

Rating Action: Moody's upgrades Citigroup to A3 from Baa1, outlook stable

21 Feb 2019

New York, February 21, 2019 -- Moody's Investors Service ("Moody's") has upgraded the ratings for long-term debt, deposits and counterparty risk of Citigroup Inc. (Citigroup senior debt to A3 from Baa1) and certain subsidiaries as well as the baseline credit assessment (BCA) of its principal bank subsidiary Citibank, N.A (deposits to Aa3 from A1, BCA to baa1 from baa2). Moody's has affirmed all short-term ratings and assessments of Citigroup and those subsidiaries. The ratings outlook is stable. This concludes a review commenced on November 29, 2018. A complete list of affected ratings and entities can be found at the end of this press release.

RATINGS RATIONALE

The upgrade of Citibank's BCA to baa1 from baa2 reflects the successful execution of management's multi-year strategy to simplify Citigroup's operations, reduce its global consumer footprint, enhance its safety and soundness and pursue sustainable growth. Citigroup's sweeping reengineering since the global financial crisis places the bank on a sounder strategic footing with a more cogent business model and more targeted base of institutional and consumer customers. Although Citigroup's footprint is smaller in a number of businesses, it retains strong economies of scale in its global cards and institutional businesses. Citigroup now has a more durable solvency profile. Moody's expects Citigroup to continue to produce the steady earnings required for investment in order to harness the digital forces reshaping retail and institutional financial services, while continuing to reinforce its strong brand with its customers.

Citigroup's strategy is unique compared to its US based universal banking peers. Citigroup now targets affluent and emerging affluent consumers in nineteen countries, while operating a branch-light footprint within the US. Citigroup's US consumer franchise is more reliant on credit card lending than its US peers. At the same time, the firm has refocused that business primarily on a prime customer base reflecting a material shift in risk appetite relative to the pre-crisis period. Increasingly, Citigroup has adopted a global digital operating model for the acquisition and servicing of consumer customers.

Citigroup's institutional strategy centers on delivering cash management and operating services through the bank's still ubiquitous global network spanning 98 countries and the world's major trade corridors. Accordingly, Citigroup is a leader in transaction and securities services. When these operating services are combined with Citigroup's extensive market making capabilities, this produces a robust stream of transaction and related trading revenues from global corporates, as well as a growing stock of core institutional LCR-friendly deposits.

Although Citigroup remains a large and complex organization, its risk management, risk appetite and corporate governance are significantly improved since the financial crisis and are well aligned with its strategy. Therefore, Moody's thinks it is unlikely that Citigroup will materially increase market, credit or operational risks or deviate from its client driven strategy. This strategy delivered \$16.9 billion in net income to common shareholders and a 9.4% return on average common equity in 2018. This strategy (when combined with capital returns) has the potential to further strengthen returns for Citigroup shareholders. This should obviate the need to increase risks in pursuit of higher equity returns.

The upgrade of the BCA, as well as the anticipated liability structure and the application of Moody's advanced loss-given-failure (LGF) framework drove the upgrades of various debt, deposit and counterparty risk ratings (as listed below).

WHAT COULD MOVE THE RATINGS UP/DOWN

After the upgrade, the ratings outlook on Citigroup's debt and deposits is stable. Eventually, if Citigroup can deepen relationships with existing retail customers and gain market share, while maintaining its risk disciplines, resulting in a stronger and more diversified consumer banking franchise in the US, then this could lead to an upgrade of the BCA.

Citigroup's ratings may be downgraded if the bank experiences a significant deterioration in its capital or liquidity levels or demonstrates a marked increase in its risk appetite, or were to experience a sizeable

operational risk charge or control failure.

Under Moody's advanced Loss-Given-Failure (LGF) framework, upward or downward rating pressure could develop for various debt tranches at the operating subsidiaries or the holding company if there is a sustained change in the thickness of tranches or the subordination underneath tranches, relative to tangible banking assets and losses estimated in the framework.

The following ratings actions were taken:

Upgrades:

..Issuer: Citigroup Inc.

.... Senior Unsecured Medium-Term Note Program, Upgraded to (P)A3 from (P)Baa1

.... Subordinate Medium-Term Note Program, Upgraded to (P)Baa2 from (P)Baa3

.... Senior Unsecured Shelf, Upgraded to (P)A3 from (P)Baa1

.... Subordinate Shelf, Upgraded to (P)Baa2 from (P)Baa3

.... Pref. Stock Non-cumulative, Upgraded to Ba1 (hyb) from Ba2 (hyb)

.... Subordinate Regular Bond/Debenture, Upgraded to Baa2 from Baa3

.... Senior Unsecured Regular Bond/Debenture, Upgraded to A3,Stable, from Baa1, Rating under Review

..Issuer: Citibank, N.A.

.... Adjusted Baseline Credit Assessment, Upgraded to baa1 from baa2

.... Baseline Credit Assessment, Upgraded to baa1 from baa2

.... LT Counterparty Risk Assessment, Upgraded to Aa3(cr) from A1(cr)

.... LT Counterparty Risk Rating, Upgraded to Aa3 from A1

.... LT Issuer Rating, Upgraded to Aa3,Stable, from A1, Rating under Review

.... Senior Unsecured Medium-Term Note Program, Upgraded to (P)Aa3 from (P)A1

.... Deposit Note/CD Program, Upgraded to Aa3,Stable, from A1, Rating under Review

.... Senior Unsecured Regular Bond/Debenture, Upgraded to Aa3,Stable, from A1, Rating under Review

.... LT Deposit Rating, Upgraded to Aa3,Stable, from A1, Rating under Review

..Issuer: Citibank Europe plc

.... Adjusted Baseline Credit Assessment, Upgraded to baa1 from baa2

.... Baseline Credit Assessment, Upgraded to baa1 from baa2

.... LT Counterparty Risk Assessment, Upgraded to Aa3(cr) from A1(cr)

.... LT Counterparty Risk Rating, Upgraded to Aa3 from A1

.... LT Deposit Rating, Upgraded to Aa3,Stable, from A1, Rating under Review

..Issuer: Citibank International Limited

.... Senior Unsecured Regular Bond/Debenture, Upgraded to Aa3,Stable, from A1, Rating under Review

..Issuer: Citibank, N.A. (Sydney Branch)

.... LT Counterparty Risk Assessment, Upgraded to Aa3(cr) from A1(cr)

.... LT Counterparty Risk Rating, Upgraded to Aa3 from A1

..Issuer: Citibank, N.A., London Branch

.... LT Counterparty Risk Assessment, Upgraded to Aa3(cr) from A1(cr)

.... LT Counterparty Risk Rating, Upgraded to Aa3 from A1

.... Senior Unsecured Medium-Term Note Program, Upgraded to (P)Aa3 from (P)A1

.... Senior Unsecured Regular Bond/Debenture, Upgraded to Aa3,Stable, from A1, Rating under Review

..Issuer: CitiFinancial Credit Company

.... LT Issuer Rating, Upgraded to A3, Stable, from Baa1, Rating under Review

.... Senior Unsecured Regular Bond/Debenture, Upgraded to A3, Stable, from Baa1, Rating under Review

..Issuer: Citigroup Global Markets Deutschland AG

.... LT Counterparty Risk Assessment, Upgraded to Aa3(cr) from A1(cr)

.... Issuer Rating, Upgraded to A1, Stable, from A2

..Issuer: Associates Corporation of North America

.... LT Issuer Rating, Upgraded to Aa3, Stable, from Baa1, Rating Under Review

.... Senior Unsecured Regular Bond/Debenture, Upgraded to Aa3, Stable, from Baa1, Rating Under Review

..Issuer: Citigroup Capital III

.... Pref. Stock, Upgraded to Baa3 (hyb) from Ba1 (hyb)

..Issuer: Citigroup Capital XIII

.... Pref. Stock, Upgraded to Baa3 (hyb) from Ba1 (hyb)

..Issuer: Citigroup Capital XVIII

.... Pref. Stock, Upgraded to Baa3 (hyb) from Ba1 (hyb)

..Issuer: Citigroup Finance Canada Inc

.... Senior Unsecured Medium-Term Note Program, Upgraded to (P)A3 from (P)Baa1

..Issuer: Citigroup Funding, Inc.

.... Senior Unsecured Regular Bond/Debenture, Upgraded to A3, Stable, from Baa1, Rating Under Review

..Issuer: Citigroup Global Markets Holdings Inc.

.... LT Issuer Rating, Upgraded to A3, Stable, from Baa1, Rating Under Review

.... Senior Unsecured Medium-Term Note Program, Upgraded to (P)A3 from (P)Baa1

.... Senior Unsecured Regular Bond/Debenture, Upgraded to A3, Stable, from Baa1, Rating Under Review

.... Senior Unsecured Shelf, Upgraded to (P)A3 from (P)Baa1

..Issuer: Citigroup Global Markets Inc.

.... LT Counterparty Risk Assessment, Upgraded to Aa3(cr) from A1(cr)

.... LT Issuer Rating, Upgraded to A1, Stable, from A2, Rating Under Review

.... Senior Secured Medium-Term Note Program, Upgraded to (P)A1 from (P)A2

..Issuer: Citigroup Global Markets Limited

.... LT Counterparty Risk Assessment, Upgraded to Aa3(cr) from A1(cr)

.... LT Issuer Rating, Upgraded to A1, Stable, from A2, Rating Under Review

Affirmations:

..Issuer: Citibank Europe plc

.... ST Counterparty Risk Assessment, Affirmed P-1(cr)

.... ST Counterparty Risk Rating, Affirmed P-1

.... ST Deposit Rating, Affirmed P-1

..Issuer: Citibank, N.A.

.... ST Counterparty Risk Assessment, Affirmed P-1(cr)

.... ST Counterparty Risk Rating, Affirmed P-1

.... ST Deposit Rating, Affirmed P-1

.... Other Short Term Medium-Term Note Program, Affirmed (P)P-1

..Issuer: Citibank, N.A. (Sydney Branch)

.... ST Counterparty Risk Assessment, Affirmed P-1(cr)

.... ST Counterparty Risk Rating, Affirmed P-1

.... Commercial Paper, Affirmed P-1

..Issuer: Citibank, N.A., London Branch

.... ST Counterparty Risk Assessment, Affirmed P-1(cr)

.... ST Counterparty Risk Rating, Affirmed P-1

.... Other Short Term Medium-Term Note Program, Affirmed (P)P-1

..Issuer: Citigroup Global Markets Deutschland AG

.... ST Counterparty Risk Assessment, Affirmed P-1(cr)

.... ST Issuer Rating, Affirmed P-1

..Issuer: Citigroup Inc.

.... Commercial Paper, Affirmed P-2

.... Other Short Term Medium-Term Note Program, Affirmed (P)P-2

..Issuer: Citigroup Global Markets Holdings Inc.

.... Other Short Term Senior Unsecured Regular Bond/Debenture, Affirmed P-2

..Issuer: Citigroup Global Markets Inc.

.... ST Counterparty Risk Assessment, Affirmed P-1(cr)

.... ST Issuer Rating, Affirmed P-1

..Issuer: Citigroup Global Markets Limited

.... ST Counterparty Risk Assessment, Affirmed P-1(cr)

.... ST Issuer Rating, Affirmed P-1

Outlook Actions:

..Issuer: Citibank Europe plc

....Outlook, Changed To Stable From Rating Under Review

..Issuer: Citibank, N.A.

....Outlook, Changed To Stable From Rating Under Review

..Issuer: Citibank, N.A., London Branch

....Outlook, Changed To Stable From Rating Under Review

..Issuer: CitiFinancial Credit Company

....Outlook, Changed To Stable From Rating Under Review

..Issuer: Citigroup Global Markets Deutschland AG

....Outlook, Changed To Stable From Rating Under Review

..Issuer: Citigroup Inc.

....Outlook, Changed To Stable From Rating Under Review

..Issuer: Associates Corporation of North America

....Outlook, Changed To Stable From Rating Under Review

..Issuer: Citigroup Finance Canada Inc

....Outlook, Changed To Stable From Rating Under Review

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....Outlook, Changed To Stable From Rating Under Review

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....Outlook, Changed To Stable From Rating Under Review

..Issuer: Citigroup Global Markets Limited

....Outlook, Changed To Stable From Rating Under Review

..Issuer: Citibank International Limited

....Outlook, Changed To No Outlook From Rating Under Review

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....Outlook, Changed To No Outlook From Rating Under Review

..Issuer: Citigroup Capital XIII

....Outlook, Changed To No Outlook From Rating Under Review

..Issuer: Citigroup Capital XVIII

....Outlook, Changed To No Outlook From Rating Under Review

..Issuer: Citigroup Funding, Inc.

....Outlook, Changed To No Outlook From Rating Under Review

The principal methodology used in rating Citigroup Inc., Citigroup Capital III, Citigroup Capital XIII, Citigroup Capital XVIII, Citibank International Limited, Citigroup Funding, Inc., Citigroup Global Markets Holdings Inc., Citibank, N.A., Citibank Europe plc, Citibank, N.A. (Sydney Branch), Citibank, N.A., London Branch, CitiFinancial Credit Company, Associates Corporation of North America, and Citigroup Finance Canada Inc was Banks published in August 2018. The principal methodologies used in rating Citigroup Global Markets Deutschland AG, Citigroup Global Markets Limited, and Citigroup Global Markets Inc. were Banks published in August 2018, and Securities Industry Market Makers published in June 2018. Please see the Rating Methodologies page on www.moodys.com for a copy of these methodologies.

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