financial activities in May 2007. Grupo Cuscatlan is a leading financial group in Central America with operations in El Salvador, Guatemala, Costa Rica, Honduras and Panama.

Citibank Japan, a locally incorporated bank subsidiary in Japan, commenced operations on July 1, 2007 by assuming all of the banking operations formerly conducted by Citibank, through its Japan-based network of 30 branches and sub-branches. Following that, Citigroup acquired Old Lane Partners, a global, multi-strategy hedge fund and a private equity fund with total assets under management and private equity commitments of approximately \$4.5 billion. Around the same time, Citigroup and Quinenco entered a strategic partnership that gave Citigroup the option to acquire up to 50% of LQIF, the holding company through which Quinenco controlled Banco de Chile. Through this partnership, Citigroup's operations in Chile would be combined with Banco de Chile's local banking franchise; the combination created a banking and financial services institution with about 20% market share of the Chilean banking industry.

Citigroup acquired The BISYS Group for approximately \$1.4 billion, in an all-cash transaction, in August 2007. Subsequently, the group sold the retirement and insurance services divisions of BISYS to affiliates of JC Flowers. In October 2007, Citigroup's markets and banking division acquired Automated Trading Desk (ATD), a leader in electronic market making. Subsequently, Citigroup formed a new business segment named, institutional clients group, by combining markets and banking, and alternative investments businesses.

In November 2007, Citigroup's Chairman and Chief Executive Officer, Prince Charles, resigned from his posts; he took responsibility for the group's huge write offs in the third quarter of 2007. In the same month, Citigroup's shares were listed on the Tokyo Stock Exchange (TSE) under the name 'Citi'. Also in the month, the group received \$7.5 billion capital infusion from Abu Dhabi Investment Authority through the sale of equity units. In the following month, Citigroup board named Vikram Pandit as the group's Chief Executive Officer and Win Bischoff as the Chairman.

Under the new management of Chief Executive Officer, Vikram Pandit, Citigroup announced restructuring of its business operations in March 2008. The group has established a regional structure to bring decision-making closer to clients. In addition, the group reorganized its consumer group into two global businesses: consumer banking and global cards. In the same month, the group settled Enron Estate Litigation for \$1.66 billion. GE Capital has agreed to purchase most of CitiCapital, Citigroup's North American commercial lending and leasing business, in April 2008.

In May 2008, Citigroup completed the merger of Nikko Cordial Corporation into Citigroup Japan Holdings, with the surviving entity known as Nikko Citi Holdings Inc. In the same month, Citigroup and State Street Corporation announced that they have entered into a definitive agreement to sell CitiStreet, a benefits servicing business, to ING Group. CitiStreet is a joint venture, owned 50% each by Citigroup and State Street. In July 2008, ING Groep N.V. announced that it has completed its acquisition of CitiStreet LLC, a United States based retirement plan and benefit service and administration organization, from Citigroup Inc. and State Street Corporation. In October 2008, Tata Consultancy Services Ltd and Citigroup Inc announced that they reached an agreement for Tata Consultancy Services to acquire all of Citigroup's interest in Citigroup Global Services Limited (CGSL), the India-based captive business processing outsourcing (BPO) arm of Citigroup for all cash consideration of approximately \$505 million. In November 2008, Citigroup Inc. added \$40 billion of capital benefit through agreement with US Treasury, Federal Reserve, and FDIC. In December 2008, Sacyr Vallehermoso S.A. sold its Itinere Infraestructuras, S.A., highway business, to Citigroup Inc. for E7,887 million (\$10.20 billion), cutting its debt pile by a third. Also in the same month, Citigroup Inc. announced the successful completion of the sale of Citibank Privatkunden AG & Co. KGaA, its German retail banking operation, and certain of its affiliates, to Crédit Mutuel-CIC, a French banking group. In December 2008, Citigroup Inc. completed the sale of Citigroup Global Services Limited to Tata Consultancy Services (TCS), for all cash consideration of \$512 million.

In January 2009, Citigroup Inc. completed the sale of Citigroup Technology Services Ltd. (India) to Wipro Technologies, the global IT services business of Wipro Limited, for all cash consideration of \$127 million. In February 2009, CitiFinancial, a unit of Citigroup Inc., stopped financing automobile purchases in India and decided to shut around 280 branches.

7.5 Key Employees

Table 6: Key Employees			
Name	Job Title	Board	Compensation
Vikram Pandit	Chief Executive Officer	Executive Board	10815263 USD
Robert E Rubin	Chairman of the Executive Committee	Executive Board	
C Michael Armstrong	Director	Non Executive Board	243138 USD
Alain J P Belda	Director	Non Executive Board	183025 USD
Kenneth T Derr	Director	Non Executive Board	295833 USD
John M Deutch	Director	Non Executive Board	266250 USD
Roberto Hernandez Ramirez	Director	Non Executive Board	2218000 USD
Andrew N Liveris	Director	Non Executive Board	147791 USD
Anne Mulcahy	Director	Non Executive Board	242917 USD
Richard D Parsons	Director	Non Executive Board	246512 USD
Lawrence R. Ricciardi	Director	Non Executive Board	
Judith Rodin	Director	Non Executive Board	183025 USD
Franklin A. Thomas	Director	Non Executive Board	240000 USD
Robert L. Ryan	Director	Non Executive Board	187500 USD
Ajay Banga	Chief Executive Officer, Asia Pacific	Senior Management	9577613 USD
Shirish Apte	Chief Executive Officer, Central and Eastern Europe	Senior Management	
Manuel Medina Mora	Chief Executive Officer, Mexico and Latin America	Senior Management	
Teresa A. Dial	Global Head of Consumer Strategy and Chief Executive Officer of Consumer Banking in North America	Senior Management	
Deborah Hopkins	Chief Innovation Officer	Senior Management	
Michael Klein	Chairman, Institutional Clients Group	Senior Management	
John Havens	Chief Executive Officer, Institutional Clients Group	Senior Management	

Source: Datamonitor

DATAMONITOR

7.6 Key Employee Biographies

Vikram Pandit

Chief Executive Officer

Age: 51

Mr. Pandit has been the Chief Executive Officer of Citigroup since 2007. Previously he was the Chairman and Chief Executive Officer of Citi Institutional Clients Group. He was formerly a founding Member and Chairman of the Members Committee of Old Lane, a multi-strategy hedge fund and private equity fund manager that was acquired by Citigroup in 2007. Prior to forming Old Lane, Mr. Pandit was President and Chief Operating Officer of Morgan Stanley's institutional securities and investment banking business and was a member of the firm's Management Committee. Mr. Pandit serves on the Boards of Columbia University, Columbia Business School, the Indian School of Business, and Trinity School. He is a former Board Member of NASDAQ, the New York City Investment Fund, and the American India Foundation.

Robert E Rubin

Chairman of the Executive Committee

Age: 69

Mr. Rubin has been the Chairman of the Executive Committee of Citigroup since 2007. Prior to joining Citigroup, he was the Secretary of the Treasury of the United States from 1995 to 1999. From 1993 to 1995, he served as an Assistant to the President for Economic Policy. Prior to that, he held various senior management positions in Goldman Sachs including Co-Senior Partner and Co-Chairman, Vice-Chairman and Co-Chief Operating Officer, Member of Management Committee and General Partner.

C Michael Armstrong

Director

Age: 69

Mr. Armstrong has been a Director of Citigroup since 1989. He has been the Chairman of Johns Hopkins Medicine, Health Systems and Hospital since July 2005. Prior to that, he was the Chairman of Comcast Corporation from 2002 to 2004. He was Chairman and Chief Executive Officer of AT&T during 1997 to 2002, preceded by Chairman and Chief Executive Officer, Hughes Electronic Corporation.

Alain J P Belda

Director

Age: 64

Mr. Belda has been a Director of Citigroup since 1997. He has been the Chairman and Chief Executive Officer of Alcoa since 2001. He also held the role of President during 1997 to 2001. From 1997 to 1999 he was Chief Operating Officer of Alcoa and prior to that he was Vice Chairman from 1995 to 1997. Having joined Alcoa in 1969, he held various other senior management roles including Executive Vice President; President, Alcoa Latin America; Vice President; and President, Alcoa Aluminio.

Kenneth T Derr

Director

Age: 71

Mr. Derr has been a Director of Citigroup since 1987. He is a retired Chairman and Chief Executive Officer of Chevron Corporation. Prior to that role he was the Vice Chairman of Chevron from 1985 to 1988. Since joining the group in 1960, he held various management role including President and Chief Executive Officer, Chevron USA, Vice President as well as Assistant to the President. He is also a Director on the boards of Calpine Corporation and Halliburton Company.

John M Deutch

Director

Age: 69

Mr. Deutch has been a Director of Citigroup and its predecessor since 1996. He has been a Professor at Massachusetts Institute of Technology since 1990. Prior to his current position he held various defense and academic positions including Director of Central Intelligence; Deputy Secretary, U.S. Department of Defense; Under Secretary, U.S. Department of Defense; Professor of Chemistry, MIT; Dean of Science, MIT; Under Secretary, U.S. Department of Energy; and Director, Energy Research of the U.S. Department of Energy.

Roberto Hernandez Ramirez

Director

Age: 65

Mr. Ramirez has been a Director of Citigroup since 2001. He has been the Chairman of Banco Nacional de Mexico since 1991. He was the Chief Executive Officer of Banco Nacional de México, during 1997 to 2001. He is also a Director of Grupo Financiero Banamex. His other Directorships include GRUMA, and Grupo Televisa.

Andrew N Liveris

Director

Age: 53

Mr. Liveris has been a Director of Citigroup since 2005. He has been the Chairman, Chief Executive Officer and President of Dow Chemical Company since 2006. He joined The Dow Chemical Company in 1976.

Anne Mulcahy

Director

Age: 55

Ms. Mulcahy has been a Director of Citigroup since 2004. She has been the Chairman and Chief Executive Officer of Xerox Corporation since 2002. After joining the Xerox in 1976, she went on to hold senior management positions in the company including President and Chief Operating Officer, and President of General Markets Operations. Her other Directorships include Fuji Xerox Company and Target Corporation.

Richard D Parsons

Director

Age: 59

Mr. Parsons has been a Director of Citigroup since 1996. He has been the Chairman and Chief Executive Officer of Time Warner since 2003. He was the Co-Chief Operating Officer of the company from 2001 to 2002. Prior to joining Time Warner, he was Chairman and Chief Executive Officer, Dime Savings Bank of New York for four years. He was the President and Chief Operating Officer of the same company during 1988 to 1990. Earlier he worked as Associate, Partner and Managing Partner of Atterson, Belknap, Webb & Tyler. He is also a Director of The Estee Lauder Companies.

Lawrence R. Ricciardi

Director

Age: 68

Mr. Ricciardi has been a Director of Citigroup since 2008. Prior to this served in numerous senior positions at IBM from 1995 to 2002, including Chief Financial Officer. Mr. Ricciardi is a member of the board of directors of Royal Dutch Shell, PLC and is a member, and has served as Chair, of the Audit Committee.

Judith Rodin

Director

Age: 63

Ms. Rodin has been a Director of Citigroup since 2004. She has been the President of Rockefeller Foundation since 2005. She is also President Emerita of University of Pennsylvania. Prior to that, she was President of University of Pennsylvania from 1994 to 2004 and Provost at Yale University from 1992 to 1994.

Franklin A. Thomas

Director

Age: 73

Mr. Thomas has been a Director of Citigroup and its predecessor since 1970. He has been a Consultant of The Study Group since 2005. From 1979 to 1996, he was the President of The Ford Foundation and from 1967 to 1977; he was President, Bedford-Stuyvesant Restoration Corporation. His other Director ships include Alcoa and PepsiCo.

Robert L. Ryan

Director

Age: 64

Mr. Ryan has been a Director of Citigroup since 2007. He is retired Chief Financial Officer of Medtronic. Prior to that, he was Vice President, Finance and Chief Financial Officer of Union Texas Petroleum Corporation from 1984 to 1993. He was also a Vice President, Citibank, during 1975 to 1982.

Ajay Banga

Chief Executive Officer, Asia Pacific

Age: 48

Mr. Banga has been the Chief Executive Officer of Citigroup in Asia Pacific since 2008. Previously, he was the Chairman and Chief Executive Officer of Citigroup's international global consumer group businesses since 2005. Previously, he served as an Executive Vice President of the global consumer group and President of retail banking North America. Mr. Banga, who joined Citi in 1996, served as business Head of CitiFinancial and the U.S. consumer assets division from 2000 to 2002. Previously, he worked in London as Division Executive for the consumer bank in Central and Eastern Europe, Middle East, Africa, and the Indian subcontinent from 1998 to 2000. Mr. Banga began his business career as a management trainee with Nestle in 1981. He later joined PepsiCo in its restaurants division and was instrumental in the launch of Pizza Hut and Kentucky Fried Chicken in India.

Shirish Apte

Chief Executive Officer, Central and Eastern Europe

Mr. Apte has been the Chief Executive Officer of Citigroup's Central and Eastern Europe operations since 2008. Previously he was the Chief Executive Officer of Central and Eastern Europe, Middle East and Africa (CEEMEA) Citi Markets and Banking since 2003. Previously he was Country Business Manager for Citi Markets and Banking Business in Citibank Handlowy in Poland. He has more than 25 years experience with Citigroup. He started as a Relationship Manager with Citibank India where he covered the pharmaceutical industry among other industry relationships. He also held various assignments in corporate banking, risk management, and corporate finance investment banking before becoming markets and banking head in India.

Teresa A. Dial

Global Head of Consumer Strategy and Chief Executive Officer of Consumer Banking in North America

Age: 58

Ms. Dial has been Global Head of Consumer Strategy and Chief Executive Officer of Consumer Banking in North America of Citigroup since 2008. Previously, she has led two very successful consumer banking operations Wells Fargo Bank in the US and Lloyds TSB UK Retail Banking.

Deborah Hopkins

Chief Innovation Officer

Age: 53

Ms. Hopkins has been the Chief Innovation Officer of Citigroup since 2008. She is also Managing Director and Senior Advisor of the group's institutional clients group. From 2003 to 2005, she was Chief Operations & Technology Officer and Chief Information Security Officer. Prior to that, she was Head of corporate strategy, mergers and acquisitions. Ms. Hopkins also has held senior level positions at several global companies, including Chief Financial Officer for The Boeing Company and Lucent Technologies. Prior to that, Ms. Hopkins was Vice President of Finance for General Motors Europe and a member of GM's European Strategy Board. Between 2000 and 2005, she was a member of the Board of Directors for DuPont.

Michael Klein

Chairman, Institutional Clients Group

Mr. Klein has been Chairman of Institutional Clients Group of Citigroup since 2008. Mr. Klein was most recently Chairman and Co-Chief Executive Officer of CMB, with primary responsibilities for corporate client coverage and Global Transaction Services across Citigroup. He was previously Chief Executive Officer of global banking, a position he held since the group's inception in February 2004. Prior to this, he was Chief Executive Officer of CMB for Europe, Middle East and Africa. In early 1999, he was given responsibility for the expansion of the firm's European investment banking business. Since 1987, and prior to becoming Co-Head of the global investment bank, he has been responsible for the firm's global financial entrepreneurs and private equity groups.

John Havens

Chief Executive Officer, Institutional Clients Group

Mr. Havens has been the Chief Executive Officer of Institutional Clients Group of Citigroup since 2008. He was formerly the Chief Executive Officer of CAI. Prior to joining CAI, Mr. Havens was a founder and Partner of Old Lane, a multi-strategy hedge fund and private equity fund manager that was acquired by Citigroup in 2007. Before forming Old Lane in 2005, Mr. Havens was Head of Institutional Equity at Morgan Stanley and a member of the firm's Management Committee.

7.7 Major Products & Services

Citigroup is one of the most diversified financial services company in the world. The company's key products and services include the following:

Global consumer group:

Auto loans

Checking services

Credit cards

Real estate loans

Expatriate banking

Leasing

Off-shore investments and banking

Online banking

Personal loans

Private banking

Retirement solutions

Savings

Corporate and investment banking services:

Cash management, trade and treasury

Commercial cards

Currency payments

Global fixed income

Global foreign exchange

Global futures

Global investment banking

Global transaction services

Private label credit card programs

Trade service and finance

Treasury solutions

Global wealth management:

Securities services

Depositary receipts

Fund administration

Fund and portfolio accounting

Global custody

Mutual funds

Retirement planning

Transfer agency and shareholder services

7.8 Revenue Analysis

The group recorded revenues of \$52,793 million in the financial year ended December 2008, a decrease of 32.7% over 2007.

The group generates revenues through its five business divisions: global consumer (54.3% of total revenue in the financial year 2008), global cards (38.3%), global wealth management (23.9%), institutional clients group (-14.8%) and corporate and other (-1.6%).

Revenues by Division

In the financial year 2008, the global consumer division recorded revenues of \$28,652 million, a decrease of 2.7% over 2007.

The global cards division recorded revenues of \$20,207 million in the financial year 2008, a decrease of 12.3% over 2007.

The global wealth management division recorded revenues of \$12,601 million in the financial year 2008, a decrease of 3.1% over 2007.

The institutional clients group division recorded net revenue expenses of \$7,817 million in the financial year 2008, as compared to a revenue of \$13,740 million in 2007.

The corporate/other division recorded net revenue expenses of \$850 million in the financial year 2008, as compared with net revenue expenses of \$752 million in 2007.

7.9 SWOT Analysis

Overview

Citigroup (or 'the group') is one of the most diversified financial services company in the world. The group's product portfolio includes retail banking, corporate banking, investment banking and asset management. The group has operations in 140 countries spanning North America, Latin America, Asia, Europe, the Middle East and Africa. Strong franchise and a suit of sub-brands provides the group with a competitive advantage and enables it to tap opportunities across various geographic markets. However, Citigroup is vulnerable to the global economic downturn and difficult mortgage market in the US.

Table 7: Citigroup Inc. SWOT Analysis	
<p>Strengths</p> <p>Strong franchise with a suite of sub-brands across the globe enables the group win large mandates</p> <p>The US government's TARP investment and the loss sharing arrangement strengthened the group's capital and liquidity position</p> <p>Cost cutting plans have improved the group's cost structure and are likely to continue the trend</p>	<p>Weaknesses</p> <p>Exposure to subprime and other distressed assets leading to higher losses</p> <p>Bankruptcy of Lehman Brothers Holding, Inc. affecting the group's operations</p>
<p>Opportunities</p> <p>Restructuring of Citigroup likely to help increase profitability and value creation</p> <p>Joint venture with Morgan Stanley likely to help the group benefit from growth in global wealth management</p> <p>US Treasury's plan to infuse \$1 trillion into distressed asset markets improves pricing and liquidity</p>	<p>Threats</p> <p>Increasing FDIC insurance premiums likely to affect margins</p> <p>Weakening global economic growth</p> <p>Mortgage market in the US could remain weak unless the American Recovery and Reinvestment Act improves the finances of the US household sector</p>
Source: Datamonitor	D.A.T.A.M.O.N.I.T.O.R

Citigroup Inc. Strengths

Strong franchise with a suite of sub-brands across the globe enables the group win large mandates

The group's competitive advantage is its strong franchise across the globe. The group has a presence in about 140 countries. Citigroup has the world's largest financial services network, and it is the world's largest bank by revenues as of 2008. The group's strong franchise value is evident from brand ranking. The group's brand was ranked seventh largest accounting for 27% of its market cap (\$36,498 million in 2009).

Apart from its primary brand i.e., Citi, the group owns significant sub brands such as Banamex, Citi Smith Barney, and Egg. The group's strong franchise value and sub-brands help it win large mandates, especially by its Institutional Clients Group (ICG), and Global Wealth Management businesses.

The US government's TARP investment and the loss sharing arrangement strengthened the group's capital and liquidity position

The US government's Troubled Asset Relief Program (TARP) investment in Citigroup and the loss sharing arrangement helped it regain capital strength which was earlier affected by toxic assets. In November 2008, Citi received an additional investment from the US government and purchased insurance against \$301 billion of assets. The group increased its structural liquidity to 66% of total assets in the final quarter of 2008. Citigroup reduced its assets from a peak of almost \$2.4 trillion down to about \$1.9 trillion and completed 19 divestitures by 2008. As a result, the group's Tier 1 capital ratio rose to approximately 11.9% at year end 2008, making Citi's Tier 1 among the highest in the industry. As a result, Citigroup is in much better position to meet its financial obligations than at the start of second half of 2008.

Cost cutting plans have improved the group's cost structure and are likely to continue the trend

In 2008, Citigroup has undertaken several cost reduction initiatives. For instance, in the fourth quarter of 2008, the group recorded restructuring charges of \$1.797 billion pretax related to the implementation of a re-engineering plan. This initiative will generate a reduction in headcount of approximately 20,600. In addition, during 2008, several businesses initiated their own re-engineering projects to reduce expenses. A total expense of \$1.732 billion was incurred generating a reduction in headcount of 16,807. In addition to these measures, the group sold some of its non-core businesses like German retail banking operations, CitiCapital, Upromise Cards Portfolio, and CitiStreet among others. As a result, the group's expenditure on compensation and benefits declined from 56.7% of operating expenses in 2007 to 45.6% in 2008. Going forward, the group's restructuring initiatives and the sale of some of its businesses will continue to show improvement the group's cost structure.

Citigroup Inc. Weaknesses

Exposure to subprime and other distressed assets leading to higher losses

In 2007, Citigroup recorded losses of \$18.3 billion pretax, net of hedges, on subprime-related direct exposures. Again in 2008, Citigroup's Securities and Banking (S&B) businesses recorded losses of \$14.3 billion pretax, net of hedges, on its subprime-related direct exposures. The Company's remaining \$14.1 billion in US subprime net direct exposure in S&B at December 31, 2008 consisted of (i) approximately \$12.0 billion of net exposures to the super senior tranches of CDOs, which are collateralized by asset-backed securities, derivatives on asset-backed securities or both, and (ii) approximately \$2.1 billion of subprime-related exposures in its lending and structuring business.

Similarly, the group's exposure to monocline insurers resulted in a pretax loss of \$5,736 million in 2008. The group also recorded pretax losses of \$4,892 million on funded and unfunded highly leveraged finance exposures in 2008 and \$1.487 billion in 2007. Also in 2008, Citigroup recorded pretax losses of approximately \$3,812 million, net of hedges, on Alt-A mortgage securities held in S&B. Going forward, these exposures are likely to lead to losses at least until pricing situation and liquidity in these markets improve.

Bankruptcy of Lehman Brothers Holding, Inc. affecting the group's operations

On September 15, 2008, Lehman Brothers Holding, Inc. (LBHI) filed for Chapter 11 bankruptcy in US Federal Court. A number of LBHI subsidiaries have subsequently filed bankruptcy or similar insolvency proceedings in the US and other jurisdictions. Lehman's bankruptcy caused Citigroup to terminate cash management and foreign exchange clearance arrangements, close out approximately 40,000 Lehman foreign exchange, derivative and other transactions and quantify other exposures. Bankruptcy of Lehman Brothers Holding, Inc. is likely to affect the group's foreign exchange operations in 2009 as well.

Citigroup Inc. Opportunities

Restructuring of Citigroup likely to help increase profitability and value creation

Citigroup has realigned its structure into two operating units—Citicorp and Citi Holdings. This structure highlights the value of its core franchise and reflects the rapid and dramatic changes in funding markets, operating models, and client needs.

In the new structure, Citicorp is the global bank for businesses and consumers. Citicorp consists of the Global Institutional Bank, which includes Global Transaction Services, Corporate and Investment Bank, Citi Private Bank, and the Retail Bank. The Retail Bank includes regional consumer and commercial banking and card franchises around the world. Approximately two thirds of Citicorp's balance sheet is deposit-funded. It has relatively low-risk, high-return assets and it operates in the fastest-growing areas of the world.

Citi Holdings includes some businesses that have strong market positions but are not central to the group's core operating strategy. Citi Holdings is made up of brokerage and asset management; consumer finance, mortgage loans, and private label credit cards; and a special asset pool. Approximately one third of the group's headcount supports Citi Holdings and it includes the \$301 billion of assets covered by its loss-sharing agreement with the US government.

The clear demarcation of business operations is expected to help the group identify which businesses generate excess returns and which do not. Moreover, this demarcation makes middle and top management accountable to the performance of their business units.

Joint venture with Morgan Stanley likely to help the group benefit from growth in global wealth management

On January 13, 2009, Citigroup reached a definitive agreement to sell its Smith Barney business, which includes Smith Barney in the US, Smith Barney in Australia and Quilter in the U.K., to a joint venture to be formed with Morgan Stanley in exchange for a 49% stake in the joint venture and an upfront cash payment of \$2.7 billion from Morgan Stanley. The joint venture, to be called Morgan Stanley Smith Barney, will combine the sold businesses with Morgan Stanley's Global Wealth Management Group. It will not include Citi Private Bank, Nikko Cordial Securities or Citigroup's bank branch-based financial advisors.

The joint venture's combined businesses have more than 20,000 financial advisors, 1,000 offices, \$1.7 trillion in client assets at December 31, 2008, \$14.9 billion in 2008 pro forma combined revenues, and \$2.8 billion in 2008 pro forma combined pretax profit. Upon closing, and following the cash payment of \$2.7 billion from Morgan Stanley to Citigroup, Morgan Stanley will own 51% and Citi will own 49% of the joint venture. Morgan Stanley and Citi will have various purchase and sale rights for the joint venture, but Citi is expected to retain the full amount of its stake at least through year three and to continue to own a significant stake in the joint venture at least through year five. The transaction, which is subject to and contingent upon regulatory approvals and other customary closing conditions, is expected to close in the third quarter of 2009. At closing, and based on current estimates of the fair value of the joint venture, Citigroup could recognize a pretax gain of approximately \$9.5 billion (approximately \$5.8 billion after tax) and also generate approximately \$6.5 billion of tangible common equity.

US Treasury's plan to infuse \$1 trillion into distressed asset markets improves pricing and liquidity

On March 23, 2009, the US Treasury announced a new trillion-dollar plan for a public-private effort to purge banks of toxic assets that have driven the economy into a deep recession. This news helped Citigroup's stock price to appreciate by 19%.

The Treasury's Public-Private Investment Program will use \$75 billion to \$100 billion from the \$700 billion Troubled Asset Relief Program enacted in 2008, giving the government 'purchasing power' of \$500 billion. The Treasury said the program may double 'over time.' US Treasury's plan to infuse \$1 trillion into distressed asset markets will improve pricing and liquidity in these markets helping banks such as benefit immensely.

Citigroup Inc. Threats

Increasing FDIC insurance premiums likely to affect margins

The FDIC merged the Savings Association Insurance Fund and the Bank Insurance Fund to create the DIF on March 31, 2006. AFC is a member of the DIF and pays its deposit insurance assessments to the DIF. AFC's expense for FDIC deposit insurance premiums, excluding the Financing Corporation payments, totaled \$702,000 in 2008. As a result of the recent failures of a number of banks and thrifts, there has been a significant increase in the loss provisions of the DIF of the FDIC. This has resulted in a decline in the DIF reserve ratio. Because the DIF reserve ratio declined below 1.15% and is expected to remain below 1.15%, the FDIC was required to establish a restoration plan to restore the reserve ratio to 1.15% within five years. In order to restore the reserve ratio to 1.15%, the FDIC has adopted a final rule increasing assessment rates uniformly by 7 basis points (annualized) for the first quarter of 2009 and proposed other changes effective for the second quarter of 2009. Under the proposed plan, beginning with the second quarter of 2009, the initial base assessment rates will range from 10 to 45 basis points depending on an institution's risk category, with adjustments resulting in increased assessment rates for institutions with a significant reliance on secured liabilities and brokered deposits. This is expected to increase the company's cost of deposit insurance with FDIC. Consequently this is expected to lead to a margin squeeze.

Weakening global economic growth

The global economy is expected to continue to slow markedly in 2009, with no recovery in growth seen until 2010. In February 2009, The International Monetary Fund (IMF) downgraded its world economic growth forecasts for 2009 for the third time in four months, to 0.5%, with that growth due to emerging economies, with economic growth in the advanced economies forecast to decline 2.0% in 2009. The IMF now predicts the Australian economy will also fall into recession in 2009, with economic growth of -0.2% expected for 2009, down from its November 2008 forecast for growth of 2.2% in Australia in 2009. Most of the advanced economies are already in recession, including the US, Europe, Japan, the UK, Canada and NZ, with other advanced economies likely to follow this lead in 2009. Weakening global economic growth is likely to decrease demand for international trade financing services and wealth management services.

Mortgage market in the US could remain weak unless the American Recovery and Reinvestment Act improves the finances of the US household sector

After two years of a housing recession, most measures of housing activity continued to deteriorate. Both total and single-family housing starts fell in December 2008 to record lows since the inception of the series in 1959. For all of 2008, single-family starts were 40.5% lower than 2007—a record annual drop. Multifamily starts with five or more units fell just 4.5% in 2008 from 2007, while starts of structures with 2-4 units declined 45.6% for the year. The drop of total housing starts in 2008 of 33.3% was the second biggest annual decline after a 34.6% drop in 1974. Even with record declines in homebuilding activity, the housing market continued to show considerable excess supply as housing demand pulled back along with the decline in new construction. Despite improving affordability through declining mortgage rates and home prices, the demand for homes, especially for new homes, remains sluggish. Concerns over mounting job losses and flagging consumer confidence have outweighed improving affordability. So, mortgage market in the US could remain weak unless the American Recovery and Reinvestment Act improves the finances of the US household sector.

7.10 Competitor Analysis

Bank of America Corporation

Credit Suisse Group

Deutsche Bank AG

JP Morgan Chase & Co

UBS AG

Fortis

Goldman Sachs Group

HSBC Holdings plc

ING Groep N.V.

U.S. Bancorp

Wells Fargo & Company

BNP Paribas Group

GE Money

7.11 Company View

A statement by Vikram Pandit, Chief Executive Officer of Citigroup is given below. The statement has been taken from the group's 2008 annual report.

For a little more than a year, I have had the honor of leading Citi through some of the most challenging circumstances in its long history. I'm acutely aware of the responsibility you—our owners—have placed on me and the Citi leadership team, and I can assure you, we are committed to restoring Citi to profitability as quickly as possible.

I recognize the tremendous loss of value you and your fellow Citi shareholders have endured over the past months. My commitment to you is to rebuild value with all the energy and urgency that the times demand.

I am equally sensitive to the enormous financial pressures that homeowners and consumers are under. Too many hard-working people find themselves in financial straits they never thought possible. At Citi, we are committed to helping those in urgent need and participating in industry reforms that will enable the financial system to recover its strength and health.

I'm mindful also of the investment made in Citi by the US government and American taxpayers. Our commitment to them is to work with the Administration and our regulators to address the nation's economic priorities and to do all we can to speed the recovery of our markets.

More than ever, we are committed to helping our clients and customers navigate these markets. Even in the face of extreme uncertainty, Citi's goal every day is to drive their success.

Finally, we are also committed to creating a strong company where employees—the people of Citi—continue to have opportunities to learn as well as the resources necessary to drive performance. Our teams are working together to ensure that the turnaround we all anticipate happens quickly.

Fulfilling all of these commitments would be ambitious even in the best of times. But history shows that Citi is at its best when circumstances call for vision, innovation, and bold action. I have no illusions about the impact of the severe financial turmoil. But I have no doubt that with continued hard work, Citi will again be at its best in these difficult times and beyond.

GLOBAL REBALANCING

The environment in 2008 was significantly more challenging than expected. Four key economic cycles—housing, commodities, institutional leverage, and personal consumption—needed to rebalance before global financial markets could stabilize. The result has been an unprecedented global economic disruption and severe challenges to the financial services industry. Regrettably, the burden of rebalancing has fallen most heavily on homeowners, consumers, and individual investors.

Governments around the world have responded to this pressure with decisive action to ensure the availability of funding and capital for banks. By the beginning of 2009, the financial industry, policymakers, and the economy were all inextricably linked. The path to restoring economic strength, globally and nationally, is the same path that will restore profitability to the banking industry. We recognize that success depends on all of us working together.

TAKING ACTION TO RESTORE CONFIDENCE

Investor confidence in financial institutions was shaken as the economy worsened considerably in the fourth quarter of 2008. We participated in the government's Troubled Asset Relief Program (TARP), which was designed to provide more capital to banks in light of this environment. In November, Citi received an additional investment from the US government and purchased insurance against \$301 billion of assets. These programs were designed to address issues of confidence. Statements of support by the US Treasury and other regulators have reinforced this effort.

The exchange offer we announced in February 2009 was structured to result in the conversion of a portion of the US government's preferred stock investment under TARP, as well as a portion of our private preferred stock into common stock. This exchange offer was designed to strengthen our tangible common equity and increase confidence in our capital strength. But it was a very difficult decision because it was a trade-off between dilution for common shareholders versus the enhancement of our capital base from which to serve clients and grow our business with confidence. Ultimately, the trade-off we made will be in the best long-term interest of our shareholders.

PUTTING TARP FUNDS TO WORK

We take very seriously the responsibility to put TARP funds to work to help our customers and their communities through this difficult period. We are using the capital we received through the TARP to increase lending to borrowers in need. We are committed to generating an exceptional return on all stakeholders' capital and we have reported and will continue to report on our activities quarterly. We are also keenly aware of our responsibility to do all we can to rekindle the economy and renew productive activity. And we are working with individual customers to help relieve some of the pressure they're experiencing.

By using our databases and customer insight, we have been able to identify customers at risk of delinquency and reach out to them to restructure their loans before they slip into default. Our Citi Homeownership Assistance Program (CHAP) is a proactive program that helps avoid the loss of homes and protects credit scores and future borrowing potential. Through new assistance programs, we have helped about 440,000 homeowners weather the downturn. We are also pleased to support the Administration's approach to mortgage loan modifications.

2008 FINANCIAL RESULTS

We reported a loss of \$27.7 billion in 2008. This unacceptable result reflects the impact of a weak economy and a lack of market liquidity on various assets we carried into this downturn. As previously disclosed our results included \$32 billion of revenue mark-to-market losses on assets in our Securities and Banking business. In addition, like all major banks, we are experiencing elevated credit losses as our customers struggle to repay loans. As credit quality deteriorated, we added to loan loss reserves. Our 2008 results reflect a net build of \$14.7 billion to our loan loss reserves. We ended the year with total loan loss reserves of \$30 billion. Our financial results this year were very disappointing. However, away from these losses, our core franchises are performing well and our customers remain active and engaged with Citi around the world. We will build on this to achieve our highest priority—returning Citi to profitability.

THREE-STAGE PLAN FOR RESTORING STRENGTH

After being appointed CEO of Citi in December 2007, my management team and I conducted a comprehensive review of Citi's operations. We found an incredible global franchise with material competitive advantages in many businesses. We discovered some of the most talented professionals in the industry. And we identified numerous opportunities for growth. However, we also inherited many high-risk assets that were not essential to our core business. We found that some of Citi's resources were allocated to activities that did not create enough value for our clients and did not earn adequate risk-adjusted returns for shareholders. At the same time, we uncovered an outsized cost structure and inefficient information technology systems that in many cases could not connect to one another.

We devised a plan to attack all of these issues and in May 2008 we outlined our multiyear plan to restore strength and position the company for future growth in three stages: Get Fit, Restructure Citi, and Maximize Citi. Throughout 2008, in the midst of a global economic downturn and global financial crisis, we remained focused on Getting Fit. We have made and continue to make significant progress in strengthening Citi's capital and structural liquidity; reducing the balance sheet, expenses and headcount; and decreasing risk across the organization.

- We raised significant capital from private investors as well as through the TARP. We increased our Tier 1 capital ratio to approximately 11.9 percent at year end, making Citi's Tier 1 among the highest in the industry.
- We increased our structural liquidity to 66 percent of total assets in the final quarter of 2008.
- We reduced our assets from a peak of almost \$2.4 trillion down to about \$1.9 trillion and completed 19 divestitures.
- In the fourth quarter of 2008, we reduced our 'business-as-usual' expenses by 16 percent from the fourth quarter of 2007 to \$12.8 billion.
- We made difficult but necessary decisions to reduce headcount and ended the year with headcount of 323,000, down from 375,000.
- We reorganized operations and technology and other functions to create a more streamlined organization with greater accountability for performance.
- And we added some of the most seasoned and experienced talent in the industry to Citi's leadership ranks.

Our ability to accomplish so much in such a short period in the midst of severe market dislocations is a testament to the hard work and focus of my Citi colleagues around the world. None of this would have been possible without their extraordinary perseverance and professionalism.

RESTRUCTURING CITI

We accelerated the second stage of our drive for value creation—Restructuring Citi—by realigning Citi into two operating units—Citicorp and Citi Holdings. This structure highlights the value of our core franchise and reflects the rapid and dramatic changes in funding markets, operating models, and client needs.

The new structure simplifies Citi, and sets out a clear path to profitability and value creation. In the new structure, Citicorp is our global bank for businesses and consumers. Citicorp consists of the Global Institutional Bank, which includes Global Transaction Services, Corporate and Investment Bank, Citi Private Bank, and the Retail Bank. The Retail Bank includes regional consumer and commercial banking and card franchises around the world. Approximately two thirds of Citicorp's balance sheet is deposit-funded. It has relatively low-risk, high-return assets and it operates in the fastest-growing areas of the world. On a stand-alone basis, I believe there is no stronger financial services firm than Citicorp.

Citi Holdings includes some great businesses that have strong market positions but are not central to our core operating strategy. Citi Holdings is made up of brokerage and asset management; consumer finance, mortgage loans, and private label credit cards; and a special asset pool. Approximately one third of our headcount supports Citi Holdings and it includes the \$301 billion of assets covered by our loss-sharing agreement with the US government. We will continue to manage these businesses and assets to ensure we maximize their value to our shareholders and will be alert to sensible dispositions or combinations.

With lower risk and a streamlined set of businesses, we expect Citicorp to be a high-return and high growth business. With Citi Holdings, we will be able to tighten our focus on risk management and credit quality. And, with the right structure and management in place, we'll be able to turn our attention to the third stage of our growth strategy: Maximizing Citi.

2009 AND BEYOND

The best way to make good on our commitments to investors, clients, policymakers, employees, and citizens is to return Citi to profitability as soon as possible. As a Citi shareholder, you have experienced an extremely disappointing year and I know that any return to profitability is long overdue. You should know that we are doing everything in our power to accelerate that return. We recognize that industry profitability may continue to be affected by asset price volatility and credit deterioration. But we also see that the policies implemented thus far are setting the stage for recovery.

We enter 2009 with the drivers of profitability in place. Our funding, risk capital, and underlying revenue levels are strong. Our expenses and risks have been reduced. We are taking control of what is within our control. Although 2009 will likely remain a challenging year—particularly in terms of credit costs—we believe that as the economic environment begins to recover, as it inevitably will, Citi will be well positioned to create the kind of shareholder value of which we all know Citi is capable and which you should reasonably expect.

CONCLUSION

In such challenging times it is worth taking stock of what is truly valuable about Citi. I'm convinced there are some enduring truths that will stand the test of the coming years. The first is that our competitive advantage will remain our global presence, which is rich both in history and in client relationships. At the heart of Citi is an irreplaceable franchise built over nearly 200 years, with more than 200 million customer accounts in over 100 countries. Through this unique global network, we enable people to reach out and to work together across the world. Second, we will continue to build on our rich legacy of innovation: innovation to ensure that we can address the needs of a highly mobile population that is increasingly urban and international in outlook; innovation to help people and companies work more collaboratively across multiple networks and time zones; innovation to facilitate new ways of thinking about money and the role it plays in everyday life and business.

Third, we will remain determined to build a culture of meritocracy where talent is recognized and rewarded with opportunity, where each employee has a chance to achieve his/her potential, and where the best do better. Fourth, we'll continue to make a difference in the communities where we work and live. In November, 50,000 Citi colleagues and friends came together in 550 cities around the world in a single day to repair schools, deliver food, and help people in need. With so many people now feeling pressure, Citi is more devoted than ever to improving society and the environment in the communities where we work through our philanthropy, volunteerism, public policy engagement, and our core business activities.

Every Citi employee is acutely aware of the challenges ahead. We all know people whose economic struggles are unprecedented and overwhelming. It is our commitment to Citi's customers, shareholders, and employees to create solutions that mitigate the impact of these difficult times. With the top team in the industry, we will succeed.

7.12 Company Locations

Head Office:

Citigroup Inc.

399 Park Avenue

New York

New York 10043

USA

P: 1 212 559 1000

<http://www.citigroup.com>

Other Locations

Citi Kaerntner Ring 11-13 A-1015 Vienna AUT	Citigroup Global Markets Limited 1-5 rue Paul Cezanne 75008 Paris FRA
Citigroup Centre 2 Park Street Sydney New South Wales 2000 AUS	The Citigroup Private Bank 36 Maker Chambers VI Nariman Point Mumbai 400 021 IND
Citibank, N.A. Citibank Centre Level 11 23 Customs Street East Auckland 1 NZL	Nikko Citigroup Limited Akasaka Park Building 2-20, Akasaka 5-chome Minato-ku Tokyo 107-6122 JPN
Citibank Costa Rica S.A. Oficentro Plaza Roble Edificio El Patio 4 piso Guachipelín de Escazu CRI	The Citigroup Private Bank 123 Front Street West 19/ Floor Toronto Ontario M5J 2M3 CAN

CHAPTER 8 APPENDIX

8.1 Methodology

Datamonitor Industry Profiles draw on extensive primary and secondary research, all aggregated, analyzed, cross-checked and presented in a consistent and accessible style.

Review of in-house databases – Created using 250,000+ industry interviews and consumer surveys and supported by analysis from industry experts using highly complex modeling & forecasting tools, Datamonitor's in-house databases provide the foundation for all related industry profiles

Preparatory research – We also maintain extensive in-house databases of news, analyst commentary, company profiles and macroeconomic & demographic information, which enable our researchers to build an accurate market overview

Definitions – Market definitions are standardized to allow comparison from country to country. The parameters of each definition are carefully reviewed at the start of the research process to ensure they match the requirements of both the market and our clients

Extensive secondary research activities ensure we are always fully up-to-date with the latest industry events and trends

Datamonitor aggregates and analyzes a number of secondary information sources, including:

- National/Governmental statistics
- International data (official international sources)
- National and International trade associations
- Broker and analyst reports
- Company Annual Reports
- Business information libraries and databases

Modeling & forecasting tools – Datamonitor has developed powerful tools that allow quantitative and qualitative data to be combined with related macroeconomic and demographic drivers to create market models and forecasts, which can then be refined according to specific competitive, regulatory and demand-related factors

Continuous quality control ensures that our processes and profiles remain focused, accurate and up-to-date

8.2 Industry Associations

Mortgage Bankers Association

1919 Pennsylvania Ave. Washington, DC 20006-3404, US

Tel: 1 202 557 2700

www.mbaa.org/