

EMBARGOED UNTIL DELIVERY / 4/28/10 – 6 PM

VIKRAM PANDIT ADDRESS  
COLUMBIA UNIVERSITY  
WORLD LEADERS FORUM  
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Today, I'm here as a grateful alumnus of the University and of course as the chief executive of Citi, one of the world's great financial institutions. We're a company of 265,000 people. We have more than 200 million customer accounts. We serve clients big and small--including 99% of the FORTUNE 500. We do business in 167 countries.

We call ourselves **America's global bank.**

Most days, it's a great job.

But every day it's an exciting and challenging job,  
with a sense of purpose,

because Citi has the ability to open up opportunities for people around the world and to be a force for positive change.

I've had this job since December 2007,  
during a trying and difficult period for millions of people.  
As Lee mentioned, I came on board during the financial crisis.  
Citi lost billions of dollars.  
We needed help from the U.S. government.  
Our shareholders suffered.  
So did our employees, and sadly,  
we had no choice but to let thousands of good people go.

A lot of Americans are hurting these days  
—and for many their pain is worse than anything we've had to deal with at  
Citi.  
They're hurt and they're angry,  
and much of that anger has been directed at the financial services industry.  
And I don't blame them.

It's easy to see why.  
The industry contributed to our nation's economic slump;  
Which has brought a 10% unemployment rate;  
and to the foreclosures that forced people out of their homes.

Ordinary Americans think bankers don't understand them.  
Worse, they think we don't care about them.  
That is not a good place to be for our country or for any of us.

Over the last two years,  
we have been working hard to re-make Citi from top to bottom,  
and we are making much progress.  
We have much to do, but we have done quite a bit.  
To fully succeed, we must take responsibility for showing them that we do  
care.

Citi is committed to serving our clients' interests, helping individuals and  
families in financial distress, promoting economic recovery and supporting  
the reform of our financial system.

Today we find ourselves in a new position of strength from which to  
pursue these goals.

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This evening, I would like to share with you how we got to this point – one  
bank's journey through the financial crisis.

I want to share with you what we've learned, how we're different today,  
our views on how regulation needs to change and our commitment to what  
we call "Responsible Finance."

And I fully realize that we have to live what we say and make our words become action.

That's my job.

Let me start by addressing what I think went wrong in the markets leading up to the financial crisis.

Citi, like other financial institutions, was a creature of its environment. That pre-crisis environment was characterized by a vibrant financial market.

It seemed to offer an abundant, bottomless pool of financing and capital, thanks in large part to securitizations, the rise of the “shadow banking” system and the acronyms they spun off, like CDOs, SIVs and others.

In that environment, aggressive “procyclicality” defined the mentality. Very smart people defined and measured risk in ways that made traditional concepts appear to be primitive.

The markets convinced themselves that risk was actually declining. Shareholders came to expect their companies to generate the high returns they saw other companies churning out.

Consolidation became synonymous with strategic success, and size mattered – more than ever.

Market players even assured themselves that there was suddenly new financial engineering that could transform illiquid assets into a liquid form. All the while, we were assured that, “This time it’s different” – a phrase that the world had heard, and heeded, all too easily in the 1920s, the 1960s, the 1980s and the 1990s, each time on the eve of a major upheaval in the markets.

Citi rapidly grew both its balance-sheet and off-balance-sheet assets to historic highs in size and leverage.

And the wisdom of asset diversification gave way to concentration in ever-larger amounts of real estate and consumer lending.

As a result, at the peak of the housing market, Citi – like many others – was highly exposed to U.S. housing and the U.S. consumer.

Citi and many other financial institutions took comfort from the fact that many of the securities it held were highly rated and that they were insured.

In retrospect,

we know that was false comfort.

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So, what did we at Citi do to pull ourselves out of this crisis,

to build the “new Citi,”

and to learn – and remember – the lessons of the turmoil we lived through?

After I became CEO, my management team and I focused on three immediate priorities:  
financial strength, strategic clarity and cultural change.

We moved fast to shore up the financial strength of Citi.

And we succeeded.

We raised tens of billions of dollars of capital.

Since our peak in 2007, we reduced our assets by half a trillion dollars.

We completed 43 divestitures.

Annualized costs are down \$13 billion and, unfortunately, we had to lower headcount by 110,000.

By the end of last year, Citi was among the very strongest banks in the world by the most critical measures of capital and liquidity.

Along the way, we received additional help from U.S. taxpayers in the form of their TARP investment in Citi.

By the end of last year, we had paid back that investment, with a substantial return to taxpayers.

However, we still owe the taxpayer a large debt of gratitude, which we are committed to repaying by remaining an active contributor to the American economy and the communities we serve.

Strategic clarity was one of our three immediate priorities, because the company was in numerous diverse businesses around the world, many of them recently acquired.

We were not a unified company with a unified culture.

Consequently, we initiated a process of soul-searching.

We examined the global environment – not just the immediate problems but also the longer-term forces at work, including the rise of emerging markets; the rapid growth of an affluent middle class outside the U.S; and the importance of exports to economic growth in the U.S.

We also asked ourselves the two most basic questions of all: first, “What do clients really need from us?”; and, second, “What are we best at?”

Here’s what we decided:

- First, to **return to the basics of banking.**

Citi had tried too hard to be all things to all people. We decided Citi will not be a “supermarket.” To be a bank means to take deposits and make loans; provide payment systems and custodial services; finance trade; and facilitate capital flows through trading and underwriting – all with confidence and trust. By focusing on banking basics, Citi will ultimately be 40% smaller in size from its peak in 2007.

- We also resolved to concentrate on our most **distinctive** competitive advantage. That is Citi's **unique ability** to connect the world through our unparalleled international presence.
- In addition, we changed our business model from one of **capital deployment** to **client centrality**. We vowed to focus squarely on client interests. That's much more than a platitude, because banks and other financial companies—including Citi—often strayed from this principle. A culture developed in banking in which transactions trumped relationships, often with an emphasis on trading for banks' own accounts.

A bank best serves the interests of its shareholders and employees by concentrating on doing what is best for its customers, and on building relationships with them. That is a clear lesson of the financial crisis.

- We also recognized that **our strategy could only be as good as our people**. Financial services is a people business. We had to make some critical personnel changes in the senior management team, and in the leadership of our businesses. We had to have a world-class team sharply focused on the basics of banking.

In addition, Citi made many changes to its Board of Directors, including the recruitment of individuals with deep experience in banking and other relevant fields.

- And finally, we resolved **never to compromise our financial strength**. It is at the core of our strategy. We made extensive changes in Citi's risk management system, established tough new financial discipline and returned to traditional, more conservative assessments of risk.

Our third overall priority – cultural change – is more intangible, but to me absolutely essential.

And it is at the center of my discussion tonight.

A sound culture internalizes strategy and drives constructive behavior every day.

A culture of responsibility is a powerful force, beyond rules and regulations, to help guard against bad judgments, temptations to push the envelope and the impulse to act in self-interest first.

So, we at Citi are creating a unified culture built on the values of Responsible Finance.

No one, including me, wants to see a repeat of 2008 and 2009. But here's the problem: in 5, 10, 20 or 30 years, people in the midst of a volatile economic bubble are unlikely to see beyond the illusions it creates. Their memories of what happened in 2008 and 2009 will be dim or non-existent, and they could repeat history. They could succumb to all-too familiar pressures:

- To them, risk in the market will appear to be coming down, creating pressure to increase leverage.
- Shareholders will demand more and more profits as they witness mounting returns for other shareholders.
- Clients will say to their financial advisors, "What's wrong with you guys? My friend's advisor is getting him 30% a year."
- Pundits in the media and on Wall Street will say to CEOs, "You are too risk-averse. You are living in the Dark Ages. Get with it."

Managements, boards of directors, regulators, and legislators will all feel conflicting pressures.

And when they react, they will turn up the heat within the whole system. In that climate, pseudo-experts and even people who are generally smart and wise will reassure everyone, “This time it’s different,” just as they have done repeatedly in the past. But it won’t be different.

So what do we do? Does history have to continue to clone itself? How can we make sure the lessons of the past are embedded in our collective memory, and we can at least mitigate a future crisis?

I know of only two answers.

One is regulation – to try to “hardwire” the learning from this era into the financial system.

Two, each financial institution can create a culture of responsibility.

Neither answer is likely to be complete.

History has clearly shown that there is not a correlation between the enactment of more laws and the end of great financial crises.

And, by the way, smart people with self interest will always find a way around the letter of the law.

We do need a new global order for regulators, bankers and administrators that will either substitute or supplement the existing frameworks, with the goal to stay ahead of crises. Realistically, the goal is not to stop crises but to mitigate them and have the tools to manage them effectively.

So now you know the real reason I'm here tonight. I am at the right university with the right group – some of the best minds anywhere for addressing this question.

The country and the world need your best thinking.

How do we create a global banking and regulatory structure that constantly enables us to learn and stay ahead of crises?

How do we ensure there is clarity of principles by which to run the system with continuous updating of laws, regulation and other tools to take into account new products, new ways of doing business and new technologies?

Can we change the approach to evaluate whether “This time it’s really different”?

Or, can we even hope to?

But let me go back to Citi's responsibility. I believe a strong culture of responsibility is a significant part of the answer. Its purpose is to ensure we serve client interests and we are a force for positive change in the world.

I should point out that, in my experience, the type of business you are in significantly affects culture.

There is truth in the notion, for example, that banking has one kind of culture and retail brokerage a very different one.

Within a diversified financial services company, you can find various cultures.

I think that by returning to the basics of banking, we are helping to set the fundamental tone for the culture we want.

I believe that the systematic pursuit of Responsible Finance is ultimately the way to embed in Citi an institutional memory that deeply impacts the behavior of both current and future employees in all of our businesses, at all levels of the company.

It is intended to guide Citi's behavior when private economic interest conflicts with public interest.

Its precise meaning will evolve with changing times and changing definitions of what's in the public interest.

Perhaps it offers some basis for cultural change on a larger scale, in the system as a whole.

Today, we have three core principles of Responsible Finance:

- First, Citi's activities must contribute to the global economy, and today Citi must contribute to America's recovery. By practicing the basics of banking, we assist people in distress, help businesses grow and support the financing of public projects around the world. For example, since the beginning of the U.S. housing crisis in 2007, we have helped over 900,000 homeowners in their efforts to avoid foreclosure. We lend actively to businesses of all sizes, with a special focus on small and mid-sized enterprises that have trouble obtaining the financing they need. We are leaders in financing the export of American goods and services. And we are one of the biggest sources of financing for schools, hospitals and other vital infrastructure projects.
- The second principle is that our businesses must be all about our clients. Our products and services must promote customer choice and control over their financial lives. That's why, for instance, we have had some of the industry's most pro-consumer policies on overdraft and other bank fees. It's why we invest tens of millions of dollars in educational programs that provide scholarships for college

education, as well as counseling and instruction on financial matters for low-income individuals and families. And it's why our strategy and business model are designed to use our capital for clients versus proprietary trading.

- The third principle is that we will be strong advocates of systemic safety and forward-looking global financial reform. That starts with making sure our house is always in order and we run our businesses prudently. I have publicly and often advocated reform that will protect consumer interests and strengthen confidence in our financial markets and institutions. The entire Citi organization around the world has joined me in this endeavor.

The fundamental principles of reform we advocate today are aligned with those stated by the President last week:

- Banks should be banks, focused on serving clients.
- Banks should not speculate with their capital.
- Markets need to be transparent.
- Derivatives should be cleared and settled centrally
- We need a strong federal consumer authority to protect consumer interests.
- We should end, once and for all, the phenomenon of “too big to fail.”

- We should have a strong systemic regulator.
- It is essential to have a level playing field across the global financial industry.
- And we need a merit-based compensation system driven by long-term performance.

We believe these principles of regulatory reform can create a stronger financial system and bring Wall Street and Main Street closer together.

Still, the broader challenge is to create a global banking and regulatory system that constantly learns from experience and stays ahead of crises. Let me remind you again that this is where I hope the world gets help from some of the superb, well-trained minds in this room.

Obviously, we are thinking long-term. Now and then I contemplate what Citi will look like five, 10, or 25 years from now. I don't know what the markets will look like, or who our competitors will be, or how the economy will fare in 2020 or 2035.

But I do believe the right culture will serve us well.

Someone said that a corporate culture is nothing more than "how we do things around here." Our culture will be shaped by Responsible Finance. My responsibility at Citi is to build that culture. That would be a valuable legacy at a great institution.

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Both Citi and Columbia are great institutions. They have been around for centuries, and our histories are intertwined. This world-renowned university was founded as King's College in 1754 in lower Manhattan. Its students included Alexander Hamilton, our nation's first treasury secretary, who went on to found the Bank of the United States. When that bank lost its charter in 1812, a group of merchants formed The City Bank of New York, today's Citigroup, and took over the national bank's old headquarters on Wall Street.

Columbia and Citibank survived the war of 1812, the Civil War, the financial panics of the late 19<sup>th</sup> century and the Great Depression because they were blessed with leaders who acted as stewards of great institutions. During hard times, people who feared bank failures brought their money to Citibank because we were known as prudent bankers. Our reputation was quite literally our most valuable asset.

Today, whether we study or teach at Columbia or work at Citi, we do so because of the integrity and dedication of those who came before. We owe them a great deal. We can repay that debt by enhancing the quality and reputation of these great institutions, and by using their power to make the world a better place.

That is my purpose as we go forward.

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