

January 31, 2012

Citibank Japan Ltd. Submits Business Improvement Plan to FSA

Citibank Japan Ltd. ("Citibank Japan") today submitted a business improvement plan to the Financial Services Agency of Japan ("FSA") in response to the FSA's administrative action dated December 16, 2011. Please see the appendix for a summary of the business improvement plan.

Citibank Japan takes the administrative action very seriously and sincerely apologizes to its customers and all other concerned parties. The bank is implementing measures to prevent future occurrence of the problems identified, and is committed to executing and completing the business improvement plan.

Citibank Japan has clarified the responsibility of management and employees for the matters that led to the administrative action. Citibank Japan acknowledges the voluntary return of salary by current and former members of Citibank Japan's board of directors and management committee, in amounts ranging from 10% for 1 month to 40% for 3 months, depending on seniority and responsibility. Further, Citibank Japan will take disciplinary action against the employees responsible for violations of laws and regulations identified by the FSA in respect of retail banking sales practices and documentation.

The suspension of the solicitation (including advertising and sales campaigns) of investment and risk products – including foreign currency deposits, mutual fund products and structured deposits to Retail Banking customers will be in place through February 9, 2012. The suspension does not affect other business activities of Citibank Japan with its Retail Banking customers, including transactions in investment and risk products that are initiated by customers. The suspension also does not affect Citibank Japan's ability to serve its Corporate Banking clients.

Appendix: Summary of the Business Improvement Plan

1. Enhance the Bank's local governance framework and the sustainability of its business model

- Citibank Japan's board of directors will be reconstituted to strengthen its independence, including appointing external directors (including Japanese nationals) as non-executive directors.
- Citibank Japan is currently undertaking a process to identify a highly experienced senior Japanese banker with substantial corporate and/or retail banking experience in the local market as CEO.
- Citibank Japan will establish a new unit dedicated to manage and track the progress of the business improvement plan to ensure full implementation of the business improvement plan and that the governance framework is in place.
- Citibank Japan will develop and implement a new sustainable medium-term management plan, which includes a review of its business model to be periodically reviewed and approved by the Board of Directors.

2. Enhance and strengthen the customer protection framework in the Retail Banking Division's business

Citibank Japan will establish customer-centric sales operations by implementing the following measures:

- To strengthen overall branch and sales practice controls, Citibank Japan has established a new position to focus on branch controls as well as a dedicated unit to monitor sales and service-related telephone conversations between Citibank Japan employees and customers. Going forward, Citibank Japan will make its utmost efforts to prevent violations of the principle of suitability as well as solicitation or sales with insufficient and/or inappropriate explanation to customers. Additionally, Citibank Japan will ensure prompt escalation to Compliance Division and/or Citibank Japan management, when and if there is a legal violation. Furthermore, Citibank Japan has enhanced the definitions of customer complaints and strengthened its complaint handling framework.
- Citibank Japan will improve and strengthen processes in respect to customer transaction documentation by introducing additional checking processes etc.
- Citibank Japan will implement a new evaluation scheme for sales staff based on overall performance ratings, and abolish the existing incentive program.

3. Strengthen the Bank's systems for internal controls, compliance, IT systems risk management and internal audit

- In order to promote and establish a strong compliance culture, Citibank Japan will secure necessary staffing and ensure placements of appropriate staff in appropriate positions.
- Regarding the reporting to the regulators, we will conduct thorough fact finding and fully verify the facts. In addition, Citibank Japan management will instruct the relevant department/unit to ensure the escalation and review our internal regulations to enhance escalation framework.
- Citibank Japan will review internal communication flows during IT system incidents, and strengthen internal communication, coordination, etc. regarding IT system incidents.
- Citibank Japan is considering a large-scale system change going forward, and will ensure thorough project management during its implementation. In addition, Citibank Japan will strengthen its management of outsourced vendors.
- Citibank Japan will increase the number of internal audit staff and review their skill-sets. In addition, Citibank Japan will increase the frequency of audit plan reviews, in order to schedule audits in a more flexible manner according to changes in environment and risks.

4. Strengthen the Bank's human resources management

- Citibank Japan will establish a bank-wide talent development policy and enhance the training curriculum for developing talent.
- Citibank Japan will enhance staff disciplinary processes for cases of legal violations.

5. Ensure steady implementation of the business improvement plan and independent validation of the embedding of improvement measures

- In implementing the business improvement plan, Citibank Japan will work closely with Citigroup Inc. headquarters in New York to manage the implementation progress.
- In order to ensure effectiveness of the business improvement plan, corrective actions will be validated by Citibank Japan's internal audit function (Audit and Risk Review Division), as well as by a third party.

6. Clarify management responsibility

- Current and former members of Citibank Japan's Board of Directors and Management Committee have voluntarily agreed to return salary, ranging from 10% for 1 month to 40% for 3 months, depending on seniority and responsibility.
- On January 10, 2012, Peter Eliot was appointed Representative Director, President & CEO of Citibank Japan, following Darren Buckley's resignation from these positions.