

# ***Citi Acquisition of Wachovia's Banking Operations***

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September 29, 2008



# Transaction Structure

<b>Transaction Details</b>	<ul style="list-style-type: none"><li>▶ <b>Citi acquires Wachovia's retail bank, corporate and investment bank and private bank businesses</b><ul style="list-style-type: none"><li>– Citi pays \$2.2 billion to Wachovia in Citi common stock</li><li>– Citi assumes substantially all of Wachovia's debt; preferred stock excluded</li><li>– Wachovia remains a publicly-traded holding company consisting of its retail brokerage and asset management businesses</li></ul></li></ul>
<b>Capital</b>	<ul style="list-style-type: none"><li>▶ <b>Citi expects to raise \$10 billion in common equity from the public markets</b></li><li>▶ <b>Citi issues preferred stock and warrants to FDIC with a fair value of \$12 billion at closing, accounted for as GAAP equity with full Tier 1 and leverage ratio benefit</b></li><li>▶ <b>Quarterly dividend reduced to \$0.16 per share immediately</b></li><li>▶ <b>Regulatory capital relief on substantially all of the \$312 billion of loss protected assets</b></li></ul>
<b>Risk Mitigation</b>	<ul style="list-style-type: none"><li>▶ <b>Citi enters loss protection arrangement with the FDIC on \$312 billion of loss protected assets; maximum potential Citi losses of \$42 billion</b><ul style="list-style-type: none"><li>– Citi is responsible for the first \$30 billion of losses, recorded at closing through purchase accounting</li><li>– Citi is responsible for the next \$12 billion of losses, up to a maximum of \$4 billion per year for the next three years</li><li>– FDIC is responsible for any additional losses</li><li>– Citi issues preferred stock and warrants to FDIC with a fair value of \$12 billion at closing</li></ul></li></ul>
<b>Approvals</b>	<ul style="list-style-type: none"><li>▶ <b>FDIC approved; subject to formal Federal Reserve approval and Wachovia shareholder approval</b></li></ul>
<b>Closing</b>	<ul style="list-style-type: none"><li>▶ <b>Anticipated by December 31, 2008</b></li></ul>

# ***Terms of Loss Protection Arrangement with FDIC***

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- ▶ **\$12 billion face value of preferred shares issued to the FDIC**
  - 6% preferred dividend
  - Recorded at a discount to par value
    - 100% Tier 1 credit
    - Discount accretes over time through retained earnings
  
- ▶ **Warrants on common stock, such that the combination of the value of the warrants plus the fair value of the preferred shares total approximately \$12 billion**
  - 100% Tier 1 credit
  
- ▶ **\$12 billion loss protection arrangement value to be amortized over 4 years through other expenses on the income statement**
  - 4 years reflects the expected average life of the loss protected assets

# Loss Protected Portfolio

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	Assets (\$B)
Residential Mortgages	\$156
Commercial Real Estate	100
Other Assets	56
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Total Loss Protected Portfolio	\$312

**\$30 billion expected losses recorded purchase accounting**

**Additional potential losses to Citi capped at \$12 billion (\$4 billion a year for 3 years)**

# Earnings Impact to Common Shareholders

## At closing

### Year 1:

- ▶ **Transaction expected to be accretive before accounting for a \$2.0 billion pre-tax restructuring charge**
  - Approximately \$1.3 billion in pre-tax expense synergies, offset by revenue dis-synergies
  - Approximately \$3.0 billion pre-tax charge related to loss protection arrangement with the FDIC <sup>(1)</sup>
  - 6% dividend on \$12 billion face value of preferred stock and accretion of discount on the preferred stock

### Years 2-4:

- ▶ **Transaction expected to be accretive under all assumptions**
  - Fully loaded pre-tax impact of annual expense synergies of approximately \$2.8-\$3.2 billion, offset by revenue dis-synergies of \$1.5-\$1.7 billion
  - Restructuring charges of approximately \$600 million
  - Approximately \$3.0 billion pre-tax annual charge related to loss protection arrangement with the FDIC <sup>(1)</sup>
  - 6% dividend on \$12 billion face value of preferred stock and accretion of discount on the preferred stock

**Extremely strong NPV, IRR and ROIC**

(1) Assumes straight-line amortization of \$12 billion loss protection arrangement over a four year period.

# Balance Sheet Impact

Pro forma as of June 30, 2008 <sup>(1)</sup>

Pro forma Balance Sheet	
▶ GAAP Assets	~\$2.9 Tr
▶ Risk-weighted Assets	~\$1.4 Tr
▶ Tier 1 Capital	~\$130 B
▶ Total Capital	~\$170 B

Pro forma Capital Ratios	
▶ Tier 1	8.8%
▶ TCE/RWMA	7.0%
▶ Leverage ratio	5.2%
▶ Total Capital ratio	11.8%

- ▶ **Regulatory capital relief on substantially all of the loss protected assets**
  - 150+ member due diligence team to vet loss protected assets
- ▶ **Remaining acquired assets very attractive**
- ▶ **Significant improvement of structural liquidity (i.e. Long-term debt + Deposits + Equity)**
  - Approximately 71% of total assets on a pro forma basis
- ▶ **Approximately \$100 billion of Wachovia's liquid assets expected to be saleable**

(1) Assumes capital issuances and dividend of \$0.16/share. Also includes impact of deferred tax asset disallowance.

# Purchase Accounting Summary

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**\$B**

<b>Estimated net book value</b>	<b>~\$63</b>
<b><u>Purchase accounting adjustments:</u></b>	
<b>Write-down of existing goodwill intangibles</b>	<b>(39)</b>
<b>Adjustment on credit impaired loans and securities</b>	<b>(30)</b>
<b>Release of existing LLR related to credit impaired loans</b>	<b>9</b>
<b>Other purchase accounting adjustments, including restructuring expenses</b>	<b>(4)</b>
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<b>Book value after purchase accounting</b>	<b>\$(1)</b>
<b>Purchase consideration</b>	<b>2</b>
<b>Goodwill / intangibles associated with transaction</b>	<b>3</b>

Note: Estimated at close.

# Competitive Positioning

Branches (#)		
Rank	Institution	Branches
1	Bank of America	6,143
2	JPMorgan Chase	5,410
3	Pro forma Citi <sup>(1)</sup>	4,365
4	Wells Fargo	3,436
5	Wachovia	3,346
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10	Citi <sup>(1)</sup>	1,019

Total Deposits (\$B)		
Rank	Institution	Deposits
1	Pro forma Citi	\$1,252
2	JPMorgan Chase	911
3	Citi	804
4	Bank of America	785
5	Wachovia	448

Source: SNL Datasource, except Citi and JPMorgan data. JPMorgan data from company presentations.

Note: Branch data as of September 29, 2008, except Citi data; deposit data as of June 30, 2008.

(1) Citi branches as of August 31<sup>st</sup>, 2008 and do not include 3,330 retail bank branches outside North America.

# *Appendix*

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# Strategic and Financial Rationale

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## ▶ **Creates a market-leading retail bank**

- Complementary branch and deposit footprint in very attractive markets
  - Third largest retail branch network in the U.S. with more than 4,000 combined branches
  - Approximately \$1.3 trillion in combined global deposits
- Complementary customer base, including attractive middle market and mass affluent customers

## ▶ **Transaction structure optimizes shareholder value**

- Very strong NPV, IRR and ROIC
- Expected to be accretive to Citi in year 1 excluding restructuring charge; expected to be significantly accretive in year 2
- Significant potential for revenue synergies not included in accretion analysis

## ▶ **Significant risk mitigation provisions in place**

- Identified \$312 billion of assets to be part of a loss protection arrangement with FDIC
  - Citi is responsible for the first \$42 billion of losses; FDIC covers all additional losses
  - Citi receives regulatory capital relief on substantially all of the loss protected assets

# ***Market Leading Retail Bank***

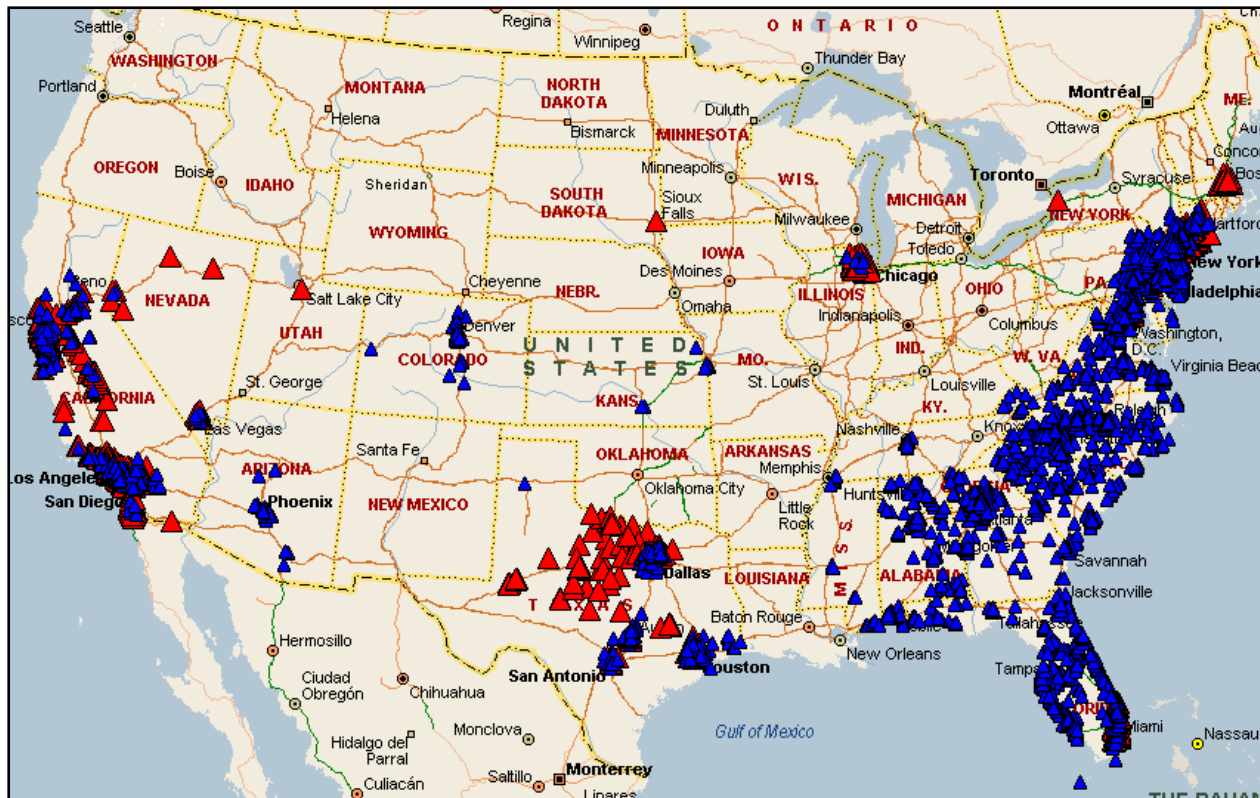
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- ▶ **Wachovia footprint concentrated in high growth and wealthy markets**
  - Located in MSAs with average population growth of 8% vs. U.S. average 6%
  
- ▶ **Leading position top MSAs**
  - 3,346 Wachovia retail branches complement existing 1,019 Citi branches
  - Wachovia branches concentrated in NC (#1 rank), FL (#1 rank) , PA (#2 rank) , NJ (#2 rank)
  - Adds 5,277 Wachovia ATMs
  - Significantly expands distribution of Citi cards and other consumer products and services
  
- ▶ **Minimal branch overlap**
  
- ▶ **\$448 billion Wachovia deposits complement existing \$804 billion Citi deposits**
  
- ▶ **3rd largest U.S. bank with 6.4% market share in deposits; targets middle market & mass affluent customers**

Note: Citi branch data as of August 31, 2008; deposits as of June 30, 2008.

# Pro forma Geographic Impact

	Citi	Citi Pro forma
# MSAs where in Top 3	2	7
# MSAs where in Top 5	4	13
Deposit Share in Top 20 MSAs	4.0%	10.5%
National Deposit Share	3.4%	9.8%



Source: SNL; Data as of June 30, 2007; Proforma for pending acquisitions.

▲ Citi branches

▲ Wachovia branches

# Other Strategic Benefits

## Other Retail Banking Benefits

- ▶ **Technology**
  - Strong in-house retail and commercial banking platform
  - Highly scalable
  - Expect a 2-year time frame for migration to Wachovia platform
- ▶ **Strong Talent Pool**
- ▶ **Integration capabilities**
  - Successful track record of merger integrations
- ▶ **Opportunity to market in 3,346 Wachovia branches (e.g. Cards/Consumer Finance)**

## Corporate and Investment Bank

- ▶ **Top 3 largest domestic cash management services provider**
  - Complements Citi's global footprint
- ▶ **U.S. mid-market corporate franchise enhances Citi's position**

## Private Bank

- ▶ **U.S. franchise strengthens Citi's domestic position in \$5-\$50 million**
- ▶ **Calibre Family Office focused on \$50 million plus**