

FINANCIAL STABILITY PLAN - ONE YEAR LATER

FEBRUARY 10, 2010

“It was one year ago today that the Obama Administration outlined a Financial Stability Plan to address the four problems at the heart of the financial crisis: frozen credit markets, weakened bank capital, a backlog of troubled mortgage assets on bank balance sheets, and falling home prices. At the time, with America in a deep recession, it did not matter if you were a company large or small, a family trying to buy a house, a car or even to put your kids in college; loans were not available.

“A year later, the actions we took, alongside the Recovery Act, have worked to restore economic growth and financial stability. Access to credit is improving and the cost of borrowing for businesses, consumers, homeowners, and state and local governments have fallen sharply. In addition, we have achieved this progress at much lower cost than anticipated. By encouraging private capital solutions rather than relying on public funds, the expected cost of stabilizing the financial system has fallen by more than \$400 billion. We expect it will fall even further. And if Congress joins the President in adopting a Financial Crisis Responsibility Fee, Americans will not have to pay one cent for TARP.

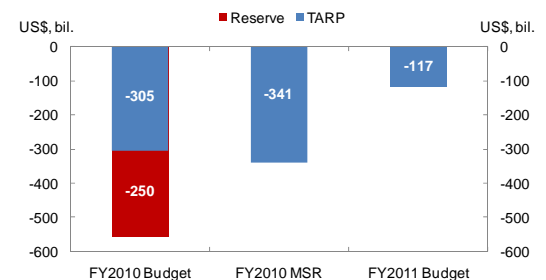
“These measures of the direct financial costs of the crisis do not capture the economic devastation caused by the crisis. The financial system is healing, but still damaged, and we have a lot of repair work still ahead.”

-- Secretary Tim Geithner

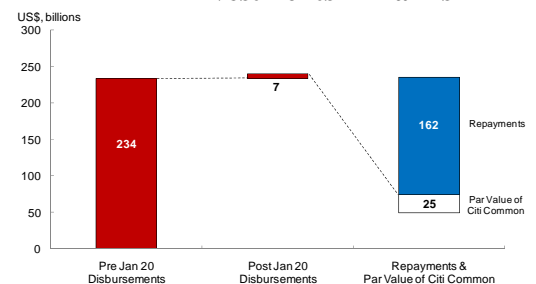
Lowering the Cost of Stabilizing Our Financial System

- The expected fiscal cost of stabilizing the financial system has fallen.
 - In President Obama's February Budget, the projected impact of financial stabilization efforts on the deficit was over \$550 billion, including TARP and a reserve in case of continued instability.
 - Today, we expect that impact will be less than \$120 billion.
 - Treasury has already recovered two-thirds of TARP investments in banks and earned \$17 billion in income from those investments.
 - If Congress adopts the President's proposed Financial Crisis Responsibility Fee, TARP will not cost taxpayers one cent.
 - We expect that the net fiscal cost for *all* emergency government financial programs put in place to address the crisis will be significantly less than what was required to resolve the S&L crisis.
 - Income generated by the Federal Reserve's portfolio and other government programs should offset much of the potential losses from GSEs.
- These measures of the direct financial costs of the crisis do not capture the economic devastation caused by the crisis.

Projected Deficit Impact of Treasury's Financial Stabilization Programs



TARP Investments in Banks

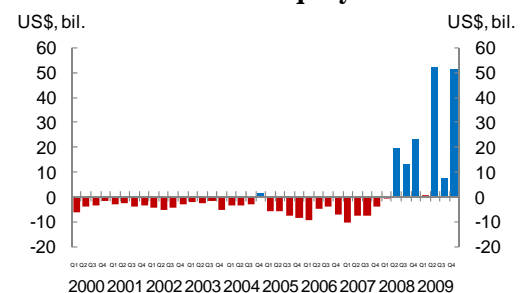


Note: Par value of Citi common is \$3.25.
Source: Treasury.

Mobilizing Private Capital To Strengthen the Financial System and Replace Public Investments

- The stress test of our largest financial institutions provided the transparency and confidence necessary for them to raise substantial private capital.
 - Since the results of the stress tests were announced in May, these institutions have raised more than \$140 billion in capital and more than \$60 billion in non-guaranteed unsecured debt.
 - Banks have used this private capital and revenues from operations to repay government investments, which were designed to serve as a temporary bridge to self-sufficiency.
 - Our major financial institutions are even better capitalized than they were at height of the crisis.

Bank Common Equity Issuance

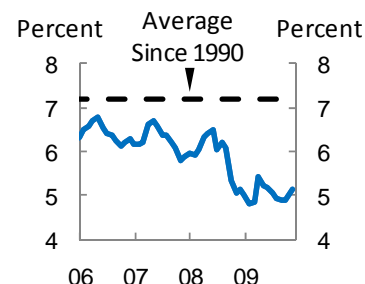


Note: Negative figures represent net repurchases.
Sources: Treasury; SNL Financial.

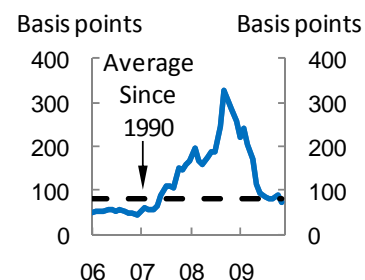
Improving Credit Conditions for American Consumers, Businesses, and Municipalities

- Residential mortgage rates are near historic lows.
- Corporate bond spreads have fallen to historical averages. Investment-grade corporate bond spreads have fallen by 80 percent since late 2008. High-yield bond rates have fallen by 60 percent.
- AAA municipal bond spreads have fallen by over 260 basis points.
- The cost of borrowing between banks, which is a benchmark for lending rates to consumers and businesses, has returned to normal levels.
- Corporations have raised more than \$1 trillion from bond issuance over the past year. High-yield issuance has picked up significantly, as risk appetite has returned.
- Securitization markets important for consumer and small business credit have reopened. The Term Asset-Backed Securities Loan Facility (TALF) helped lower spreads and improve issuance of asset-backed securities (ABS).
- Announcements for the Public-Private Investment Program (PPIP) last year had a notable impact on prices, which have continued to improve since the Public-Private Investment Funds started to purchase legacy securities from banks last fall.
- Home prices were projected to fall an additional 20 to 30 percent a year ago, but since March of 2009 have been broadly stable, on average.

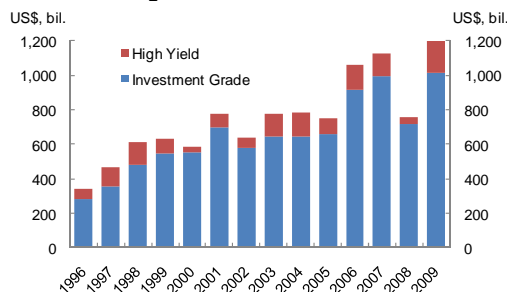
Mortgage Rates, 30-Yr Conventional



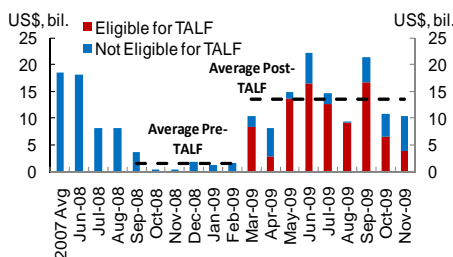
Corporate Bond Spreads, AA



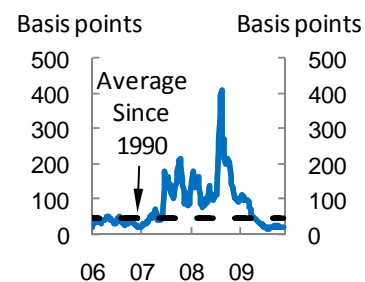
Corporate Bond Issuance



ABS Issuance



Interbank Lending, Ted Spread



Sources: Federal Reserve; Citigroup; Bank of America; SIFMA.

Addressing Financial Challenges Still Confronting American Workers, Homeowners, and Businesses

- Credit is still tight for many small businesses.
 - Small businesses rely on banks for 90 percent of their financing, half of which comes from small banks.
- The foreclosure crisis is still acute.
 - Delinquencies and foreclosures of both residential and commercial real estate mortgages continue to increase.
- Bank failures continue to increase
 - Although crisis-related write-downs of U.S. banks are advanced, losses from commercial real estate loans weigh heavily on small banks.
- The President has proposed a series of additional programs to address these challenges, including:
 - Expanded support for Community Development Financial Institutions
 - A new Small Business Lending Fund.
- Government policies are keeping mortgage rates down and facilitating refinancing and mortgage modifications for millions of American homeowners.