Equity Research
Change in Recommendation

October 31, 2007

US Banks

Citigroup

Is Citigroup's Dividend Safe? Downgrading Stock Due to Capital Concerns

Stock Rating:
Sector Underperformer

Sector Weighting:
Market Weight

12-18 mo. Price Target	None
C-NYSE (10/30/07)	$42.41

Key Indices: S&P 500, DJ Ind, NYSE, S&P 100

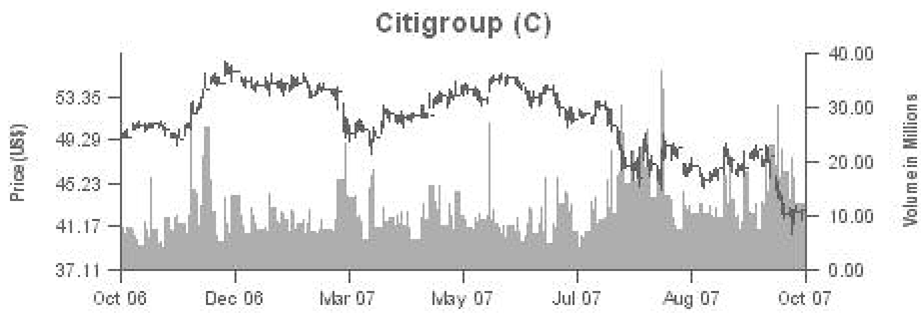
3-5-Yr. EPS Gr. Rate (E)	10.0%
52-week Range	$40.44-$56.66
Shares Outstanding	4.9B
Float	4,900.0M Shrs
Avg. Daily Trading Vol.	17,000,000
Market Capitalization	$208.4B
Dividend/Div Yield	$2.16 / 5.1%
Fiscal Year Ends	December
Book Value	$25.84 per Shr
2007 ROE (E)	14.0%
LT Debt	$340.0B
Preferred	$1,000.00M
Common Equity	$127.0B
Convertible Available	No

Earnings per Share	**Prev**	**Current**
2007	$3.75E	$3.68E
2008	$4.55E	$4.20E
2009	$4.95E	$4.55E
P/E		
2007	11.3x	11.5x
2008	9.3x	10.1x
2009	8.6x	9.3x

First Call Estimates	
2006	$4.25A
2007	$3.76E
2008	$4.70E
2009	$5.16E

- Our thesis is simple. We believe over near term, C will need to raise over $30bn in capital through either asset sales, a dividend cut, a capital raise, or combination thereof. We believe such a catalyst will pressure the stock significantly lower and accordingly downgrade to SU from SP as of Oct 31.
- C's tang. capital stands at just 2.8%. Since 2006, C has made $26 billion in acquisitions, taken over $6 billion in recent charges, and increased its dividend against a backdrop off almost no net income growth. Tang. equity has been almost flat since '05 while tang. assets have grown almost 60%.
- To put into context, avg. tang. cap ratios are closer to 5% for C's peers. While not part of our immediate thesis, higher credit losses and further disruption in the SIV market would only exacerbate our thesis of capital pressures.
- Catch 22 will apply here as selling assets will limit C's ability to grow earnings leading us to believe there will be a combined sale and cap. raise. We downgrade C to SU from SP and cut our 2008 EPS estimate to $4.20 from $4.55 and our 2009 EPS estimate to $4.55 from $4.95.

Stock Price Performance



Source: Reuters

All figures in US dollars, unless otherwise stated.

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Company Description
Citigroup Inc. is a diversified financial holding company that provides financial services around the world.

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See "Price Target Calculation" and "Key Risks to Price Target" sections at the end of this report, where applicable.

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Investment Thesis

We are downgrading our rating on Citigroup from Sector Performer to Sector Underperformer as of October 31. Our thesis is simple. We believe C will need to raise over $30 billion in capital as a results of its tangible capital ratios falling to the lowest levels in decades, now standing at almost half their peer group average at just 2.8%. Based upon our thesis that over the near term C will be forced to sell assets, raise capital or cut its dividend to shore up its capital ratios, we believe the stock will be under significant pressure and could trade into the low $30s. We note that at the height of JPM's recent troubles in 2002, the stock traded at 2.5x tangible book. Today, C trades at 3.7x its tangible book value of $12.77.

Third Quarter Puts C's Tangible Capital Ratio At Lowest Levels in Decades

Since the third quarter of 2005, Citigroup's tangible equity to tangible assets ratio (TE/TA) ratio has declined, but beginning at the third quarter of 2006, such ratio began declining by double digit rates in each subsequent quarter. Remember, the Federal Reserve lifted the ban in March 2006 that prevented Citigroup from acquisitions until it felt satisfied with C's compliance and risk management. Once it lifted such a ban, Citigroup made up for lost time and acquired over $25 billion in acquisitions in under two years growing its tangible asset base by almost 60% while the company's tangible equity base has had literally zero growth.

Exhibit 1. Citigroup's Tangible Equity to Tangible Assets Ratio Fell to 2.80% in 3Q07, a Multi-Year Low

Citigroup $ billions	1Q03	2Q03	3Q03	4Q03	1Q04	2Q04	3Q04	4Q04	1Q05	2Q05	3Q05	4Q05	1Q06	2Q06	3Q06	4Q06	1Q07	2Q07	3Q07
TE/TA Ratio	**4.8%**	**5.1%**	**5.1%**	**4.6%**	**4.7%**	**4.0%**	**4.1%**	**4.3%**	**4.4%**	**4.5%**	**4.6%**	**4.5%**	**4.3%**	**4.2%**	**4.1%**	**4.0%**	**3.5%**	**3.0%**	**2.8%**
QoQ %		*7%*	*0%*	*-9%*	*1%*	*-15%*	*2%*	*6%*	*1%*	*2%*	*3%*	*-2%*	*-3%*	*-2%*	*-4%*	*-3%*	*-12%*	*-13%*	*-8%*
YoY %					*-2%*	*-22%*	*-20%*	*-7%*	*-6%*	*12%*	*13%*	*4%*	*-1%*	*-5%*	***-11%***	***-12%***	***-19%***	***-28%***	***-31%***
Tier 1 Ratio	**8.7%**	**9.0%**	**9.5%**	**8.9%**	**9.0%**	**8.2%**	**8.4%**	**8.7%**	**8.8%**	**8.7%**	**9.1%**	**8.8%**	**8.6%**	**8.5%**	**8.6%**	**8.6%**	**8.3%**	**7.9%**	**7.4%**
QoQ %		*4%*	*5%*	*-6%*	*1%*	*-9%*	*3%*	*4%*	*0%*	*-1%*	*5%*	*-4%*	*-2%*	*-1%*	*2%*	*-1%*	*-4%*	*-4%*	*-6%*
YoY %					*3%*	*-10%*	*-12%*	*-2%*	*-2%*	*7%*	*9%*	*1%*	*-2%*	*-2%*	***-5%***	***-2%***	***-4%***	***-7%***	***-14%***

Source: Company reports and CIBC World Markets Corp

The Road Here? In 2006, after The Fed lifted its ban on C from making acquisitions, C made up for lost time and was one of the most aggressive acquirers over the past two years. While no one acquisition seemed particularly large at the time relative to C's overall size and asset base, in aggregate the total value of these deals has been close to $26 billion. Just this year, C's acquisitions have totaled $18 billion. Nikko alone was over $12 billion in total. The material challenge with this spending spree is that all the while C was sending $ out the door in the form of acquisitions, little incremental C's earnings weren't growing. During the time, C also raised its quarterly dividend by 10% to $0.54 per share from $0.49 per share, as announced in January 2007 or an additional $1 billion roughly in payout.

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Exhibit 2. C Has Been One Of The Most Aggressive Acquirers Over Past 2 Years, And Shopping Spree Drove Down Capital Levels

Acquisitions $ billions	Closed	Deal Value
Nikko Cordial Corporation (39%)	*Pending*	*$4.54*
Nikko Cordial Corporation (56%)	*4/26/2007*	*$7.70*
Nikko Cordial Corporation		**$12.24**
Federated Credit Card Portfolio	*7/17/2006*	*$2.45*
Federated Credit Card Portfolio	*5/1/2006*	*$1.34*
Federated Credit Card Portfolio	*10/24/2006*	*$3.57*
Federated Credit Card Portfolio		**$7.36**
Grupo Cuscatlan	5/11/2007	$1.51
BISYS Group Inc.	8/1/2007	$1.46
Egg Banking Plc	5/1/2007	$1.13
Old Lane Partners	7/2/2007	$0.80
Automated Trading Desk	10/3/2007	$0.68
Bank of Overseas China	Pending	$0.43
Banco de Chile (US business)	Pending	$0.13
Quilter & Co. Limited	2/28/2007	NR
All Other		**$6.13**
Total Capital Committed Over Last 2 Years		**$25.73**

Source: SNL Financial and CIBC World Markets Corp.

While C has been on a buying binge since 2006, its net income contribution has been relatively flat for almost four years. Therefore C's denominator of assets has steadily increased at a faster pace than its equity build considering the voracious pace of acquisitions.

Exhibit 3. Citigroup's Net Income Growth Have Been Relatively Flat Since 2004

Citigroup $ Millions	1Q04	2Q04	3Q04	4Q04	1Q05	2Q05	3Q05	4Q05	1Q06	2Q06	3Q06	4Q06	1Q07	2Q07	3Q07
Net Income	4,979	930	5,040	5,163	5,115	4,731	4,655	5,305	5,555	5,262	5,303	5,129	5,012	6,226	2,378
QoQ %		*-81%*	*442%*	*2%*	*-1%*	*-8%*	*-2%*	*14%*	*5%*	*-5%*	*1%*	*-3%*	*-2%*	*24%*	*-62%*
YoY %					*3%*	*409%*	*-8%*	*3%*	*9%*	*11%*	*14%*	*-3%*	*-10%*	*18%*	*-55%*

Source: Company reports and CIBC World Markets Corp.

Exhibit 4. Tangible Equity Declining by Single Digit Rate While Tangible Assets Growing by Double Digit Rates

Citigroup $ billions	1Q04	2Q04	3Q04	4Q04	1Q05	2Q05	3Q05	4Q05	1Q06	2Q06	3Q06	4Q06	1Q07	2Q07	3Q07
Tangible Equity	**59**	**54**	**56**	**62**	**63**	**67**	**65**	**65**	**66**	**67**	**69**	**70**	**68**	**66**	**64**
QoQ %	*5%*	*-10%*	*5%*	*10%*	*1%*	*6%*	*-3%*	*-1%*	*3%*	*0%*	*3%*	*2%*	*-3%*	*-4%*	*-3%*
YoY %	*13%*	*-9%*	*-6%*	*10%*	*6%*	*25%*	*16%*	*4%*	*6%*	*0%*	*6%*	*9%*	*3%*	*-2%*	*-7%*
Tier 1 Capital	**69**	**66**	**70**	**74**	**76**	**77**	**78**	**78**	**80**	**82**	**86**	**91**	**91**	**92**	**NR**
QoQ %	*3%*	*-4%*	*6%*	*7%*	*2%*	*2%*	*1%*	*0%*	*3%*	*3%*	*4%*	*6%*	*1%*	*1%*	*NR*
YoY %	*15%*	*3%*	*3%*	*11%*	*10%*	*17%*	*12%*	*5%*	*6%*	*7%*	*10%*	*17%*	*14%*	*13%*	*NR*
Tangible Assets	**1,275**	**1,352**	**1,390**	**1,437**	**1,442**	**1,502**	**1,425**	**1,446**	**1,538**	**1,578**	**1,698**	**1,783**	**1,967**	**2,159**	**2,291**
QoQ %	*4%*	*6%*	*3%*	*3%*	*0%*	*4%*	*-5%*	*1%*	*6%*	*3%*	*8%*	*5%*	*10%*	*10%*	*6%*
YoY %	*16%*	*17%*	*18%*	*18%*	*13%*	*11%*	*3%*	*1%*	*7%*	*5%*	*19%*	*23%*	*28%*	*37%*	*35%*
Risk Wgtd Assets	**770**	**808**	**832**	**852**	**860**	**884**	**851**	**885**	**930**	**964**	**991**	**1,058**	**1,107**	**1,168**	**NR**
QoQ %	*3%*	*5%*	*3%*	*2%*	*1%*	*3%*	*-4%*	*4%*	*5%*	*4%*	*3%*	*7%*	*5%*	*6%*	*NR*
YoY %	*11%*	*14%*	*17%*	*13%*	*12%*	*9%*	*2%*	*4%*	*8%*	*9%*	*16%*	*19%*	*19%*	*21%*	*NR*

Source: Company reports and CIBC World Markets Corp. We calculate Tangible Assets and Equity to exclude Goodwill and Intangibles disclosed in Citigroup's quarterly financial supplement.

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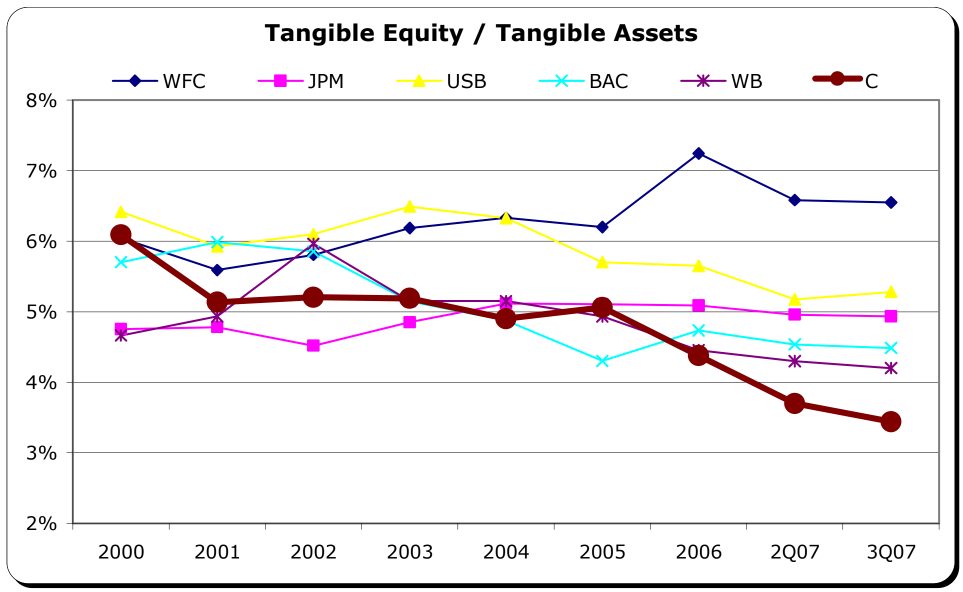
Citigroup's TE/TA ratio stands now at 2.8%. On a comparative basis, Citigroup has lagged its peers in terms of tangible equity to tangible assets since 2006. WFC has consistently been one of the more over capitalized banks within large caps since 2000. We calculate the peer average to be ~4.70% in 2Q07 and 3Q07, excluding Citigroup and WFC, who are both outliers. We believe that for C to re-establish an average tangible capital ratio of over 4.25%, C will need to raise over $30 billion in equity. To do that, C could cut its dividend, raise capital, sell assets, or a combination thereof. In any of those scenarios, we believe the earnings and returns will diminish significantly. We note that until 2005/2006, Citi's TE/TA Ratio tracked right along with its peer group average.

Exhibit 5. Citigroup TE/TA Ratio Diverges With Peer Pack Beginning In 2005/2006



Source: SNL Financial and CIBC World Markets Corp. SNL calculates Tangible Assets and Equity by excluding goodwill, CDI and other intangibles listed from 10-Qs. As some data is not available for 3Q07, we use 2Q07 data to determine 3Q07.

But wait, C's Tier 1 Ratio didn't seem to dip that much, so why the concern?

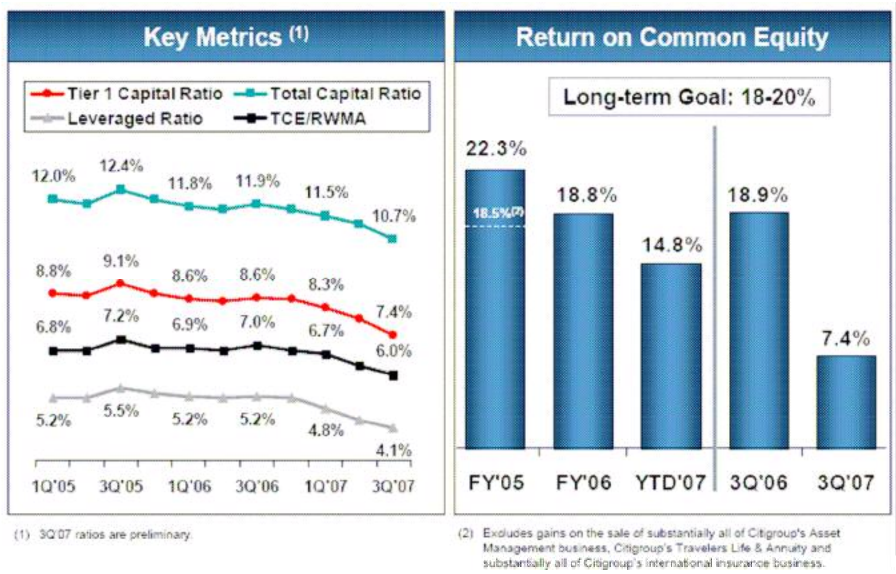
Exhibit 6. C Prefers To Look at Tier 1 Which Is Also Below Peer Group

Tier 1 Ratio (%)							
	2006Q1	2006Q2	2006Q3	2006Q4	2007Q1	2007Q2	2007Q3
USB	8.9	8.9	8.8	8.8	8.6	8.5	8.6
JPM	8.5	8.5	8.6	8.7	8.5	8.4	8.4
WFC	8.3	8.4	8.7	9.0	8.7	8.6	8.2
BAC	8.5	8.3	8.5	8.6	8.6	8.5	8.2
C	8.6	8.5	8.6	8.6	8.3	7.9	7.4
WB	7.9	7.8	7.7	7.4	7.4	7.5	7.2
Avg ex C	***8.5***	***8.5***	***8.6***	***8.5***	***8.4***	***8.3***	***8.1***

Source: SNL Financial and CIBC World Markets Corp.

Using a slide provided by C during its third quarter earnings, we show that by C's calculations, C's Tier 1 Capital has gone from 8.8% in 1Q05 to 7.4% as of 3Q07. It shows that its leverage ratio has gone from 5.2% to 4.1% during the same period.

Exhibit 7. C's Balance Sheets Metrics Trending Down Through 3Q07



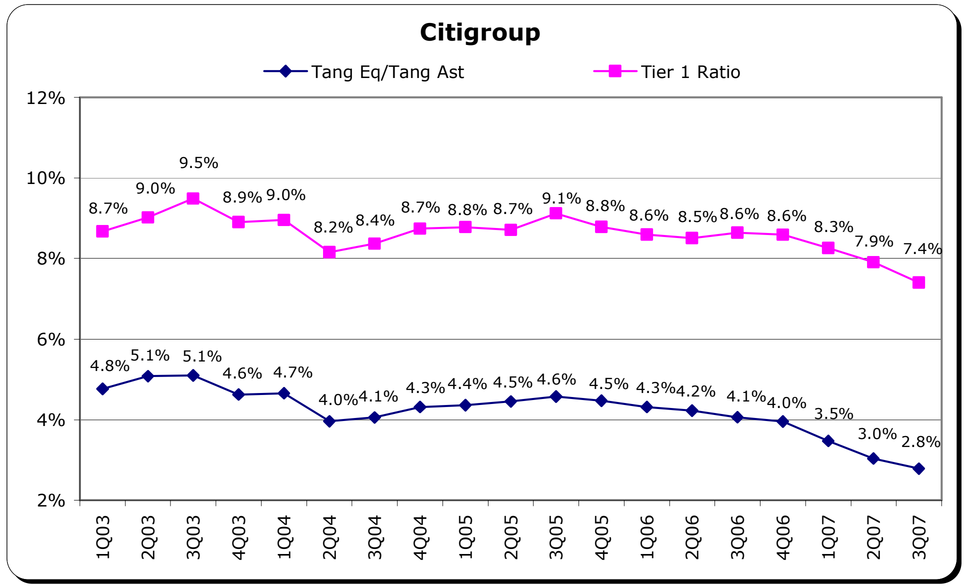
Source: Company reports and CIBC World Markets Corp. 3Q07 Earnings Presentation published 10/15/07.

Management continues to target a 7.5% tier 1 capital ratio and a 6.5% TCE/RWMA. C's tier 1 capital ratio fell to 7.4% in the third quarter, down from 7.9% last quarter and 8.6% a year ago. The decline was mostly attributable to acquisitions (e.g., Nikko Cordial, Bisys Group, Automated Trading Desk, Old Lane Partners, Quilter, etc.). Comparatively, C's 7.4% tier 1 capital ratio in 3Q07 was below the 8.1% average established by its large cap peers. Additionally, C's TCE/RWMA ratio declined to 6.0% in 3Q07. Again, we note that we believe a tangible leverage ratio is more valuable here in our opinion as there has simply been so much uncertainty over true asset values given the illiquid nature of even the previously highest rated assets.

We prefer to use tangible leverage ratio as it takes the subjectivity of a bank regulator out of the equation vis a vis "risk weighting of assets" and simply puts leverage ratios on an apples to apples basis. We note here that until roughly 2006, C's tangible capital ratios tracked very closely with peer group averages. We add that given the pronounced period of securities pricing uncertainty, we believe it is all the more important to use a simple, non-subjective analysis. In fact, the TE/TA, seen as a proxy to rating agencies, is used to easily and quickly measure the financial soundness of a bank. The higher the TE/TA ratio, the better equipped it is to fund current operations while meeting debt financial obligations. When considered against a target rate, this ratio measures the amount of excess free cash flow available to expand operations. Further, the TE/TA ratio assesses the book value of a company exclusive of intangible assets (e.g., goodwill) which could distort the true value if many acquisitions have been undertaken.

A simple correlation analysis shows that there is over a 0.90 positive correlation (+1.0 being the strongest) between Citigroup's TE/TA ratio and Tier 1 Ratio. As such, Citigroup's Tier 1 Ratio closely tracks its TE/TA ratio.

Exhibit 8. Tier 1 Ratio Closely Tracks Tang Eq/Tang Assets Ratio



Source: Company reports, SNL Financial and CIBC World Markets Corp.

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In The Third Quarter, Management Commented on Need To Raise Capital Ratios

CFO Gary Crittenden explained during Citigroup's 3Q07 conference call that the lower Tier 1 capital ratio and tangible common equity to risk weighted managed assets ratio (TCE/RWMA) "reflect the impact of acquisitions and additional assets such as certain leveraged loans and commercial paper which came onto [Citigroup's] balance sheet during [the third quarter]".

Management expects capital levels to return to its target levels in early 2008 by 1) using stock to acquire the remaining shares of Nikko Cordial, 2) applying a discipline approach in growing its balance sheet and allocating capital more effectively through the centralization of its treasury functions, and 3) earnings growth. **As such, no share repurchases will be undertaken until capital ratios resume to management's target levels.**

Road to Rebuild Capital Ratios

While the average large cap bank is currently operating with a 4.70% TE/TA ratio, Citigroup is trailing with its 2.80% ratio posted in 3Q07. We argue that Citigroup should be at least at 4.25%, the low end of the peer group range. Citigroup has a number of options to restore its capital ratios. By generating earnings and/or a dividend cut, Citigroup can increase equity which in turns increases capital ratios. Alternatively, Citigroup could sell assets which would also ultimately increase capital ratios.

Increase Equity through Earnings (Numerator Effect). Citigroup will rebuild capital through earnings each quarter. We estimate, on average, Citigroup to earn $5 billion each quarter. Assuming tangible assets remain unchanged from the third quarter (realistically we see little possibility of this but it makes it easier for this calculation to minimize all of the moving parts), we calculate that Citigroup needs to increase tangible equity by $33 billion to obtain a 4.25% TE/TA. Further, we calculate that using earnings alone, it would take Citigroup seven quarters or nearly two years to rebuild its capital to be close to the large cap peer average. However, in reality, dividend pays $2.7 billion in dividends each quarter and will likely have asset growth especially if Citigroup provides further funding to its 7 SIVs or it SIV assets are brought on balance sheet.

Exhibit 9. Using Earnings Alone and No Asset Growth, it Would Take C 7 Quarters to Rebuild its TE/TA Ratio

Citigroup $ billions	***3Q07A***	**TE/TA Target 1**	**TE/TA Target 2**	**TE/TA Target 3**	**TE/TA Target 4**	**TE/TA Target 5**
Target TE/TA	*2.80%*	*3.50%*	*4.00%*	*4.25%*	*4.50%*	*5.00%*
Tangible Assets	*$2,291*	$2,291	$2,291	$2,291	$2,291	$2,291
Tangible Equity	*$64*	$80	$92	$97	$103	$115
TE Needed to Meet Target		***$16***	***$28***	***$33***	***$39***	***$51***
Quarterly Earnings Estimate		$5	$5	$5	$5	$5
# Quarters to Rebuild Capital		3	6	7	8	10
# Years to Rebuild Capital		***0.8***	***1.4***	***1.7***	***2.0***	***2.5***

Source: Company reports and CIBC World Markets Corp.

Increase Equity through Dividend Cut (Numerator Effect). Another possibility would be for Citigroup to cut its dividend. Citigroup's current quarterly dividend is $0.54 per share. In 3Q07, dividends paid totaled $2.7 billion. A 25% cut would reduce Citigroup's quarterly dividend to $0.41 per share or $2.0 billion. This reduction would translate into nearly $672 million each quarter or $3 billion each year in capital saved. Thus, in addition to rebuilding capital through earnings, a lower dividend payment would help rebuild capital ratios faster.

Decrease Asset Base through Asset Sale (Denominator Effect). While in the above scenario we hold assets constant, assets could continue to rise as more leveraged loans and/or commercial paper are added to Citigroup's balance sheet. Or the opposite, Citigroup could sell assets to lower its asset base which would in turn reduce the level of Citigroup's required capital. We note that an asset sale would result in foregone earnings but this would be somewhat offset by proceeds received from the asset sale. Further, the amount of capital required would be lower since the asset base is now smaller from the sale. The decline in equity would be less than the decline in the asset base, thus, the capital ratio would increase.

We note that just a 5% reduction would translate into an asset sale of ~$115 billion (based on 3Q07 tangible assets). Comparatively, Citigroup's U.S. real estate loan portfolio is $185 billion while its U.S. managed credit card portfolio is $140 billion. Since the bulk of the U.S. credit card loans are off balance, a sale would not move the asset base by the entire portfolio size, but would increase equity from the sale proceeds less the foregone earnings. Most recently, Citigroup sold its business technology finance unit to CIT Group in April 2007, which included $2 billion assets. Below we outline Citigroup's loan portfolios.

Exhibit 10. Citigroup's Loan Portfolios

Loans Portfolios as of 3Q07	Business Line	$ Billions
Real Estate	U.S. Consumer Lending	185
Credit Cards (Managed)	U.S. Cards	140
Credit Cards	Intl. Cards	42
Credit Cards (On Balance Sheet)	U.S. Cards	36
Installment/Overdraft	Intl. Retail Banking	34
Real Estate Secured	U.S. Retail Distribution	29
Mortgage	Intl. Retail Banking	28
Student Lending	U.S. Consumer Lending	21
Commercial Real Estate	U.S. Commercial	19
Auto	U.S. Consumer Lending	19
Personal Loans	U.S. Retail Distribution	19
Equipment Finance/Other	U.S. Commercial	19
Personal Loans	Intl. Consumer Finance	16
Commercial	Intl. Retail Banking	11
Real Estate Secured	Intl. Consumer Finance	9
Auto/Other	Intl. Retail Banking	8
Sales Finance/Other	U.S. Retail Distribution	6
Auto/Sales Finance/Other	Intl. Consumer Finance	1

Source: Company reports and CIBC World Markets Corp.

Naturally, any combination of events is feasible. Perhaps Citigroup sells a percentage of its assets. The payment received for the assets would boost capital while the reduction in assets would lower the level of capital required. Further, earnings would be lower as its earnings asset base shrunk. Along with an asset sale, Citigroup could also cut its dividend which, would along with earnings, would increase its capital base.

SIVs Could Lower Capital Ratios

Citigroup is an advisor to 7 SIVs that hold ~$80 billion in assets. This represents 20% of what had been $400 billion SIV market and now stands at $320 billion. Citigroup does not own any equity positions or have contractual obligations to provide liquidity facilities or guarantees to these SIVs. However, as an advisor, Citigroup coordinates the funding of the SIVs and has on occasion provided funding itself. The 7 SIVs advised by Citigroup are 98% funded through year end.

While Citigroup has stated that it will not consolidate the assets of these 7 SIVs, it will continue to provide liquidity. As such, Citigroup's assets would increase as it extends short term funding to SIVs. With a bigger asset base, or denominator, Citigroup's capital ratios would decline. While not specifically disclosed, we know that part of the 6% sequential increase in Citigroup's 3Q07 total assets was from the addition of commercial paper issued to SIVs.

A SIV is an investment company that earns income through spread lending (i.e., earnings profits from the difference between borrowing short term and investing long term). Generally, a SIV earns income from the purchase long term high yielding securities (e.g., mortgage backed securities or credit card receivables) and turning them into marketable securities purchased by investors. These investments are typically funded through the sale of short term lower yielding senior debt (e.g., asset backed commercial paper).

Given the recent dislocation in financial markets, the cost of commercial paper increased substantially as LIBOR (proxy rate for commercial paper) rose to abnormally high levels. As such, the usually very liquid commercial paper market became illiquid, causing funding concerns for SIVs. With the funding of certain SIVs uncertain, the assets held by these SIVs may be sold at fire sale prices.

If any of the outstanding SIVs come back on C's balance sheet, it is clear that capital ratios will be pressured still further. Compared to just a year ago, Citi's total asset base is 35% higher. Specifically other assets grew 80% during the third quarter on a year on year basis primarily from the disruption in the leveraged loan market which forced C to take more assets on balance sheet. Trading account assets (e.g. FX, commodities, repos, etc.) were also up almost 70% than prior year levels due to similar market disruption. We believe the majority of the $80 billion has yet to come onto C's balance sheet.

Exhibit 11. Other Assets Up 80% YoY From Leveraged Loans

($ millions)	3Q06A	2Q07A	3Q07A	QoQ %	YoY %
Cash & Due From Banks	22,543	30,635	38,226	*25%*	*70%*
Deposits with Banks	33,939	70,897	58,713	*-17%*	*73%*
Fed Funds Sold/Securities	262,627	348,129	383,217	*10%*	*46%*
Brokerage Receivables	40,970	61,144	69,062	*13%*	*69%*
Trading Account Assets	351,149	538,316	581,444	*8%*	*66%*
Investments	251,748	257,880	240,828	*-7%*	*-4%*
Total Net Loans	646,403	732,543	761,241	*4%*	*18%*
Goodwill	33,169	39,231	39,949	*2%*	*20%*
Intangible Assets	15,725	22,975	23,651	*3%*	*50%*
Other Assets	87,975	119,116	158,409	*33%*	*80%*
Total Assets	**1,746,248**	**2,220,866**	**2,354,740**	***6%***	***35%***

Source: Company reports and CIBC World Markets Corp.

History to Repeat Itself?

Back on December 18, 1990, Citicorp (Citigroup before the merger with Travelers Group) cut its $0.445 per share dividend by 44% to $0.25 per share. The dividend cut was taken in efforts to strengthen the bank's financial condition given the tough operating environment and mounting loan losses.

Citigroup's current quarterly dividend is $0.54 per share. In 3Q07, dividends paid totaled $2.7 billion. A 25% cut would reduce Citigroup's quarterly dividend to $0.41 per share or $2.0 billion. This reduction would translate into nearly $3 billion in capital saved over the next year. Similarly, a 50% dividend cut would equal over $5 billion capital saved over the next year.

Exhibit 12. A 25% Dividend Cut Would Save Nearly $3 Billion in Capital Over the Next Year

Citigroup $ millions	*3Q07A*	25% Div Cut	50% Div Cut	75% Div Cut	100% Div Cut
Dividend Per Share	*0.54*	0.41	0.27	0.14	0.00
Shares	*4,981*	4,981	4,981	4,981	4,981
Dividends Paid	*2,690*	2,017	1,345	672	0
Capital Saved - Quarterly		672	1,345	2,017	2,690
Capital Saved - Yearly		**2,690**	**5,379**	**8,069**	**10,759**

Source: Company reports and CIBC World Markets Corp.

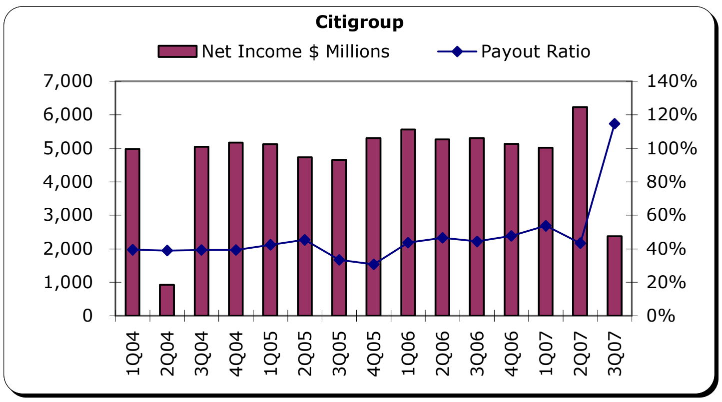
Citigroup's net income has remained relatively flat since 2004. Meanwhile we see Citigroup's payout ratio trending up from 39% in 2004 to 46% in 2006. Based on year to date earnings and Citigroup's current dividend, we estimate that its payout ratio will increase to 59% for full year 2007. We argue that this payout ratio is not sustainable while net income continues to be stagnant.

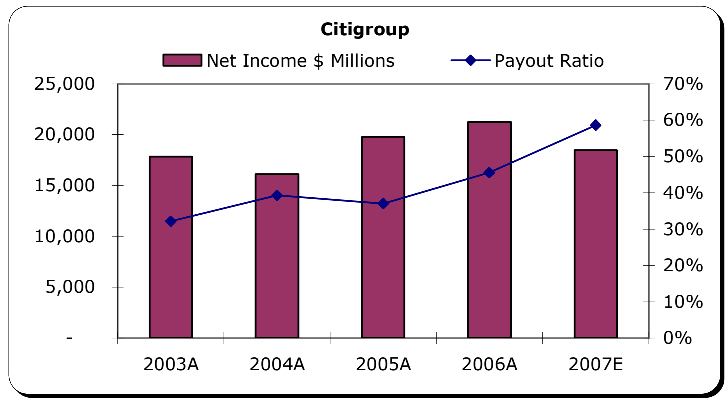
Exhibit 13. Citigroup's Net Income Growth Have Been Relatively Flat Since 2004

Net Income $ Millions	1Q04	2Q04	3Q04	4Q04	1Q05	2Q05	3Q05	4Q05	1Q06	2Q06	3Q06	4Q06	1Q07	2Q07	3Q07
Citigroup	4,979	930	5,040	5,163	5,115	4,731	4,655	5,305	5,555	5,262	5,303	5,129	5,012	6,226	2,378
QoQ %		*-81%*	*442%*	*2%*	*-1%*	*-8%*	*-2%*	*14%*	*5%*	*-5%*	*1%*	*-3%*	*-2%*	*24%*	*-62%*
YoY %					*3%*	*409%*	*-8%*	*3%*	*9%*	*11%*	*14%*	*-3%*	*-10%*	*18%*	*-55%*

Source: Company reports and CIBC World Markets Corp.

Exhibit 14. Payout Ratio Trending Up as Net Income Remains Relatively Flat; Not Sustainable, In Our Opinion





Source: Company reports and CIBC World Markets Corp.

Agency Credit Ratings

Credit rating agencies such as S&P, Moody's and Fitch all assess the creditworthiness a company's debt. Throughout 2007, Citigroup has received an AA rating from S&P, up from AA- in 2006. As such, S&P's rating means that Citigroup has a very strong capacity to meet its financial commitments. This rating is just below the coveted AAA rating.

Exhibit 15. S&P AA Rating: Strong Capacity to Meet its Financial Commitments

Citigroup Credit Ratings	2Q06A	3Q06A	4Q06A	1Q07A	2Q07A	3Q07A
S&P LT Issuer Credit Rating	AA-	AA-	AA-	AA	AA	AA
Moody's LT Issuer Rating	Aa1	Aa1	Aa1	Aa1	Aa1	Aa1
Fitch Inc. LT Credit Rating	AA+	AA+	AA+	AA+	AA+	AA+

Source: SNL Financial and CIBC World Markets Corp.

Exhibit 16. Credit Ratings of Large Cap Banks as of 3Q07

LT Issuer Ratings 3Q07	S&P	Moody's	Fitch
Wells Fargo & Company	AA+	Aa1	AA
Citigroup Inc.	***AA***	***Aa1***	***AA+***
Bank of America Corporation	AA	Aa1	AA
U.S. Bancorp	AA	Aa2	AA-
JPMorgan Chase & Co.	AA-	Aa2	AA-
Wachovia Corporation	AA-	Aa3	AA-

Source: SNL Financial and CIBC World Markets Corp.

Credit Quality

Mortgage delinquencies accelerated in September causing C's $2.6 billion Global Consumer credit costs/reserve build estimate given in early October to be too low by $250 million. Specifically, first mortgages posted a 2.09% 90+ days past due rate, up from 1.29% in 2006, but still below peak rates near 3% in 2003. Further, second mortgage 90+ day past due rates rose more dramatically to 1.10%, almost doubling from earlier this year. C's International Cards business continues to expand aggressively in Mexico and Latin America thus resulting in higher loan losses given their market demographics. Further, the impact of Japan's Gray Zone has cause C to materially increase its loan loss reserves for its International Consumer Finance business.

CDO related losses were $1.56 billion in 3Q07 versus Citigroup's pre-announced $1.3 billion loss. As such, loan loss provisions in securities and banking are three times higher than a year ago. C's subprime asset exposure was $13 billion in 2Q07, down from $24 billion in January. These assets were reduced slightly further in 3Q07.

Exhibit 17. Loan Losses Provisions Increase by Threefold in 3Q07

Provision for Loan Losses $ million	3Q06A	3Q07A	YoY %	% Total
US Consumer Lending	185	1,271	6.9x	27%
INTL Cards	406	928	2.3x	19%
INTL Consumer Finance	524	733	1.4x	15%
US Retail Banking	253	687	2.7x	14%
US Cards	334	533	1.6x	11%
INTL Retail Banking	48	393	8.2x	8%
Private Bank	17	55	3.2x	1%
US Commercial Business	(30)	22	0.7x	0%
Smith Barney	(1)	1	1.0x	0%
Other Consumer	0	0	NM	0%
Total Consumer Provision	***1,736***	***4,623***	***2.7x***	***97%***
Securities & Banking	50	151	3.0x	3%
Transaction Services	7	4	0.6x	0%
Other Markets & Banking	0	0	NM	0%
Alternative Investments	0	(1)	NM	0%
Corporate	0	(1)	NM	0%
Total Corporate Provision	***57***	***153***	***2.7x***	***3%***
Consolidated	**1,793**	**4,776**	**2.7x**	**100%**

Source: Company reports and CIBC World Markets Corp. % of total based on 3Q07 figures.

Citigroup's consumer loan delinquencies (90+ days past due) increased to 1.51% of consumer loans in 3Q07, 14% higher than a year ago. Specifically, the bulk of increase in centered in U.S. Consumer Lending with the recent housing and mortgage market troubles. Delinquencies in U.S. Cards and U.S. Retail Distribution both rose by double digits on a sequential basis

Exhibit 18. Delinquencies Up Over 50% In Consumer Lending

Consumer Loan Delinquencies 90+ Days Past Due	3Q06A	2Q07A	3Q07A	QoQ %	YoY %
U.S Cards	1.80%	1.52%	1.79%	*18%*	*-1%*
U.S. Retail Distribution	1.69%	1.60%	1.79%	*12%*	*6%*
U.S. Consumer Lending	***1.26%***	***1.58%***	***1.93%***	***22%***	***53%***
U.S. Commercial Business	0.54%	0.37%	0.43%	*16%*	*-20%*
International Cards	2.57%	2.32%	2.22%	*-4%*	*-14%*
International Consumer Finance	2.37%	2.43%	2.30%	*-5%*	*-3%*
International Retail Banking	1.04%	0.83%	0.89%	*7%*	*-14%*
Global Wealth Management	0.02%	0.01%	0.06%	*500%*	*200%*
On Balance Sheet	**1.29%**	**1.32%**	**1.50%**	***14%***	***16%***
Managed	**1.33%**	**1.34%**	**1.51%**	***13%***	***14%***

Source: Company reports and CIBC World Markets Corp.

Looking at Citigroup's delinquencies by country, the biggest increases are in the U.S. as well as Latin America. Japan's delinquency rate also rose moderately on an annual basis as well as on a sequential basis while Mexico experienced a slight increase on a sequential basis.

Exhibit 19. Higher Delinquencies Most Prevalent in U.S. and Latin America

Consumer Loan Delinquencies 90+ Days Past Due	3Q06A	2Q07A	3Q07A	QoQ %	YoY %
U.S.	***1.20%***	***1.32%***	***1.58%***	***20%***	***32%***
Mexico	3.90%	3.15%	3.26%	*3%*	*-16%*
EMEA	1.43%	1.21%	1.16%	-4%	-19%
Japan	1.99%	1.86%	2.15%	16%	8%
Asia (ex Japan)	0.78%	0.65%	0.66%	*2%*	*-15%*
Latin America	***2.07%***	***2.76%***	***2.59%***	***-6%***	***25%***
On Balance Sheet	**1.29%**	**1.32%**	**1.50%**	***14%***	***16%***
Managed	**1.33%**	**1.34%**	**1.51%**	***13%***	***14%***

Source: Company reports and CIBC World Markets Corp.

Estimates and Valuation

We lower our 2008 and 2009 EPS estimates by roughly 8% and lower our 4Q07 EPS estimate by 7%. Our lower estimates are based on decelerating revenue margins, particularly in U.S. Cards and Consumer Lending, coupled with higher delinquencies and loan losses in U.S. and International Consumer.

Our new 2008 and 2009 EPS estimates are 11% and 12% lower than consensus, respectively. As we believe earnings growth will continued to be hindered by moderate revenue growth (due to mature markets and industry headwinds) and higher loan loss provisions, it is likely that consensus is too high, in our opinion.

Exhibit 20. Consensus Likely Too High, In Our Opinion

Citigroup EPS	2006A	2007E	2008E	2009E
CIBC	4.25	3.68	4.20	4.55
Growth YoY		*-13%*	*14%*	*8%*
Consensus	4.25	3.76	4.70	5.16
Growth YoY		*-12%*	*25%*	*10%*
CIBC vs. Consensus		**-2%**	**-11%**	**-12%**

Source: ILX, First Call and CIBC World Markets Corp.

We downgrade Citigroup from Sector Performer to Sector Underperformer. Trading at 10x our 2008 EPS estimate, shares are expensive, in our opinion, given that in the early 1990s, a troubled C traded as low as 7x forward EPS estimates. Remember, at that time, C (Citicorp then) suffered from abnormally high losses stemming mostly from deterioration in commercial real estate loans, leveraged loans and loans made to developing countries.

Exhibit 21. Citigroup Is Trading at 10x Our 2008 EPS Estimate

Forward P/E	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	LQ	MED	AVG	UQ
C	14x	20x	16x	19x	10x	12x	12x	11x	15x	9x	8x	12x	14x	14x	18x
Large Cap Banks	16x	15x	13x	13x	14x	13x	12x	13x	11x	10x	9x	10x	13x	12x	13x

Source: Company reports and CIBC World Markets Corp.

We believe downside for Citigroup shares could be in the mid-30s or 2.5x Citigroup's tangible book value. Over the last seven years, JPM has generally traded at 2.5x tangible book value. Citigroup has traded at nearly 4x tangible book value over the same period. Meanwhile, JPM has posted superior revenue, cost efficiency, earnings growth and stock price growth compared to Citigroup.

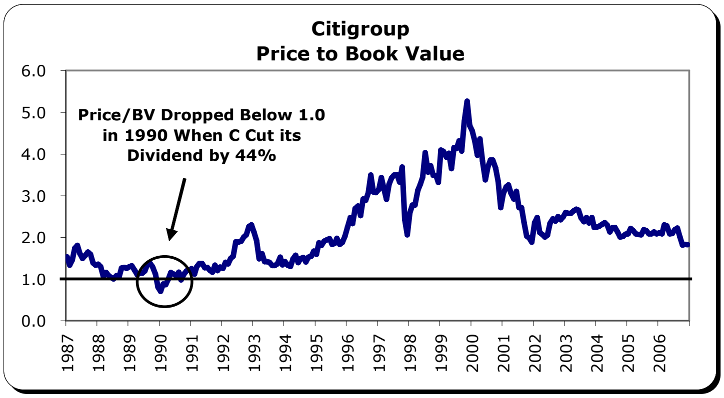
Exhibit 22. C's TBV Per Share and Stock Price Are Virtually the SAME as in 1Q05

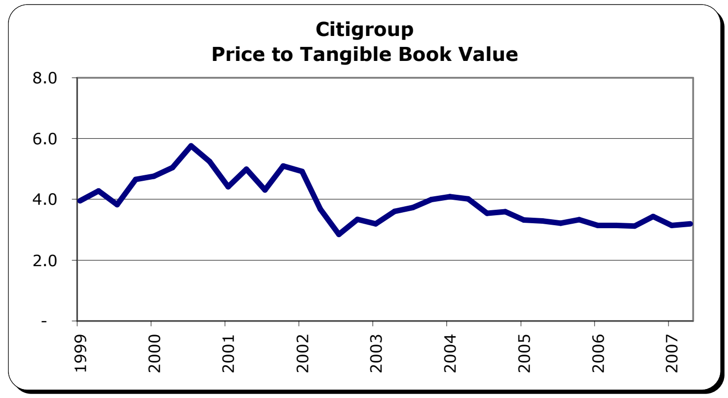
Citigroup	1Q05	2Q05	3Q05	4Q05	1Q06	2Q06	3Q06	4Q06	1Q07	2Q07	3Q07
Price Per Share	$44.94	$46.23	$45.52	$48.53	$47.23	$48.25	$49.67	$55.70	$51.34	$51.29	$46.67
Tangible Book Value Per Share	$11.87	$12.73	$12.67	$13.07	$13.23	$13.29	$13.83	$14.14	$13.62	$13.06	$12.77
Price/Tangible Book Value	***3.8x***	***3.6x***	***3.6x***	***3.7x***	***3.6x***	***3.6x***	***3.6x***	***3.9x***	***3.8x***	***3.9x***	***3.7x***
Book Value Per Share	$21.03	$21.65	$21.88	$22.37	$22.82	$23.15	$23.78	$24.18	$24.48	$25.56	$25.54
Price/Book Value	***2.1x***	***2.1x***	***2.1x***	***2.2x***	***2.1x***	***2.1x***	***2.1x***	***2.3x***	***2.1x***	***2.0x***	***1.8x***

Source: SNL Financial, Company reports and CIBC World Markets Corp.

Citigroup's price to book value was 1.8x at the end of the third quarter, down from 2.1x a year ago. This ratio peaked in the late 1990s/early 2000 driven by a series of acquisitions which aided earnings. Subsequently, price to book value declined to below 2x in 2002 from accounting related scandals. Since 2004, Citigroup's price to book value ratio has declined gradually as company has struggled to generate positive operating leverage and meaningful grow earnings. The recent decline in price to book value has been mostly due the recent dislocation in financial markets and higher loan loss provisions.

Exhibit 23. Citigroup's P/BV Fell Below 1.0 in 1990 When Struggling with High Loan Losses

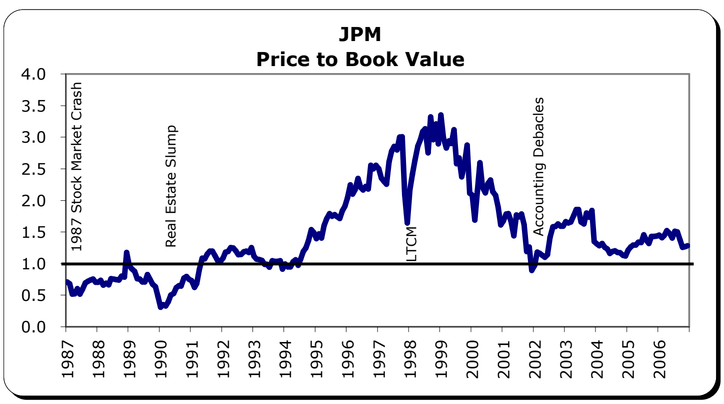


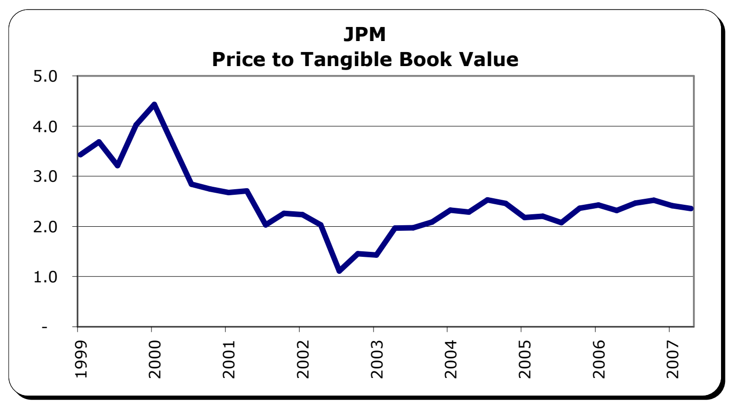


Source: Factset, SNL Financial and CIBC World Markets Corp.

For comparative purposes, we look at JPM's price to book value. This ratio dropped below 1x in the late 80s and early 90s when the U.S. economy was struggling with a stock market crash and real estate slump. Again in 2002, JPM's price to book value touched 1x briefly. With the failure of hedge fund, Long Term Capital Management (LTCM), JPM's price to book value dropped with 1.5x in 1998.

Exhibit 24. Comparatively, JPM's P/BV Dipped Below 1.0 in Late 80s/Early 90s and in 2002





Source: Factset, SNL Financial and CIBC World Markets Corp.

Exhibit 25. Citigroup Model

CIBC Super Regional Banks
CITIGROUP
Financial Statements

					2007				2008				2009			
($ millions, except per share data)	2006A	2007E	2008E	2009E	Q1A	Q2A	Q3A	Q4E	Q1E	Q2E	Q3E	Q4E	Q1E	Q2E	Q3E	Q4E
Operating Earnings Per Share	$4.25	$3.68	$4.20	$4.55	$1.01	$1.24	$0.47	$0.96	$1.02	$1.04	$1.05	$1.08	$1.11	$1.11	$1.15	$1.18
Operating EPS Growth	*11%*	*-13%*	*14%*	*8%*	*-9%*	*18%*	*-56%*	*-6%*	*2%*	*-16%*	*124%*	*12%*	*8%*	*7%*	*9%*	*9%*
GAAP Earnings Per Share	$4.31	$3.68	$4.20	$4.55	$1.01	$1.24	$0.47	$0.96	$1.02	$1.04	$1.05	$1.08	$1.11	$1.11	$1.15	$1.18
GAAP EPS Growth	*-9%*	*-14%*	*14%*	*8%*	*-10%*	*18%*	*-57%*	*-6%*	*2%*	*-16%*	*124%*	*12%*	*8%*	*7%*	*9%*	*9%*
SEGMENT CORE NET INCOME																
GLOBAL CONSUMER																
U.S Cards	3,890	3,124	2,701	2,568	897	726	852	649	675	670	679	678	641	636	646	644
U.S. Retail Distribution	2,027	1,510	1,747	1,820	388	453	257	412	433	426	434	454	451	443	452	473
U.S. Consumer Lending	1,912	1,015	1,522	1,414	359	441	(227)	442	399	395	373	355	338	357	357	362
U.S. Commercial Business	561	485	358	353	121	151	122	91	92	90	89	87	88	88	88	89
Total U.S. Consumer	*8,390*	*6,134*	*6,328*	*6,154*	*1,765*	*1,771*	*1,004*	*1,594*	*1,598*	*1,580*	*1,576*	*1,574*	*1,518*	*1,524*	*1,544*	*1,569*
International Cards	1,137	1,726	1,462	1,775	388	351	647	340	341	370	368	383	396	436	463	480
International Consumer Finance	40	(538)	(1,050)	(1,207)	25	(6)	(320)	(237)	(245)	(261)	(270)	(273)	(282)	(300)	(310)	(314)
International Retail Banking	2,840	2,514	3,158	3,353	540	671	552	751	777	780	792	809	818	831	844	861
Total International Consumer	*4,017*	*3,703*	*3,570*	*3,921*	*953*	*1,016*	*879*	*855*	*874*	*889*	*890*	*918*	*932*	*966*	*996*	*1,027*
Other	(351)	(366)	(315)	(300)	(85)	(91)	(100)	(90)	(80)	(80)	(80)	(75)	(75)	(75)	(75)	(75)
Total Global Consumer	**12,056**	**9,470**	**9,584**	**9,775**	**2,633**	**2,696**	**1,783**	**2,358**	**2,392**	**2,389**	**2,386**	**2,417**	**2,375**	**2,415**	**2,465**	**2,521**
MARKETS & BANKING																
Securities & Banking	5,763	5,445	5,758	6,157	2,173	2,145	(124)	1,251	1,416	1,437	1,404	1,501	1,582	1,494	1,493	1,590
Transaction Services	1,426	2,153	2,467	2,759	447	514	590	602	584	586	644	653	653	656	720	731
Other	(62)	154	-	-	1	173	(20)	-	-	-	-	-	-	-	-	-
Total Markets & Banking	**7,127**	**7,753**	**8,225**	**8,916**	**2,621**	**2,832**	**446**	**1,854**	**2,000**	**2,024**	**2,047**	**2,154**	**2,234**	**2,149**	**2,212**	**2,320**
GLOBAL WEALTH MANAGEMENT																
Smith Barney	1,005	1,406	1,613	1,738	324	321	379	382	381	406	411	415	420	435	440	443
Private Bank	439	565	554	560	124	193	110	138	140	137	138	139	138	140	141	142
Total Global Wealth Mgmt	**1,444**	**1,971**	**2,167**	**2,298**	**448**	**514**	**489**	**520**	**521**	**543**	**549**	**554**	**558**	**575**	**580**	**585**
Alternative Investments	**1,276**	**930**	**1,714**	**1,919**	**222**	**456**	**(67)**	**319**	**387**	**430**	**452**	**446**	**433**	**481**	**505**	**500**
Total Income Before Corporate	21,903	20,124	21,690	22,909	5,924	6,498	2,651	5,051	5,300	5,385	5,434	5,571	5,600	5,620	5,763	5,925
Corporate/Other	(654)	(1,657)	(600)	(560)	(912)	(272)	(273)	(200)	(150)	(150)	(150)	(150)	(140)	(140)	(140)	(140)
CORE NET INCOME	**21,249**	**18,467**	**21,090**	**22,349**	**5,012**	**6,226**	**2,378**	**4,851**	**5,150**	**5,235**	**5,284**	**5,421**	**5,460**	**5,480**	**5,623**	**5,785**
Preferred	65	64	68	68	16	14	17	17	17	17	17	17	17	17	17	17
NET INCOME AVAIL. FOR COMMON	**21,184**	**18,403**	**21,022**	**22,281**	**4,996**	**6,212**	**2,361**	**4,834**	**5,133**	**5,218**	**5,267**	**5,404**	**5,443**	**5,463**	**5,606**	**5,768**
Excluding Gain on Samba	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Excluding Litigation Charges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cumulative Effect on Accounting Change	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Discontd Operations/Restructure	283	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
GAAP EARNINGS	**21,467**	**18,403**	**21,022**	**22,281**	**4,996**	**6,212**	**2,361**	**4,834**	**5,133**	**5,218**	**5,267**	**5,404**	**5,443**	**5,463**	**5,606**	**5,768**
Weighted Shares	4,986	4,994	5,005	4,893	4,968	4,993	5,011	5,011	5,011	5,011	5,000	5,000	4,900	4,900	4,885	4,885
Ending Shares	4,912	4,971	5,000	4,893	4,946	4,975	4,981	4,981	5,000	5,000	5,000	5,000	4,900	4,900	4,885	4,885
Dividend	$1.96	$2.16	$2.16	$2.16	$0.54	$0.54	$0.54	$0.54	$0.54	$0.54	$0.54	$0.54	$0.54	$0.54	$0.54	$0.54
Payout Ratio	46%	59%	51%	47%	54%	43%	115%	56%	53%	52%	51%	50%	49%	48%	47%	46%

Source: Company reports and CIBC World Markets Corp.

Exhibit 26. Citigroup Model

CIBC Super Regional Banks
CITIGROUP
Financial Statements

($ millions, except per share data)	2006A	2007E	2008E	2009E	2007 Q1A	2007 Q2A	2007 Q3A	2007 Q4E	2008 Q1E	2008 Q2E	2008 Q3E	2008 Q4E	2009 Q1E	2009 Q2E	2009 Q3E	2009 Q4E
Operating Earnings Per Share	$4.25	$3.68	$4.20	$4.55	$1.01	$1.24	$0.47	$0.96	$1.02	$1.04	$1.05	$1.08	$1.11	$1.11	$1.15	$1.18
Operating EPS Growth	*11%*	*-13%*	*14%*	*8%*	*-9%*	*18%*	*-56%*	*-6%*	*2%*	*-16%*	*124%*	*12%*	*8%*	*7%*	*9%*	*9%*
GAAP Earnings Per Share	$4.31	$3.68	$4.20	$4.55	$1.01	$1.24	$0.47	$0.96	$1.02	$1.04	$1.05	$1.08	$1.11	$1.11	$1.15	$1.18
GAAP EPS Growth	*-9%*	*-14%*	*14%*	*8%*	*-10%*	*18%*	*-57%*	*-6%*	*2%*	*-16%*	*124%*	*12%*	*8%*	*7%*	*9%*	*9%*
BALANCE SHEET																
Cash	26,514	38,000	38,000	38,000	24,421	30,635	38,226	38,000	38,000	38,000	38,000	38,000	38,000	38,000	38,000	38,000
Deposits	42,522	59,000	59,000	59,000	44,906	70,897	58,713	59,000	59,000	59,000	59,000	59,000	59,000	59,000	59,000	59,000
Fed Funds Sold	282,817	385,000	385,000	385,000	303,925	348,129	383,217	385,000	385,000	385,000	385,000	385,000	385,000	385,000	385,000	385,000
Investments	273,591	69,000	69,000	69,000	51,976	61,144	69,062	69,000	69,000	69,000	69,000	69,000	69,000	69,000	69,000	69,000
Brokerage Receivables	44,445	580,000	580,000	580,000	460,065	538,316	581,444	580,000	580,000	580,000	580,000	580,000	580,000	580,000	580,000	580,000
Trading Account	393,925	240,000	240,000	240,000	286,567	257,880	240,828	240,000	240,000	240,000	240,000	240,000	240,000	240,000	240,000	240,000
Consumer Loans	512,921	564,213	620,634	682,698	519,105	551,223	570,891	564,213	571,016	606,345	627,980	620,634	628,117	666,980	690,778	682,698
Commercial Loans	116,271	139,525	167,430	200,916	174,239	191,701	203,078	139,525	209,087	230,041	243,694	167,430	250,904	276,049	292,432	200,916
Allowance for losses	8,940	11,000	11,000	11,000	9,510	10,381	12,728	11,000	11,000	11,000	11,000	11,000	11,000	11,000	11,000	11,000
Total Net Loans	620,252	692,738	777,065	872,614	683,834	732,543	761,241	692,738	769,102	825,387	860,674	777,065	868,021	932,029	972,210	872,614
Goodwill	33,415	40,000	40,000	40,000	34,380	39,231	39,949	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000
Intangible Assets	15,901	24,000	24,000	24,000	19,330	22,975	23,651	24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000
Reinsurance Recoverables	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Separate and Variable	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets	99,174	160,000	160,000	160,000	111,369	119,116	158,409	160,000	160,000	160,000	160,000	160,000	160,000	160,000	160,000	160,000
Total Assets	1,832,556	2,287,738	2,372,065	2,467,614	2,020,773	2,220,866	2,354,740	2,287,738	2,364,102	2,420,387	2,455,674	2,372,065	2,463,021	2,527,029	2,567,210	2,467,614
Noninterest Bearing Deposits in US	38,615	-	-	-	39,296	41,740	38,842	-	-	-	-	-	-	-	-	-
Interest-Bearing Deposits in US	195,002	-	-	-	198,840	196,481	211,147	-	-	-	-	-	-	-	-	-
Noninterest Bearing Deposits Outside US	35,149	-	-	-	36,328	39,132	43,052	-	-	-	-	-	-	-	-	-
Interest-Bearing Deposits Outside US	443,275	-	-	-	464,057	494,408	519,809	-	-	-	-	-	-	-	-	-
Total Deposits	712,041	797,486	893,184	1,000,366	738,521	771,761	812,850	797,486	827,144	864,372	910,392	893,184	926,401	968,097	1,019,639	1,000,366
Fed Funds Purchased	349,235	450,000	450,000	450,000	393,670	394,143	440,369	450,000	450,000	450,000	450,000	450,000	450,000	450,000	450,000	450,000
Brokerage Payable	85,119	95,000	95,000	95,000	88,722	96,528	94,830	95,000	95,000	95,000	95,000	95,000	95,000	95,000	95,000	95,000
Trading Account	145,887	215,000	215,000	215,000	173,902	217,992	215,577	215,000	215,000	215,000	215,000	215,000	215,000	215,000	215,000	215,000
ST Borrowings	100,833	190,000	190,000	190,000	111,179	167,139	194,304	190,000	190,000	190,000	190,000	190,000	190,000	190,000	190,000	190,000
Long-Term Debt	288,494	360,000	360,000	360,000	310,768	340,077	364,526	360,000	360,000	360,000	360,000	360,000	360,000	360,000	360,000	360,000
Other Liabilities	81,164	50,679	29,086	5,740	81,928	105,472	104,855	50,679	94,953	111,490	98,191	29,086	84,029	103,523	89,194	5,740
Total Liabilities	1,762,773	2,158,165	2,232,270	2,316,106	1,898,690	2,093,112	2,227,311	2,158,165	2,232,096	2,285,862	2,318,583	2,232,270	2,320,429	2,381,620	2,418,833	2,316,106
Preferred Stock	1,000	200	-	-	1,000	600	200	200	-	-	-	-	-	-	-	-
Common Stock	55	55	-	-	55	55	55	55	-	-	-	-	-	-	-	-
Additional Paid In Capital	18,253	18,296	-	-	17,341	17,725	18,296	18,296	-	-	-	-	-	-	-	-
Retained Earnings	129,267	136,755	146,977	158,690	131,395	134,932	134,611	136,755	139,188	141,706	144,273	146,977	149,774	152,591	155,559	158,690
Treasury Stock	(25,092)	(22,329)	-	-	(23,833)	(22,588)	(22,329)	(22,329)	-	-	-	-	-	-	-	-
Accumulated Other	(3,700)	(3,404)	-	-	(3,875)	(2,970)	(3,404)	(3,404)	-	-	-	-	-	-	-	-
Unearned Compensation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Stockholders' Equity	119,783	129,573	139,795	151,508	122,083	127,754	127,429	129,573	132,006	134,524	137,091	139,795	142,592	145,409	148,377	151,508

Source: Company reports and CIBC World Markets Corp.

Our EPS estimates are shown below:

	1 Qtr.	2 Qtr.	3 Qtr.	4 Qtr.	Yearly
2007 Prior	$1.01A	$1.24A	$0.47A	$1.03E	$3.75E
2007 Current	$1.01A	$1.24A	$0.47A	$0.96E	$3.68E
2008 Prior	$1.11E	$1.12E	$1.15E	$1.18E	$4.55E
2008 Current	$1.02E	$1.04E	$1.05E	$1.08E	$4.20E
2009 Prior	$1.22E	$1.21E	$1.24E	$1.28E	$4.95E
2009 Current	$1.11E	$1.11E	$1.15E	$1.18E	$4.55E

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CIT Group Inc. (4a, 4b) (CIT-NYSE, $34.45, Sector Outperformer)
JP Morgan Chase & Company (3a, 3b, 5a, 5b) (JPM-NYSE, $46.46, Sector Outperformer)
Wachovia Corporation (3a, 3b) (WB-NYSE, $45.88, Sector Performer)
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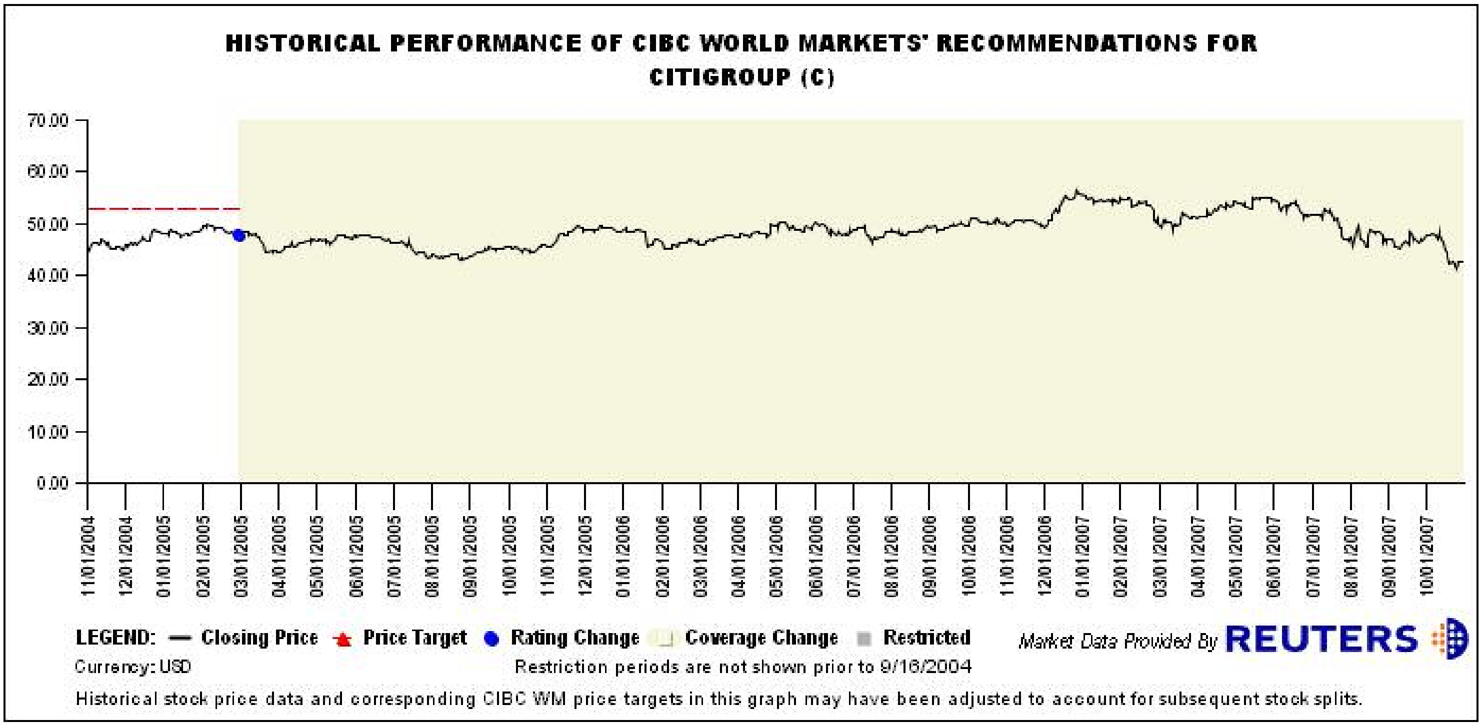
CIBC World Markets Price Chart



HISTORICAL PERFORMANCE OF CIBC WORLD MARKETS' RECOMMENDATIONS FOR CITIGROUP (C)

Date	Change Type	Closing Price	Rating	Price Target	Coverage
03/01/2005		47.88	SP	None	Meredith Whitney

CIBC World Markets

CIBC World Markets' Stock Rating System

Abbreviation	Rating	Description
Stock Ratings		
SO	Sector Outperformer	Stock is expected to outperform the sector during the next 12-18 months.
SP	Sector Performer	Stock is expected to perform in line with the sector during the next 12-18 months.
SU	Sector Underperformer	Stock is expected to underperform the sector during the next 12-18 months.
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R	Restricted	CIBC World Markets is restricted*** from rating the stock.
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O	Overweight	Sector is expected to outperform the broader market averages.
M	Market Weight	Sector is expected to equal the performance of the broader market averages.
U	Underweight	Sector is expected to underperform the broader market averages.
NA	None	Sector rating is not applicable.

**Broader market averages refer to the S&P 500 in the U.S. and the S&P/TSX Composite in Canada.
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***Restricted due to a potential conflict of interest.

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(as of 31 Oct 2007)	Count	Percent	Inv. Banking Relationships	Count	Percent
Sector Outperformer (Buy)	371	40.4%	Sector Outperformer (Buy)	178	48.0%
Sector Performer (Hold/Neutral)	452	49.2%	Sector Performer (Hold/Neutral)	221	48.9%
Sector Underperformer (Sell)	64	7.0%	Sector Underperformer (Sell)	32	50.0%
Restricted	19	2.1%	Restricted	19	100.0%

Ratings Distribution: US Banks Coverage Universe

(as of 31 Oct 2007)	Count	Percent	Inv. Banking Relationships	Count	Percent
Sector Outperformer (Buy)	4	66.7%	Sector Outperformer (Buy)	0	0.0%
Sector Performer (Hold/Neutral)	1	16.7%	Sector Performer (Hold/Neutral)	0	0.0%
Sector Underperformer (Sell)	1	16.7%	Sector Underperformer (Sell)	0	0.0%
Restricted	0	0.0%	Restricted	0	0.0%

US Banks Sector includes the following tickers: AXP, BAC, C, JPM, WB, WFC.

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