

To: All Colleagues

From: Vikram Pandit

Date: December 31, 2008

Re: Year-End Compensation

As certainly all of us know, this year has brought Citi and our industry unprecedented challenges and profound change. One of the most significant developments is the re-examination of executive compensation principles and practices. This has been a key priority at Citi, and we have worked hard during the year to create new approaches to compensation. As a result, we have established a set of principles, and already taken several actions, that reflect both our objectives as a company and the environment in which we live.

In 2008, Citi and other institutions have also been fortunate to receive investments from the United States government. In fact, we have now finalized the agreement for the government's investment of 20 billion dollars in Citi that was announced last month. During the investment process, we presented to the Treasury Department the approaches to executive compensation that we developed. I am very pleased to say that the government found them to be consistent with their objective as an investor in Citi, and our concepts have been incorporated into the agreement. (Details on Citi's agreement with Treasury will be in a Form 8-K filing that will be made today.)

In the face of the extraordinary pressures of 2008, you have been instrumental to Citi's accomplishments. Each of you has contributed in your own way, and each of you has done this extremely well. Unfortunately, the harsh realities of 2008, primarily our earnings results, mean that our bonus pool is dramatically lower than last year. Our focus, however, is on the future, and I believe we will continue to make progress in 2009 — much more of it and much faster than we did in 2008.

As we move forward, the simple, fundamental principles that will guide us in rewarding individual contributions to the growth of Citi are:

- * Pay for performance. Naturally, talent is our bedrock asset. We are fully committed to paying for high-performance people at all levels of the organization and at competitive rates — in the context of the company's overall financial results.

- * Meritocracy requires differentiation in pay. Compensation will vary based on each person's performance — again, relative to the overall performance of the company.

- * The most senior leaders should be affected the most. That is why Win Bischoff and I will receive no bonus for 2008. Win and I believe this is fair, in light of the challenges of the year and the need for compensation elsewhere in the organization.

- * The senior management team as a whole must demonstrate leadership. Consequently, the bonuses for the Senior Leadership Committee will be reduced substantially. Those for the Executive Committee will be cut even more. In addition, the Executive Committee members will receive significantly larger proportions of their bonuses in deferred compensation than will other employees.

- * The ability to "clawback" is essential. We now have instituted a policy under which we can recoup executive compensation that over time proves to be based on inaccurate financial or other information.

- * Severance compensation must be restricted. We also have placed significant new limitations on the amount of severance compensation that can be awarded to executives. Moreover, the five senior executives whose compensation is listed in our proxy statement no longer can receive severance.

I also want you to know that Bob Rubin, although he is an advisor to the company and has no direct management responsibilities, has elected to take no bonus for the second consecutive year. Bob again feels that at this stage of his career and in his circumstances, the money should be directed to the bonus pool for others.

The overall objective for all of us at Citi is to build shareholder value, serve our clients and customers superbly well and create growth opportunities for our employees. Adherence to the principles of compensation outlined above is fundamental to achieving these goals. Ultimately, though, you will determine our success through the kind of hard work and dedication you invested in Citi in 2008. Next year may continue to bring major challenges, but I could not be more optimistic and confident about the longer-term trends, our ability to turn them to our advantage and the potential to differentiate ourselves in the global marketplace.

All of your work to “get fit” this year is likely to begin paying off as we enter 2009 in a much stronger position than we were at the beginning of 2008. Your remarkable efforts have put us there, and so once more I express my deep appreciation to each of you.