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October 15, 2009

Stock Rating
Equal-weight

Industry View
Attractive

Citigroup Inc.

Quick Comment: Roughly an In-Line Quarter

Impact on our views: Excluding one-time items associated with the pref conversion, completed in 3Q09, operating EPS were \$(0.05). Credit came in slightly better than expected this quarter, particularly in card and the local consumer lending business. IB fees and trading were in-line with our expectations, but lower than peer group as we believe C drove share with more aggressive pricing. EPS slightly below our estimate on ICG \$(0.04), due to expenses, and Corp/Other \$(0.06).

What's new: Citi reported 3Q09 EPS operating EPS of \$(0.05), excluding discontinued operations and the impact of the pref conversion, roughly in-line with MS estimate of \$(0.01) and above consensus of \$(0.27).

Credit: Managed provisions for loan losses were \$11.8B, below our estimate by \$1B, primarily due to lower NCOs in card and local consumer lending. Reserve build of \$800M was in-line with expectations. Retail bank managed credit card NCOs were 10.3% vs. 10.2% prior quarter and better than our estimate of 11.4%.

Capital: Capital strengthened above expectations as a result of the completion of the pref exchange. TCE / RWA was 10.3% and Common tier 1 increased to 9.1%, above our expectations of 9.7% and 8.5% respectively.

Call Details: Call at 11.00 am EST today. Dial in number: Domestic: 877-700-4194, International callers: 706-679-8401. Pass Code: 28581886.

Key Ratios and Statistics

Reuters: C.N Bloomberg: C US

Banking - Large Cap Banks / United States of America

Price target	\$5.50
Shr price, close (Oct 14, 2009)	\$5.00
Mkt cap, curr (mm)	\$30,531
52-Week Range	\$19.25-0.97

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October 15, 2009

Citigroup Inc.

Exhibit 1

Citi 3Q09 Operating EPS of \$(0.05)

Citi 3Q09 Earnings

EPS Estimate	<u>Operating</u>	<u>MS Estimate</u>	<u>Consensus</u>
3Q09 EPS	(0.05)	(0.01)	(\$0.27)

Net Income Summary	<u>Actual</u>	<u>MS Estimate</u>	<u>vs. Forecast</u>	<u>Core EPS Impact</u>
Citicorp				
Regional Consumer Banking	615	388	227	\$0.02
Institutional Clients Group	1,694	2,159	(465)	(\$0.04)
Citi Holdings				
Brokerage / Asset Management	139	231	(92)	(\$0.01)
Local Consumer Lending	(2,099)	(2,839)	740	\$0.06
Special Asset Pool	142	652	(510)	(\$0.04)
Corporate / Other	(749)	(36)	(713)	(\$0.06)
Total Citibank	(258)	555	(813)	(\$0.07)
Preferred Dividends	362	666	(304)	\$0.03
Operating earnings for common shareholders	(620)	(111)	(509)	(\$0.04)
Share Count	12,216	11,885	331	\$0.00
Operating EPS	(0.05)	(0.01)		(0.04)
One-time items (After-tax)			0	\$0.00
Extraordinary Items	(2,204)	893		
Reported Earnings	(2,824)	782		
Reported EPS	(0.23)	0.07		\$ (0.30)

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October 15, 2009

Citigroup Inc.

Revenue	<u>Actual</u>	<u>MS Estimate</u>	<u>vs. Forecast</u>	<u>EPS Impact</u>
Regional Consumer Banking	5,675	5,700	(25)	(\$0.00)
Retail Banking	3,315	3,310	5	\$0.00
Card	2,360	2,390	(30)	(\$0.00)
Institutional Clients Group	7,350	7,332	18	\$0.00
Securities & Banking	4,893	5,011	(118)	(\$0.01)
Transaction Services	2,457	2,321	136	\$0.01
Citi Holdings				
Brokerage & Asset Management	670	1,557	(887)	(\$0.05)
Local Consumer Lending	4,647	4,264	383	\$0.02
Special Asset Pool	1,377	2,508	(1,131)	(\$0.06)
Corporate / Other	(711)	(119)	(592)	(\$0.03)
Total	19,008	21,242	(2,234)	(\$0.12)
Operating Expenses	<u>Actual</u>	<u>MS Estimate</u>	<u>vs. Forecast</u>	<u>EPS Impact</u>
Regional Consumer Banking	3,547	3,534	(13)	(\$0.00)
Institutional Clients Group	4,634	3,847	(787)	(\$0.04)
Brokerage & Asset Management	358	1,195	837	\$0.05
Local Consumer Lending	2,611	2,559	(52)	(\$0.00)
Special Asset Pool	233	199	(34)	(\$0.00)
Corporate / Other	441	53	(388)	(\$0.02)
Total	11,824	11,387	(437)	(\$0.02)
Loan Loss Provisions	<u>Actual</u>	<u>MS Estimate</u>	<u>vs. Forecast</u>	<u>EPS Impact</u>
Regional Consumer Banking	1,426	1,681	255	\$0.01
Institutional Clients Group	292	317	25	\$0.00
Brokerage & Asset Management	0	63	63	\$0.00
Local Consumer Lending	4,929	6,074	1,145	\$0.06
Special Asset Pool	1,321	1,305	(16)	(\$0.00)
Corporate / Other	803	0	(803)	(\$0.04)
Total	8,771	9,441	670	\$0.04

Source: Company data, Morgan Stanley Research

October 15, 2009
Citigroup Inc.



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(as of September 30, 2009)

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	Count	% of Total	Count	% of Total IBC	% of Rating Category
Overweight/Buy	843	36%	259	39%	31%
Equal-weight/Hold	1062	45%	314	47%	30%
Not-Rated/Hold	26	1%	3	0%	12%
Underweight/Sell	412	18%	89	13%	22%
Total	2,343		665		

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October 15, 2009
Citigroup Inc.

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Industry Coverage: Banking - Large Cap Banks

Company (Ticker)	Rating (as of)	Price (10/14/2009)
Betsy L. Graseck, CFA		
BB&T Corporation (BBT.N)	E (10/05/2007)	\$28.53
Bank of America (BAC.N)	O (05/07/2009)	\$18.59
Bank of New York Mellon Corp (BK.N)	O (04/13/2006)	\$28.18
Boston Private Financial Holdings, Inc. (BPFH.O)	E (11/21/2008)	\$6.29
Citigroup Inc. (C.N)	E (07/24/2008)	\$5
Fifth Third Bancorp (FITB.O)	E (07/10/2008)	\$10.35
J.P.Morgan Chase & Co. (JPM.N)	O (12/11/2006)	\$47.16
KeyCorp (KEY.N)	E (08/07/2009)	\$6.68
Northern Trust Corp. (NTRS.O)	O (10/31/2007)	\$59.17
PNC Financial Services (PNC.N)	O (10/31/2005)	\$46.77
Regions Financial Corp (RF.N)	U (11/21/2008)	\$6.09
State Street Corporation (STT.N)	E (04/26/2009)	\$53.69
SunTrust (STI.N)	U (05/22/2009)	\$22.46
U.S. Bancorp (USB.N)	E (12/02/2002)	\$23.94
Wells Fargo & Co. (WFC.N)	O (10/16/2008)	\$31.34
Wilmington Trust Corporation (WL.N)	E (11/21/2008)	\$15.34

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