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Many thanks for that kind introduction, Mary Lynn.

I'm glad I have this opportunity to join my colleagues in the Private Bank in wishing you the very best for the coming holidays, and for a healthy and prosperous New Year.

Is it just me or does it seem to you, too, that the holiday season has come along even faster than usual this year? I was almost shocked when my wife reminded me that it's time to pick up tickets for the local production of the Dickens classic, *A Christmas Carol.* Dickens, particularly, makes me think not only of how fast time passes, but also of how much things change over time.

You know, Dickens was lucky he lived in Victorian England when he wrote *A Christmas Carol*. He'd be hard pressed to come up with that classic story in the U.S. today:

- Tiny Tim would be arguing with his HMO about the appropriate course of treatment;
- Bob Cratchit would be considering an early retirement package stemming from company downsizing;
- Mrs. Cratchit would turn down the offer of a Christmas goose on the basis of excessive fat content;
- And Scrooge? Well, Scrooge would probably be a member of the House Budget Committee.

Anyway, holidays or no, change doesn't stop. . .or even slow down.

We in the banking business can certainly attest to that. Just this past year, we've seen a record number of mergers. . . some of them bringing really big changes indeed. We're also seeing the barriers between commercial and investment banking continue to fall. And all the while, technology is bringing new wrinkles to almost everything we do.

When the financial pundits and so-called banking experts look at how these changes are affecting the industry and the individual institutions involved, they obviously focus on the bottom line. They tell us consolidation is good for the industry because it will make for more -- quote -- <u>effective competition</u> - - unquote. They say mergers are good for the individual institutions because they will be able to reduce expenses. Too often, what gets lost in all the analysis and projections is the effect of all this change on the customer.

Well, at Citibank we haven't lost sight of the customer.

Of course, we want to keep expenses down. And we pride ourselves on being efficient. . .but not at the cost of being effective. . .and certainly not at the cost of providing you with the best service in the business.

Heaven knows, Citibank is <u>not</u> resistant to change. But, we're working to put the <u>right</u> kinds of change to work for <u>you</u>. We aren't worried about being the biggest bank, and we're not interested in getting into every line of business the regulators or our resources permit.

We know that focusing on meeting our customers' needs is the best way to take care of <u>our</u> bottom line. . .that's true today and it's the one thing we can be sure will not change. . .not next week, next year, nor in the next century.

Our chairman, John Reed, has put us on record as not intending to join the current merger frenzy . We are quite happy with our franchise as it now stands. Citibank has a worldwide network and a consumer bank that simply can't be matched. We are well ahead of the competition in terms of reach, technology, product offerings and service. The Private Bank, of course, is a very important component of our business. I can assure you that our senior management is committed to providing the leadership and allocating the resources necessary to keep it on top.

Private bank clients expect and demand, and we think deserve, much more today than a bank that is simply a safe repository for your money. You want a bank that understands your priorities and is capable of acting on them -- a bank that can apply skilled management, a broad range of product offerings and global presence to get the most out of your resources. Citibank is committed to doing that -- to building and maintaining our relationship with you by performing at the highest level possible, always in <u>your</u> interest. We want you to have a strong sense of trust and confidence in the advice and recommendations of our Private Bank professionals, and we work hard to earn your confidence.

One of the key strengths we bring to our relationship is our global capabilities. Our Private Bank alone is in more countries -- 32 -- than the vast majority of U.S. banks -- and I don't mean their private-banking arms, I mean the entire institution. But it's more than that. You have access to -- and our Private Bankers take full advantage of -- our entire global network -- now almost 100 countries -- along with an impressive array of products, services and investment markets.

Some of the more interesting of those markets include the emerging countries of Latin America, Asia, and Central and Eastern Europe. I thought it might be appropriate to talk a bit about those regions. We'll look at the strides those emerging countries have made over the last several years, as well as the challenges that lie ahead. I will also touch on what Citibank is doing in those regions, our own plans for the future, and what it all means for you as our Private Bank clients.

Let's take a few minutes to go over briefly what's been happening in Asia and Latin America. That will give you some context for what Citibank is doing in those regions today.

The success story that is the emerging countries of Asia is well documented.

I'm sure you know about South Korea, for example, going in one generation from an agrarian economy with a per-capita income of less than $500 to an industrialized one with a per-capita income of more than $8,500. And Taiwan's emergence as an export powerhouse. Last year its trade with America alone was worth $42 billion. And you are no doubt aware that Hong Kong is one of the world's most vibrant financial centers.

Singapore and Thailand and even the lesser-developed countries of the Philippines, Indonesia and India have similar tales to tell. And they've all been told widely.

The economic emergence of Asia's developing countries is truly one of the major stories of the last twenty years. And, right now, we're at the beginning of a very similar story. . .but it is taking place in Latin America. Despite the turmoil of the last year, the positive and irreversible changes brought about by the economic reforms of the early 1990s should not be underestimated. New economic policies eliminated or put in check many of the problems that have long crippled the region, including low exports, high inflation, chronic budget deficits, currency instability, poor creditworthiness and capital flight.

First, trade liberalization, as evidenced by such intra-regional trade agreements as the Mercosur in the south and the revitalized Andean pact in the north, is forcing Latin American companies to become more efficient. Freer trade has also spurred a wave of cross-border investment. Chilean investment in Argentina, for example, jumped from $100 million in 1991 to $2.7 billion in 1994.

Second, state-owned companies are not the drain on national treasuries they once were, thanks to the hundreds of privatizations that have taken place since the beginning of the

1990s. And tens of billions of dollars in capital have been raised in the process. That capital has been used to reduce budget deficits or has been invested in badly-needed infrastructure.

Third, the fiscal situation has improved. During the latter part of the 1980s, before the current wave of reform, public expenditures in the region exceeded government revenues by about five percent of GDP. Since 1990, thanks to budget cuts, privatizations and tax reform, the region's government budgets have been in near balance. An important result has been precipitous drops in inflation rates. Average inflation dropped from 130% in 1989 to 14% in 1994, and 17 out of 22 countries in Latin America currently have single-digit inflation rates.

Argentina and Brazil alone went from inflation rates exceeding 2,000% just a couple of years ago to 2% and 25%, respectively, today.

I think it is fair to say that in some important ways, Latin America is where Asia was 15 or 20 years ago.

But to tighten that resemblance and to sustain its economic turnaround, Latin America will have to address its deeper-seated problems of wide income disparities, low productivity and anemic savings rates.

It is also important to keep in mind that despite Asia's enormous commercial and financial growth, political turmoil could pose a risk to its continued stability.

This year's events in Mexico and China underscored the risks inherent to investment in emerging markets. Investors should exercise normal caution and recognize that each country is at a different stage of economic reform. Emerging markets cannot be viewed as a single entity. They must be analyzed country by country, industry by industry, company by company, and case by case. It is also important to keep in mind that emerging countries are often a long-term play -- and patience is key to a successful investment strategy.

Now, I'd like to tell you about Citicorp businesses in Asia and Latin America.

Our commitment to Asia and Latin America is very strong and long-standing. The breadth and depth of our businesses there is impressive in and of itself. But it's in just one piece -- albeit an important piece -- of a global network unequaled among U.S. banks. Second, our reputation in Asia and Latin America, both in consumer and corporate banking, is unsurpassed. That reputation brings business our way and also enables the bank to attract the best talent. Last, and probably most important from your standpoint, is that these advantages give you as Citibank clients a high degree of insight and expertise,