

citizenship

Our Shared Responsibilities

WE HAVE A RESPONSIBILITY TO OUR CLIENTS

We must put our clients first, provide superior advice, products and services, and always act with the highest level of integrity.

WE HAVE A RESPONSIBILITY TO EACH OTHER

We must provide outstanding people the best opportunity to realize their potential. We must treat our teammates with respect, champion our remarkable diversity, share the responsibility for our successes, and accept accountability for our failures.

WE HAVE A RESPONSIBILITY TO OUR FRANCHISE

We must put Citigroup's long-term interests ahead of each unit's short-term gains and provide superior results for our shareholders. We must respect the local culture and take an active role in the communities where we work and live. We must honor those who came before us and extend our legacy for those who will come after us.

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Letter from Chuck Prince

I am very proud of our accomplishments during 2005 both in terms of our financial performance and our commitment as a corporate citizen. It was our first full year of doing business under the guidance of our Shared Responsibilities to our clients, each other, and our franchise and we worked with our 300,000 employees to ensure that we all understand and adhere to these very important principles.

Our goal for Citigroup remains the same—to be the most respected global financial services company—and during 2005 we took many steps to get there. As we move ahead in 2006, we will continue to focus on serving our clients and the communities where we do business as top priorities.

Once again, we were pleased to be named to the Dow Jones Sustainability World Index and the FTSE4Good Index for 2006, which recognize companies that are leaders in setting standards in sustainable growth and in demonstrating superior environmental, social and economic performance. This Report highlights many of the initiatives that we have under way that have helped us maintain our position on these prestigious Indexes.

We continue to apply the strength of Citigroup's franchise, global reach, financial resources and employees to better the lives of residents in communities where we do business. Recently, when communities in New Orleans, Louisiana; Gulfport, Mississippi; and across South Asia were faced with unexpected disasters, we rallied quickly to deploy funds and volunteers to help bring relief to those living in the affected areas, and we are continuing our efforts to help rebuild lives and communities.

Our businesses want the products and services we offer to make a positive impact on communities as well as our bottom line. For example, our new Global Microfinance Business Group has been widely acclaimed for recognizing the tremendous business potential in developing commercial relationships with microfinance institutions around the world.

We continue our leadership in fostering sustainable development and were recognized by Global Green USA with its prestigious Corporate Award for Innovation. And of course, as a founder of the Equator Principles, we continue to ensure the implementation of these Principles within our business.

As Citigroup expands its global reach, we are committed to strengthening our corporate citizenship efforts and continuing our dialogues with stakeholders, from whom we have learned much. We welcome your comments on our 2005 Citizenship Report and appreciate your interest in our company.

A handwritten signature in black ink, reading "Chuck Prince".

Chuck Prince
Chief Executive Officer
Citigroup Inc.



Letter from Sandy Weill

In April 2006, I will step aside as Chairman of Citigroup. During my many years in financial services, I've always believed the industry to be a force for tremendous good. Few industries have the ability to help people and their enterprises grow and fulfill their potential and I'm proud of the roles Citigroup and its employees have played in helping to strengthen communities and create opportunity around the world.

More often than not, Citigroup has been at the forefront of change in our industry, from our work to improve Consumer Finance practices to the creation of the Equator Principles. Many of these improvements grew out of our willingness to continuously examine the way we do business, our commitment to always do the right thing and our ongoing dialogue with our stakeholders.

As you will see in this Report, our company and our employees take our responsibilities as global corporate citizens seriously and we continue to make progress in enhancing our business practices, strengthening our controls, and developing and supporting innovative programs. We also know that we have significant work yet to do—work that Chuck and his senior leadership team are committed to carrying out.

Since the merger of Citicorp and Travelers to form Citigroup in 1998, our businesses and the Citigroup Foundation have made more than \$560 million in grants to nonprofit organizations. Along the way, my wife, Joan, and I have also been very involved in many philanthropic endeavors. Giving back to the community has always been important to us, and with my retirement this year, we plan to focus more of our time on our philanthropic activities.

I was honored when U.S. President George W. Bush asked me and four other private sector leaders to lead a global effort to raise awareness and resources to help those affected by the powerful earthquake that struck South Asia on October 8. I am proud of the generosity Citigroup has demonstrated, including \$7 million in employee and Foundation contributions from around the world. Joan and I also made a \$1 million personal contribution to show our commitment to this important effort. We are proud that Pakistan's Prime Minister, Shaukat Aziz, is an alumnus of ours, and that, as a leading bank in Pakistan, we have a successful franchise run by talented and dedicated employees who are engaged in a variety of fundraising and relief efforts.

Citigroup has been in some communities for nearly 200 years; in others we're just getting started. I'm grateful every day to have had the opportunity to work with such a diverse and talented group of colleagues at every level of our organization. Their dedication, hard work and respect for the communities they serve embody the true spirit of citizenship.

I'm honored to have shared this part of my journey with them. They have touched the lives of millions of people over the years, and I look forward to all they will accomplish as they carry Citigroup's legacy forward.


Sandy Weill
Chairman, Citigroup Inc.



Letter from Robert Rubin

Today, technology, globalization, and the rise of dynamic, market-based economies in emerging market nations are creating historic changes in the economic environment for all countries. Among the many issues being shaped by these changes is the issue of global poverty.

Poverty should be a compelling moral issue, but it is also a powerfully important economic issue for all of us. Huge societal costs could be saved and productivity could be greatly enhanced in both the U.S. and in the world if those who live in poverty could be effectively equipped to enter the mainstream economy. Beyond that, the global integration that on balance contributes so much to economic well-being also means that environmental problems, disease, crime, political instability, terrorism and much else that poorer nations simply do not have the resources to deal with can readily spread to profoundly affect industrial nations as well.

The public and private sectors each have a critical role to play in combating poverty. The private sector's contribution lies in building successful businesses that employ and train people, developing capital markets, paying taxes and promoting innovation.

Citigroup is importantly involved because of its global reach, the depth of its talent that comes from all over the world and the capital that it can put to work on behalf of clients, both private and public. Citigroup continues to grow and expand its business globally and in so doing, makes substantial contributions to economic activity and the development of financial markets and financial talent around the world, particularly in the many emerging markets where Citigroup has full-time local employees.

Citigroup has also identified opportunities to do business in new ways to make money and at the same time to improve the economic prospects for poor people: a lower-cost delivery system for remittance services to immigrants; new ways for clients to qualify for mortgages; or financing for microfinance organizations that deliver banking services to poor people usually excluded from the financial system.

Citigroup takes its role in the effort to combat and overcome global poverty with great seriousness, and will increase its focus on this mission so vital to all people in the years ahead.

Robert E. Rubin

Director, Chairman of the Executive Committee;
Member of the Office of the Chairman at Citigroup Inc.



Pamela P. Flaherty

Flaherty is Senior Vice President of Global Community Relations at Citigroup, responsible for corporate citizenship, environmental affairs, and addressing globalization issues that the company faces.

Corporate Citizenship at Citigroup

As a leading institution with a proud history, Citigroup plays an important role in the global economy. Our CEO Chuck Prince has made clear that corporate citizenship is not a sideline activity; it is integral to our business. Because of our size, profitability and global reach, we know we must do this well. It is not only the right thing to do for society, but it is a way of building our brand and investing in our business for the long term.

We make a positive impact in four ways: operating a profitable business in more than 100 countries; providing employment and careers for 300,000 people; engaging in philanthropy and volunteerism; and applying the power of our business to expand the reach of financial services and to help finance sustainable development.

We believe that we have Shared Responsibilities to our clients, each other and our franchise. These have been communicated company-wide by our senior management team to all employees. We believe we must provide superior results for our shareholders while also acting with a focus on the long-term well-being of our franchise. We recognize that we must respect local cultures and take an active role in communities where we live and work. Our Citizenship Report describes how we do these things and what we have accomplished.

How We Work

Ultimately, our businesses are responsible for Citigroup's corporate citizenship activities. They begin with our CEO and business heads, who jointly manage our long-term strategy and our operations. Although we have staff units that help manage community relations, and sustainability and environmental initiatives, these groups are small by design. Each business area focuses on opportunities relevant to the nature of its business. For example:

- Global Consumer Group (GCG) focuses on community reinvestment, community development finance and community relations;
- Corporate and Investment Banking (CIB) focuses on our Environmental and Social Risk Management (ESRM) Policy;
- Global Wealth Management focuses on Socially Responsible Investment (SRI) products; and



Citigroup received Global Green USA's prestigious Corporate Innovation Award in 2005. Flaherty was presented with the award by Michael Brune, President of the Rainforest Action Network.

- CIB and GCG local businesses work through the Citigroup Foundation to provide philanthropic grants to nongovernmental organizations (NGOs) and nonprofits around the world.

Corporate citizenship initiatives are reviewed by our CEO and business heads as part of their review of business operations. The Public Affairs Committee of the Citigroup Board of Directors reviews these initiatives at least annually, some more often than others depending on the issue. Our Environmental and Social Policy Risk Committee (ESPRC) reviews our ESRM Policy. Internationally, our Regional Public Affairs Officers (RPAOs) each have a staff member dedicated to coordinating in-country community activities.

Stakeholder Engagement

Citigroup has an extensive and diverse group of stakeholders that includes its clients, employees, shareholders, competitors, governments, community organizations and NGOs. We also meet with stakeholders who don't always agree with our citizenship activities. Consistent with the management process described earlier, different areas of the company interact with stakeholders depending on the issue and the geography. Those most frequently involved are: our Country Corporate Officers (CCOs), who manage our businesses in the 100 countries where we do business, and their Public Affairs Officers (PAOs); Citigroup Global Community Relations, which focuses on relationships with socially responsible investors, NGOs and activists who are addressing general corporate citizenship and sustainability issues; GCG Community Relations, where we have Community Relations Officers; and Citigroup's Corporate Governance team, part of the General Counsel's office.

What's New in Our 2005 Citizenship Report

Each year we seek comments on our Citizenship Report from external stakeholders, as well as our businesses and employees. This year, for the first time, we are publishing a statement (see page 6) from a group of socially responsible investors who have commented on our Citizenship Report for several years. Also for the first time, we are including a table of metrics that describes our performance in those areas we can quantify, along with goals for those areas where we feel they are appropriate and where we have experience knowing how to set them. Finally, we have expanded our reporting on Equator Principles and ESRM Policy implementation.

A BRIEF HISTORY OF CITIGROUP'S CORPORATE CITIZENSHIP ACCOMPLISHMENTS

- 1902-1914 Citibank is the first American bank to open a branch in Asia (Shanghai) and in Latin America (Buenos Aires)
- 1916 CitiFinancial creates the new field of automobile financing
- 1917 Citibank makes its first philanthropic contribution to support the American Red Cross' work for World War I soldiers
- 1928-1929 Citibank becomes the first commercial bank in New York City to offer savings accounts (minimum balance set at \$1) and unsecured personal loans; Banamex first bank in Mexico to offer savings accounts
- 1934 CitiFinancial launches its first home improvement loans
- 1945 Citibank successfully re-employs 85% of former employees released from military service
- 1968 Citibank's President becomes first board chair of the Bedford Stuyvesant Restoration Corporation, the first Community Development Corporation in the U.S. designed to stimulate urban revitalization and community development
- 1970 Citibank creates its first Corporate Citizenship Department to address issues of urban underdevelopment, employment, affordable housing and small business
- 1971 Banamex introduces first ATMS in Mexico
- 1975 Salomon Brothers co-leads syndicate marketing Municipal Assistance Corporation (MAC) debt issue to bail out the nearly bankrupt City of New York
- 1977 Citibank introduces ATMs to the mass market in the U.S.
- 1984 Banamex establishes Women's Banking, financial centers and introduces a home banking service
- 1993 Smith Barney launches Capital Partners for Education in DC, a high school scholarship and mentoring program with a 97% college attendance rate
- 1995 Citicorp Foundation launches a five-year, \$10 million **Banking on Enterprise** program to support microenterprise lending in developing countries and inner city neighborhoods in the U.S.
- 1998 Citibank offers CitiAccess account to provide low-cost checking services for lower-income households
- 2003 Citigroup adopts and helps lead development of the Equator Principles, providing policies and guidelines for managing social and environmental issues related to project financing around the world
- 2004 Citigroup launches a ten-year, \$200 million Global Financial Education Program to encourage financial literacy around the world
- 2004 Citigroup develops a business to finance microfinance growth around the world
- 2004 CIB adopts a comprehensive ESRM policy and appoints ESRM Director
- 2005 Citigroup develops and implements Shared Responsibilities

A Statement from Representatives of Socially Responsible Investment Firms

The Shareholder Dialogue Group (SDG), a self-assembled group of socially responsible investment firms, provides Citigroup feedback on our sustainability initiatives, implementation and transparency.

Steve Lippman

Vice President of Social Research, Trillium Asset Management

Julie Tanner

Corporate Advocacy Coordinator, Christian Brothers Investment Services

Elizabeth McGeveran

Vice President, Governance & Socially Responsible Investments, F&C Asset Management

Ingrid Dyott

Managing Director, Neuberger Berman

Robert Walker

Vice President of Sustainability, The Ethical Funds Company

Michele Chan-Fishel

Director, Green Investments Program, Friends of the Earth U.S.

Rev. Seamus Finn, OMI

Missionary Oblates of Mary Immaculate

Since 1998, our working group of investors and environmental experts has met regularly with Citigroup to discuss environmental and social issues in the banking sector. We have encouraged the company to take a more comprehensive, long-term view of its business risks in order to build and sustain shareholder value. We have sought to understand how the bank identifies and manages social and environmental risks in its financing decisions, particularly the funding of large infrastructure projects like dams and pipelines in sensitive ecosystems and challenging operating environments. Visionary leadership from within combined with evolving external expectations has helped Citigroup lead the U.S. banking sector in a dramatic shift in accountability. Banks that once focused their environmental efforts on paper recycling and energy efficiency within their own buildings have begun addressing the more complex and far-reaching impacts of their financing decisions on the environment and local communities.

Citigroup played a pivotal role in this development as one of the four international banks behind the creation of the Equator Principles in 2003. Banks that adopt the Equator Principles agree to apply the social and environmental compliance standards of the World Bank Group to large project finance deals. Citigroup was among the first banks to adopt additional policies to help protect critical natural habitats and discourage the widespread problem of illegal logging. Citigroup continues to expand its environmental and social risk management beyond project finance to apply to other types of project-specific transactions. Furthermore, the creation of new positions within Investment Risk Management in Citigroup's Corporate and Investment Banking division will help staff implementation of the company's expanding policies.

Our Dialogue Group has given feedback to Citigroup on its five previous Corporate Citizenship Reports, and each year we have been encouraged by the improvements. This 2005 Corporate Citizenship Report is no exception, representing real leadership among U.S. financial services companies. In particular, we welcome the inclusion of specific data on the number of projects reviewed under Citigroup's Environmental and Social Risk Management policies and the associated outcomes. We also welcome the candid reporting on the number of exceptions made to the policies and the case

study of a particular exception. Finally, we appreciate Citigroup's hard work to track and reduce its energy use and other environmental impacts at thousands of facilities around the globe. While we have focused on the Environment section, we appreciate the inclusion of performance data on other factors, such as disclosure of Equal Employment Opportunity (EEO-1) U.S. workforce diversity.

This report celebrates a year of accomplishment, but significant challenges remain. We are encouraging Citigroup to wrestle with the social and environmental risks inherent in bond underwriting and other transactions where the use of financial proceeds is not specified by the borrower, but that nevertheless channel capital to high-impact projects. We also continue to ask Citigroup to demonstrate how its policies contribute to refining its risk assessment procedures while improving the standard of projects, particularly for high-impact resource extraction projects. Developing additional metrics to demonstrate positive on-the-ground impacts would provide additional assurance to investors and other stakeholders. Growing recognition of the risks posed by climate change, the challenges and opportunities of doing



Shareholder Dialogue Group members pictured from left to right are: (front row seated) Michele Chan-Fishel and Julie Tanner; standing are: Elizabeth McGeveran and Steve Lippman.

business in China, and continuing concerns about financing projects in areas in conflict or with poor human rights records are all challenges that offer Citigroup the chance to build on its record of leadership. Our group welcomes the opportunity for ongoing dialogue on these issues, and believes that by tackling them, Citigroup will set the course to build a stronger company for the future.

Highlights of Awards and Recognition in 2005

We are proud to highlight some of the more than 100 corporate citizenship awards and recognition that Citigroup and its businesses received in 2005.

Akatu and Ethos Institute—Brazil
AAA Social Responsibility Rating

Big Brothers, Big Sisters—Guam
Distinguished Service Award for Volunteerism

Black Enterprise
Top 30 Companies for Diversity—U.S.
Citigroup Supplier Diversity Special Notation

Business in the Community—South Africa
International Big Tick Award

Business in the Community—U.K.
**European Community Engagement—
Big Tick Award**

Common Wealth Magazine—Taiwan
Most Respected Bank

Community Chest—Hong Kong
**President's Award, Platinum Award,
Top Fundraiser Award, Highest Donation Award**

DiversityBusiness.com—U.S.
Top 50 Companies for Multicultural Sourcing

Global Green USA—U.S.
Award for Corporate Innovation

Happiness Republic Magazine—Taiwan
2005 Best Corporate Citizen

Hispanic Federation—U.S.
Outstanding Corporate Support

Hispanic Trends Magazine—U.S.
Top 50 Companies for Supplier Diversity

Hong Kong Council of Social Service—Hong Kong
Caring Company Award

Human Rights Campaign's
Corporate Equality Index—U.S.
Citigroup Scores 100%

Junior Achievement—Uruguay
**Plaque Commemorating
90th Anniversary and Support**

National Urban League—U.S.
Corporate Leadership Award

Network for Training Entrepreneurship—Belgium
Corporate Social Responsibility Award

Opportunity Now—U.K.
**City Focus Award for
Commitment to Female Talent**

Prime Minister—Australia
Award for Community Business Partnerships

Social Welfare Department—Hong Kong
Volunteer Services Award

SWA Magazine—Indonesia
Corporate Social Responsibility Award

TechnoServe—El Salvador
Ten Employee Volunteers Recognized

Tung Wah Group of Hospitals—Hong Kong
Corporate Social Responsibility Award

UNICEF—Peru
**Member of Círculo de Empresas
Amigas de la Niñez**

United States Congress—U.S.
**Certificate of Special Congressional Recognition
for Community Service**

United States Department of State—Bangladesh
**Citation for Corporate Excellence in Corporate
Social Responsibility**

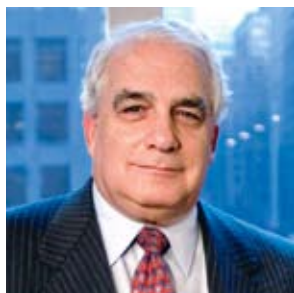
United States Senate—U.S.
Certificate for Outstanding Corporate Citizenship

Working Mother Magazine—U.S.
List of 100 Best Companies



our company

As a leading global financial services company, Citigroup has some 200 million customer accounts and does business in 100 countries. Our 300,000 employees around the world help to provide consumers, corporations, government and institutions with a broad range of financial products and services, including consumer banking and credit, corporate and investment banking, securities brokerage, and wealth management. Major brand names that fall under Citigroup's trademark red umbrella include: Citibank, CitiFinancial, Primerica, Smith Barney, and Banamex.



“Much of the projected growth for Citigroup will come from our international business where we have deep roots and a long history. In addition to serving our clients, our objective is to connect with the communities where we do business and contribute to their development in ways that respond to the needs of their people.”

Lew Kaden
Chief Administrative Officer for Citigroup

100 Countries Strong

CITIGROUP TRACES ITS HISTORY IN THE U.S. to 1812 and more than a century in China, Hong Kong, Japan, the Philippines, Singapore and London. In 2005, we celebrated eight milestone anniversaries in Latin America: Brazil, 90 years; Ecuador, 45 years; Guatemala, 30 years; Honduras, 40 years; Jamaica, 45 years; Peru, 85 years; Trinidad and Tobago, 40 years; and Uruguay, 90 years. With offices in 17 countries in Africa, we are the largest international financial services company on the continent. We also have a wide presence in Europe, the Middle East and North America.

Responding to our clients' needs while taking a leadership role to foster economic development is at the heart of Citigroup's operations in each of the local communities where we do business. In striving to be the most respected global financial services company, we support hundreds of development programs in areas where we feel we can have the greatest impact, such as economic development, microfinance, financial education, community development financing, leadership training and technical assistance, and financial management expertise.

Citigroup as a Participant in Local and Global Markets

Citigroup recognizes its responsibility to be a participant on both the global and local levels. Citigroup's total philanthropic giving from our Foundation and our businesses combined reached more than \$126 million in 2005. At the global level, in 2004 Citigroup and the Citigroup Foundation made an unprecedented ten-year, \$200 million commitment to support financial education. Citigroup was also among the founding members of the Equator Principles, a set of guidelines based on International Finance Corporation (IFC) policies used by bankers around the world to assess the potential environmental and social impact of development projects they finance.

At the local level, Citigroup trains financial managers in banking's best practices, employs local residents, and develops and offers financial products targeted to benefit the communities we serve.

We place enormous value on the individuals who work for our company and align our hiring practices with the needs of the countries where we do business. We are committed to employing and training local talent; 98% of our employees are hired locally.

Educating financial professionals is one of the most effective ways to improve banking services, develop better banking standards and practices, and enhance investor confidence, and to this end we are spearheading a variety of initiatives around the world.

For example, with a \$375,000 grant from the Citigroup Foundation, in 2005 the Financial Services Volunteer Corp (FSVC) conducted its fifth annual U.S. internship program on bank management for senior bankers from Russia and the Ukraine, which has trained 72 bankers to date. The program focused on credit risk management, internal controls and branch management, and provided progressive bankers from Russia and the Ukraine with up-to-date knowledge and new perspectives. FSVC is a nonprofit, private-public partnership whose mission is to help build sound banking and financial systems in transitional and developing countries. By recruiting financial professionals as volunteers, FSVC offers its clients valuable expertise.

In Trinidad, Citigroup held a Market Risk Workshop for 17 individuals representing financial institutions from Trinidad, the Bahamas and Barbados. The workshop was targeted to treasurers, traders, risk managers, portfolio managers, financial controllers and audit and operations professionals, as well as relationship managers who handle complex structured derivatives, corporate finance and capital market deal structures.



"Many emerging markets around the world are experiencing significant growth and attention from the capital markets. Citigroup has a long history in these markets, tremendous depth of internal local talent and many local clients, both corporate and individual. We continue to train local bankers, both in Citigroup and externally, and we support financial education for consumers, small businesses and corporations. We do this to strengthen local economies and help people move forward."

William (Bill) R. Rhodes

Chairman and CEO, Citibank, N.A.; Senior Vice Chairman, Citigroup Inc.

And in Hong Kong during 2005, Citigroup's Asia-Pacific Fixed-Income team held its third annual week-long training program for bankers across the region. The program focused on basic fixed-income markets trading instruments—bonds, futures, options and swaps. More than 100 bankers attended from 11 countries, including Australia, China, Hong Kong, India, Indonesia, Korea, Malaysia, the Philippines, Singapore, Sri Lanka and Taiwan.

Citigroup's Shared Responsibilities

At Citigroup, we believe that by aligning ourselves with our Shared Responsibilities (see inside front cover), we will achieve our goal to be the most respected global financial services company. Citigroup developed and adopted these Shared Responsibilities in 2005 to help reinforce values and expectations for all employees, educate them on the company's rich legacy, and help them focus on the company's long-term success. Substantially all of the company's 300,000 employees have attested to understanding these principles.



Citibank in Honduras celebrated its 40th anniversary in 2005. Pictured (left to right) are: Maria Elena Mondragón, Former Central Bank President in Honduras; Suresh Maharaj, Regional Executive for Caribbean and Central America, Citigroup; Vicente Williams, Former Vice President of Honduras; Larry Palmer, Former U.S. Ambassador in Honduras; and Máximo Vidal, Former CCO of Banco de Honduras, a subsidiary of Citibank, N.A.

Our Code of Conduct

At Citigroup, we also believe that our company will grow faster and create more opportunities if our employees have common ethical standards and follow consistent policies. We provide these directives in our Code of Conduct.

In 2005, Citigroup conducted its annual review and update of the Code of Conduct. All employees worldwide are required to read the Code and sign and return a form acknowledging their understanding of the content, which is now available online in 14 languages. We also offer periodic tutorials called *Know the Code* on our intranet site so employees can test and reinforce their knowledge.

Citigroup Corporate Governance Business Practices Report

Periodically we publicly issue the *Citigroup Initiatives Corporate Governance Business Practices Report*, the full text of which is available on our Web site (www.citigroup.com). This report discusses initiatives that the company has undertaken to ensure leadership in corporate governance practices. The most recent update was issued in Spring 2005 and highlighted the company's Five Point Plan, which is bringing needed change to Citigroup and helping employees live up to our Shared Responsibilities.

Making the Global Financial System More Transparent

At Citigroup, we recognize that we benefit from operating in open economies with clear rules and regulations and strict standards of good governance for all participants. We have been active in many ways to protect the global financial system from abuse. Knowing that our business benefits from a global financial system that is perceived as honest, transparent and efficient, we have taken a leadership role in adopting and promoting global anti-money laundering principles. We also continue to be at the forefront of efforts to identify the role that financial institutions can play in preventing the financing of terrorism.

Citigroup's broad-based Global Anti-Money Laundering Policy sets forth our stringent customer due diligence requirements, as well as procedures designed to ensure compliance with U.S. laws and regulations and the laws and regulations of the jurisdictions in which we operate outside the U.S. Within the corporate anti-money laundering function, we have a team whose sole purpose is to conduct reviews of the anti-money laundering procedures that have been implemented in the various businesses. This team helps ensure the continued effectiveness of our anti-money laundering program.

Citigroup played a role in organizing an informal group of international financial institutions, now known as the Wolfberg Group, that came together to develop and issue guidance with regard to this and other money-laundering and terrorist financing risks.

Our involvement in this and other private sector anti-money laundering initiatives, including those led by the American Bankers Association and the New York Clearing House, has helped provide needed guidance to the financial community. And our commitment to ensuring that both the private and public sectors understand the risks associated with money laundering and terrorism financing runs even deeper. Over the last year, our staff has provided training and technical assistance on these issues to governments and financial institutions across the U.S. and in countries throughout Europe, Asia, Africa and South America.



Citibank in Peru marked its 85th anniversary in 2005.

Recognizing the complexity and global nature of the fight against money laundering, fraud and terrorist financing, and to protect information security, Citigroup also works with law enforcement, administrative and regulatory agencies, as well as a broad range of financial industry organizations to foster cooperation, share information on best practices and promote consistency in addressing those issues. These organizations include: Transparency International; the Overseas Security Advisory Counsel; the International Security Management Association; the International Banking Security Association; the American Society of Industrial Security, the International Association of Credit Card Investigators; the Bank Industry Technical Secretariat; and Business Executives for National Security.

According to the World Bank, some 2.5 billion people—or 40% of the global population—do not have access to basic financial services. The United

Nations' International Year of Microcredit 2005, of which

Citigroup was a sponsor, raised global

awareness of the importance of

microfinance in providing this access.

Citigroup CEO Chuck Prince joins Ela Bhatt, Founder of the Self-Employed Women's Association (SEWA) and Chairperson of the Board of Trustees for The Indian School of Microfinance, in dedicating the Citigroup Centre for Financial Literacy at The Indian School of Microfinance.



microfinance

Expanding Financial Inclusion

Microfinance at Citigroup

RECOGNIZING THE NEEDS THAT MICROFINANCE can fulfill and opportunities that it can present, Citigroup is working with leading microfinance institutions (MFIs), microfinance networks and investors as commercial partners and clients to develop products and services to significantly expand access to financial services in many countries.

Microfinance clients require a range of financial products and services, including credit, savings, insurance and remittances. Citigroup is working with the microfinance sector, cooperatives and

other financial institutions to develop appropriate products, distribution mechanisms and financing to broaden and increase the scale of outreach.

Established in 2004, the Citigroup Microfinance Group offers specialized microfinance expertise using the resources and experience of the company's Corporate and Investment Banking, Consumer, and Global Wealth Management businesses. Our product groups and employees work with partners to address the needs of those who are not currently reached or who are underserved by formal financial institutions.



“Citigroup has launched a multibusiness effort to establish microfinance relationships, products and activities on a commercial basis, leveraging the company’s greatest assets for the microfinance sector—our capital, products, distribution capabilities, local market presence and most importantly, our banking professionals.”

Robert Annibale
Global Director of Microfinance, Citigroup Inc.

Innovation, Financing and Products

Citigroup significantly increased the number and extent of its commercial relationships with leading MFIs in 2005. Working closely with the members of microfinance networks, including ACCION, FINCA, Grameen, Opportunity International, Unitus and Women’s World Banking, we provided local currency funding, transaction services and corporate finance solutions, and we are developing consumer products and services to offer network member institutions. We are also working with leading microfinance funds, an increasingly important source of diversification for MFI funding, including the ACCION funds, the Dignity Fund and Microvest.

Local Currency Funding and Transaction Services

With its global presence and local market expertise, Citigroup is providing financing to MFIs in an increasing number of countries. We are developing with leading microfinance networks and investors local currency financing structures to diversify sources of funding for MFIs. Using Citigroup’s extensive treasury and local branch expertise, we are working with MFIs and investors to assist them in managing foreign exchange, liquidity and interest rate risk.

Citigroup and Grameen Foundation USA developed an innovative \$50 million structured finance program backed by individual donor guarantors. Managed by Citigroup’s Global Consumer Bank and working with Private Bank clients and local Citigroup offices in many countries, this Grameen program provides MFIs with local currency funding and market access either through direct lending or capital market solutions.

In September 2005 in Mexico, Citigroup/Banamex concluded a \$50 million local currency structured bond program for Financiera Compartamos, Mexico’s leading MFI with more than 400,000 clients, mostly self-employed rural women. The issue, structured with International Finance Corporation (IFC), was more than three times oversubscribed by

institutional investors, broadening the investor base for future growth and establishing a benchmark for the sector. *Latin Finance* magazine awarded the transaction “Best Structured Deal of the Year.” Banamex also initiated new commercial relationships with leading MFIs that provide services to more than 800,000 clients.

Corporate Finance Solutions

Citigroup is leveraging its emerging markets financial structuring experience and local presence by working with government agencies, multilateral institutions, microfinance networks and investors to provide funding for MFIs. Citigroup and IFC structured local currency funding for UMU, a leading MFI in Uganda, and for Compartamos in Mexico. With OPIC (U.S. Overseas Private Investment Corporation), we arranged financing in Mexico and term financing for ProCredit, a group of 19 microfinance banks operating in Africa, Latin America and Eastern Europe that provide micro and small enterprises credit and banking services.

In 2006, Citibank with FMO (Netherlands), KfW (Germany) and RSA (Bangladesh) will launch a landmark local currency microfinance loan securitization for one of the world’s largest MFIs, BRAC, in Bangladesh. This will provide a new source of funding for BRAC and an opportunity for investors interested in financing this important institution.

“We have not really proven that we can bring the business of microfinance up to scale and this is partly because we have lacked access to resources, and to the power of a large global player. The fact that a company like Citigroup is willing to pave the way, not from their philanthropic efforts, but rather from their product efforts, provides the potential for this business to be massive.”

Carlos Danel
Co-CEO Financiera Compartamos, Mexico



"While it may seem fundamental, microfinance—expanding access to financial services—is an important contributor in providing individuals and communities with new opportunities, while supporting economic development. Microfinance's impact globally is profound."

Ajay Banga

Co-Chairman and CEO, Citigroup Global Consumer Group

To fund MFI network expansion, Citibank Peru completed a pioneering microfinance leasing transaction. This lease structure will support the MFI's strategy to increase scale, enabling it to establish new branches more rapidly and efficiently.

Financial Products and Services

In India, Citibank is partnering with leading MFIs to increase access to financial products and services to microfinance individual clients. Through a partnership with Working Women's Forum (Chennai), Citibank has provided loans to more than 18,000 of their women micro-entrepreneurs, with excellent repayment performance. In 2006, Citibank will establish similar partnership models with other leading MFIs, and will launch a savings product for the partners' clients, as regulations restrict most MFIs in India from providing deposit products.

In Mexico, Citigroup/Banamex, through its insurance subsidiary Seguros Banamex, designed and launched with Compartamos a life insurance product specifically for microfinance entrepreneurs. During the first six months of the product's availability, Seguros Banamex increased its microinsurance clients to 50,000 and expects to add another 400,000 clients by year-end 2006.

Remittances sent by immigrants are critical to the lives of millions of their relatives and to the economies of their home nations, but remittances are often expensive and rarely part of a banking

relationship for either the remitters or beneficiaries. In 2005, Citigroup launched a program with Banco Solidario, a leading MFI in Ecuador supported by ACCION International, to provide a safe, efficient, economical way to send money home to families and friends while increasing the flows of funds directly to the beneficiaries and providing these clients with other banking services.

Risk Assessment Framework

In 2005, Citigroup formally incorporated microfinance in its commercial credit process. We developed microfinance risk analytics, credit models and policies to enable Citigroup's businesses to expand their commercial relationships and product offerings in microfinance. The Citigroup Microfinance Group is also collaborating on a number of risk, credit and rating initiatives with specialized microfinance rating agencies, networks and multilateral institutions, to share best practices and to establish industry standards and transparency for the sector.

Citigroup's work with MFIs in 2005 demonstrated that there are commercially viable models to expand greater access to financial services. This effort has contributed to the growing belief that microfinance should be embedded in the traditional businesses of mainstream financial Institutions. Or, as *The Economist* magazine recently printed, "Citi's biggest contribution...is its belief that microfinance can become a valid, profit-making business."

MICROFINANCE 2005 HIGHLIGHTS

Growth in MFI and end-client funding solutions	<ul style="list-style-type: none"> Banking the MFI—Structured Bond program for Compartamos. Increased local currency funding to various MFIs. Banking the Retail Customers—WWF, Banamex (use of agency network for MFI client access). Funding through Networks (GFUSA—Wholesale Financing Facility, OPIC and Citigroup term funding for ProCredit).
Mainstream microfinance institutions and clientele	<ul style="list-style-type: none"> Insurance—Citigroup Banamex launched a micro-insurance product in Mexico. Leasing—Microfinance leasing transaction completed by Citibank Peru. Remittances—Designed and started new remittance product from U.S. to Ecuador.
Coverage of sector institutions	<ul style="list-style-type: none"> Agencies—Structuring local currency funding with leading agencies, including FMO, IFC, KfW and OPIC. Funds—Worked with leading microfinance funds to provide funding solutions for MFIs. Networks—Expanded commercial relationships and partnerships with leading microfinance networks.

The Citigroup Foundation's Microfinance Commitment

As one of the leading private sector supporters of microfinance, the Citigroup Foundation has provided nearly \$26.9 million in funding to MFIs and MFI networks worldwide over the past five years. This support helps microfinance organizations provide technical assistance, promote standards, introduce product innovations and influence positive change in local regulatory frameworks.

The Citigroup Foundation support for microfinance focuses on:

- Capacity building to help MFIs achieve greater scale, outreach and financial self-sustainability;
- Providing seed funding to new MFIs;
- Supporting development of uniform standards, increased efficiency and transparency, and sharing of best practices;
- Building awareness to stimulate more public and private support for microfinance programs; and
- Providing employee volunteer opportunities with local MFIs.

From Poverty to Prosperity

In 2005, Citigroup made a \$3.9 million grant to support Microfinance Opportunities/Freedom from Hunger's financial education curriculum—*From Poverty to Prosperity*. Ultimately expected to reach two million MFI clients around the world, the curriculum helps the poor learn how to build and manage assets. We also funded an earlier phase of the project with a \$1.4 million grant in 2002.

Global Microentrepreneurship Awards

As part of Citigroup's support for the United Nation's International Year of Microcredit, we collaborated with the UN Capital Development Fund and students from Harvard, Yale, Columbia, the University of Pennsylvania, Northwestern and New York University to launch *The Global Microentrepreneurship Awards (GMA)* program. The GMA illustrates and promotes how microfinance can strengthen the entrepreneurial spirit in impoverished communities and help change the perception of the poor. In 2005, we helped implement the GMA in 23 countries.

In the course of that year, 5,000 microentrepreneurs applied for the GMA program and more than 300 of them received awards. Forty awards were also granted to microfinance loan officers for their contributions to the industry. The Citigroup



"My \$1,000 equity award from the AEO/Citigroup Woman and Company Microenterprise Boost Program invested in equipment and marketing resulted in a 50% increase to my client base. The award not only increased my revenue, it also empowered me with the confidence to market my talents to larger companies, creating opportunities to obtain larger contracts and do business on a larger scale."

Lisa Bishop

Owner of Voice of Victory Publishing in Philadelphia, PA

Foundation has supported the GMA program with \$825,000 in grants.

Aiding Tsunami-Affected Communities

In 2005, the Citigroup Foundation provided \$700,000 in grants to the Foundation for Development Cooperation (FDC). FDC's mission is to strengthen partnerships in the Asia-Pacific region for sustainable development and poverty reduction through research, policy dialogue, advocacy and capacity building. With a portion of our funding, FDC, in partnership with organizations such as the Banking With the Poor (BWTP) network, developed and delivered MFI capacity-building forums and programs throughout Asia focusing on areas most affected by the tsunami.

Our Microfinance Support in the U.S.

In the U.S., the Citigroup Foundation supports a number of organizations that provide microcredit. For example, a \$750,000 grant was made to ACCION USA, which strives to bridge the credit gap among low- and moderate-income (LMI) individuals. Through our funding, ACCION USA plans to implement a national expansion strategy.

Citigroup has also partnered with the Association for Enterprise Opportunity (AEO) to launch the *AEO/Citigroup Women and Company Microenterprise Boost Program*. AEO is a national association of community-based organizations that provide entrepreneurial education, access to capital and support to low-income entrepreneurs. In 2005, eight microenterprise development organizations were selected to provide cash equity awards and technical assistance to 72 women microentrepreneurs.

Citibank Korea's CEO Yung-Ku Ha (front row, third from left) led Citibank Korea headquarters and branch employees and members of their families in building homes for Habitat for Humanity.



community

Making Communities Better Because We Are There



"This wave of economic globalization, mergers and corporate fluctuations requires strong corporate-community partnerships in order for underserved and underdeveloped communities to effectively compete. For this reason, *The New York Christian Times* and our affiliates, like The Black Church Means Business Conference, embrace the participation of Citigroup. Vision will always lie dormant without provision. Thus as a leading financial service provider working with community institutions like ours, Citigroup is helping to usher in a new kind of solidarity that broadens the scope of all stakeholders. The fullness of corporate citizenship journeys toward its summit through our joint efforts to redeem and empower our local and global communities by advancing the agenda of financial education, workforce diversity and the trailblazing of a deliberate path for the growth and development of community enterprises. Citigroup's valued and tangible contribution is crucial to this process."

Rev. Dennis A. Dillon
Publisher, *The New York Christian Times*



“Citigroup is passionate about improving the communities in which we do business. Good corporate citizenship is a pillar of our strategy and frankly it’s good business. We are pleased to provide local communities with access to Citigroup’s expansive resources to enhance social and economic development.”

Steven J. Freiberg

Co-Chairman and CEO, Citigroup Global Consumer Group

WE BELIEVE THAT THE COMMUNITIES WHERE we do business should be better because we are there. We help foster affordable housing and commercial development, which in turn creates jobs; and we offer nonprofit organizations and their clients financial education programs, customized financial solutions, management expertise, technical assistance, grants and the volunteer support of our more than 300,000 employees around the world.

Leadership in Financial Education

Citigroup’s support of financial education programs around the world reflects our commitment to communities. Financial education helps people understand how to use financial resources. And when they know how to use these resources wisely, they have a chance to achieve a better quality of life.

The *Citigroup Financial Education Program* touches people of every age, nationality, ethnicity and economic level, and reaches across our businesses and across borders. The program includes an office of Financial Education and curriculum; funding for programs supported by a ten-year, \$200 million commitment made by Citigroup and the Citigroup Foundation in 2004; and training for our employees and nonprofit organizations with which we work.

In 2005, Citigroup and the Citigroup Foundation awarded close to \$30 million in grants and sponsorships to financial education programs around the world.

Our Approach

We direct resources toward programs that provide financial education in three categories:

- Personal—To help people save, invest, borrow and spend wisely, and manage debt responsibly.

- Small Business—To help entrepreneurs save, invest and secure financing to better manage their capital and grow their businesses.
- Institutional—To help support programs that assist governments, academic and financial institutions, and nonprofit organizations to promote knowledge and sound management of economics, markets and financial systems.

Financial Education for Individuals

The Adventures of Agent Penny and Will Power—50,000 Students Across Asia Share the Experience

During 2005, the Citigroup Foundation provided grants totaling \$513,600 to launch *The Adventures of Agent Penny and Will Power*, a comic book designed to instill the value of money and promote financial education to upper primary school students. Citibank Singapore and the Learning Society, a community

“When it comes to financial education, our goal is to help people improve the quality of their lives and to help small businesses, institutions and communities improve by providing them with the information and tools they need



to make informed financial decisions. As one of the largest financial services companies in the world, we are uniquely positioned to meet this growing need.”

Dara Duguay

Director of the Office of Financial Education, Citigroup Inc.

Gwendolyn, a student at Jurong Primary School, gives her sign of approval for Citigroup's new **Agent Penny** comic book.



organization that promotes education programs for children and adults, launched *Agent Penny*. To date, 25,000 copies of the comic book have been distributed to students in Singapore.

Complementing the comic book, Citibank Singapore commissioned The Necessary Stage, a local theatre group, to produce a skit for performance in schools and libraries illustrating the importance of saving and budgeting. We also worked with the Learning Society to develop a financial education resource kit for teachers.

In May 2005, 10,000 *Agent Penny* comic books in both English and Bahasa Malaysian were distributed to schoolchildren in Malaysia thanks to a collaboration between Citibank Berhad and the Malaysian Invention and Design Society. And in October 2005, 20,000 copies of *Agent Penny* were made available in Hong Kong. *Agent Penny* has also been issued in Taiwan.

***My Finances*—216,000 Students and 2,400 Teachers to Be Reached in Poland**

The Leopold Kronenberg Foundation, a part of Citigroup Foundation, together with the National Bank of Poland and the Junior Achievement Foundation of Poland, launched *My Finances* in 2005. This nationwide financial education program will

reach 216,000 students and 2,400 teachers in some 2,000 secondary schools by 2007. *My Finances* teaches young people the basics of personal finance and the rules governing the economy and business.

As part of *My Finances*, students will assume the role of a customer or bank clerk in an actual Citibank Handlowy branch. *My Finances* is supported by a Citigroup Foundation grant of \$450,000 payable over three years.

***Acorn Market*—400 Financial Education Game Kits Provided to Students in Japan**

In Japan, with funding from the Citigroup Foundation, we worked with the National Institute on Consumer Education (NICE) to develop *Acorn Market*, a financial education game for middle-school students. To date, 400 *Acorn Market* game kits have been distributed to schools across Japan.

Developed by educators, *Acorn Market* gives students the opportunity to learn how the financial and economic systems work. After students play a game in the classroom, their teacher lectures on the actual financial and economic systems. Based on the program's success, the Citigroup Foundation is providing additional support to distribute 1,000 more game kits to schools throughout Japan.

***Junior Achievement's Banks in Action*—26,000 Students Learn About Banking Worldwide**

Started as a cooperative pilot between Junior Achievement (JA) and Citigroup, the *Banks in Action* program has reached more than 26,000 students in 26 countries worldwide. In 2005, more than 12,000 students from 17 countries in Latin America and the Caribbean participated in local, national and regional *Banks in Action* competitions. In the process, students from different countries and cultural backgrounds learned to work together to compete effectively in the global economy.

In 2005, the Citigroup Foundation awarded a grant in excess of \$2.7 million, payable over three



"If education is about preparing children for tomorrow, then financial education is a very important life skill to learn. Promoting financial literacy among children is a step in the right direction. I encourage all primary schools to take up this challenge today, and bring the *Agent Penny* comic book and skit to your students."

Chan Soo Sen

Minister of State for Education, Ministry of Education, Republic of Singapore

years, to JA Worldwide for the redesign and global expansion of the program. Updated and redesigned jointly by JA Worldwide and Citigroup, the new program will be piloted in 19 countries early in 2006 with a full global launch to follow.

Teach Children to Save—40,000 Students Reached in U.S.

In 2005, Citigroup employees in cities across the U.S. volunteered for a program of the American Banker's Association Education Foundation's *Teach Children to Save Day*. This program encourages bankers to go into their local schools and teach kids the financial facts of life. Our employee volunteers reached an estimated 5,000 students in 2005, bringing the total number of students we have reached since our participation in the program began in 2000 to nearly 40,000.

Purses to Portfolios—\$220,000 Foundation Grant Expands Program for Women

Citigroup was honored with the Delaware State Treasurer Financial Education Leadership Award for its commitment to financial education and for envisioning and implementing the *Purses to Portfolio* program, which includes personal finance classes, community symposiums and a Web site, along with the opportunity for women to obtain a certification if they complete ten or more hours of DFLI-sponsored classes. In 2005, the Citigroup Foundation made a \$220,000 grant to the Delaware Financial Literacy Institute (DFLI) to expand the program. *Purses to Portfolios* also hosts a biennial conference that was attended by more than 1,000 women in 2005.

Financial Education Provided to 47,000 National Academy Foundation Students in the U.S.

Founded in 1982 by Citigroup Chairman Sandy Weill, NAF prepares more than 47,000 students every year in the U.S. and U.K. for careers in financial services, hospitality and tourism, and information technology. More than 20,000 of those students participate in the Academy of Finance program. NAF sustains a national network of more than 638 career Academies in high schools across 40 states and the District of Columbia.

In 2005, the Citigroup Foundation provided a grant to Cisco Learning Institute to integrate components of Citigroup's Financial Education Curriculum into NAF's Strategies for Success and Internship courses, which are offered to more than 12,000 students across all three Academy career programs.



Citigroup CCO for Paraguay (far right), Ignacio Morello, and JA Paraguay Director, Roberto Urbieto, congratulate **Banks in Action** participants in the 2005 national competition in Paraguay.

Financial Education for Small Businesses

Shakti Foundation for Disadvantaged Women—Serving 170,000 Low-Income Women in Bangladesh

The Shakti Foundation for Disadvantaged Women works with poor women in urban areas of Bangladesh to create conditions and opportunities for their social and economic empowerment. With an \$86,000 grant from the Citigroup Foundation (payable over three years), for *The Business Development Services (BDS) Program and Linkage Program*, the Shakti Foundation will offer training to 174,000 women to help them grow their enterprises and broaden market access for Shakti Foundation members. Over a three-year period, Shakti will hold 520 workshops reaching 12,400 participants, and it will offer 100 follow-up meetings with 700 participants.

Financial Education for Institutions

Russian Microfinance Center (RMC)—More Than 200 Practitioners to Be Trained

RMC, a network that provides information and services for the microfinance industry, received funding from the Citigroup Foundation to support training programs and consultancy tools that will strengthen the microfinance sector's corporate governance and financial transparency practices, as well as promote the integration of microfinance into the formal financial sector. The training will reach 180 practitioners over a two-year period. The programs will also provide joint training with universities to develop skilled loan officers and integrate microfinance into MBA programs. Lastly, RMC will offer three training seminars to approximately 150 microfinance practitioners that will introduce ratings as a cornerstone principle in overall organizational transparency.

Community-Focused Businesses Making a Difference in the U.S.

Our shared responsibilities are values that also guide us in developing innovative and affordable business products and services tailored to meet the needs of underserved populations, nonprofit organizations, and business entrepreneurs. In 2005, Citigroup's businesses provided financing and made other investments totaling nearly \$35 billion to support low- and moderate-income (LMI) families and communities in the United States.

Community Development Exceeds \$3 Billion

Citibank Community Development (CCD) provides financing for affordable housing and community revitalization projects in locations around the U.S. CCD's innovative, comprehensive and cost-effective financing packages meet both the short- and long-term needs of for-profit and nonprofit organizations that build and operate affordable housing, commercial developments and community facilities that benefit LMI neighborhoods and populations. In addition, CCD's National Lending group focuses on the needs of national intermediaries and nonprofit organizations by providing bridge loans, lines of credit and other structured finance products. CCD also makes equity investments in low-income housing tax credit funds and in private equity funds that seek to foster economic development in underserved communities.

CCD has increased its annual dollar commitments to community development projects in each year of its existence. In 2005, CCD's community development lending totaled nearly \$2.8 billion. CCD also made a record amount of community development investments in 2005, exceeding \$700 million.

Affordable Mortgage Lending Totals \$117 Billion

In September 2003, Citigroup announced an unprecedented commitment to provide \$200 billion nationwide in mortgage lending to LMI, minority and other underserved families in the U.S. through 2010. This initiative has the potential to help as many as two million families realize the dream of homeownership. As of 2005, we have already made almost \$117 billion in affordable mortgage loans.

We also work to increase homeownership by offering both traditional and nontraditional mortgage products and homeownership programs developed in



CCD Project Highlights

Village Commons in Baltimore, MD (top photo)—CCD has extended \$76 million in construction financing for Village Commons, a \$95 million urban-infill mixed-use development consisting of 170 condominiums, 30,000 square feet of retail space and parking. Located in the Charles Village neighborhood near Johns Hopkins University, Village Commons is being developed by a partnership between Canyon-Johnson Urban Funds, of which former basketball star Earvin "Magic" Johnson is a partner, and Baltimore-based developer Struerver Bros.

La Costa Paloma Apartments in Carlsbad, CA (bottom photo)—CCD provided a \$20 million credit enhancement to help finance the La Costa Paloma 180-unit affordable rental apartment development. Located in a beautiful setting adjacent to a golf course, this project has attracted national attention as a model of affordable housing development. Development partners include Mercy Housing, Community Housing Works, the National Equity Fund and Fannie Mae.

partnership with nonprofit organizations and affordable housing developers. Mortgage financing is made more attainable by permitting flexibility in underwriting guidelines and offering a selection of products that meet almost every combination of needs. Citibank's Community Mortgage Relationship Managers work closely with nonprofit organizations to ensure that eligible borrowers have access to these products, as well as to first-time homebuyer seminars. In 2005, we worked with more than 200 nonprofit organizations to deliver more than 300 homebuyer seminars for 8,000 prospective purchasers of homes.

We also offer mortgage subsidy programs that provide assistance with down payment and closing costs—these can be vital in helping LMI individuals purchase their first home.

Small Business Reaches \$1.6 Million

Citibank's Small Business Administration (SBA) Lending team helps entrepreneurs start or buy a small business, or expand an existing one. As a designated SBA Preferred Lender, we can provide a more streamlined experience for the businesses we serve. Our SBA team makes available to business owners lines of credit, term loans and owner-occupied real estate loans using the SBA Express 7a and 504 loan programs. We also continue to expand our SBA product outreach and earned SBA PLP status in New York, New Jersey, Washington, D.C., Maryland, Florida, Texas and California.

In 2005, Citibank's community small business lending reached \$1.6 million. We also received a Gold Level Achievement Award for being a top SBA lender in New York.

Banking for U.S. Hispanic Consumers

Citigroup has focused aggressively on serving the growing Hispanic consumer market. Products and services have been developed to meet some of their unique needs, including Access Accounts, a service for the unbanked; bi-lingual service at all our customer touch points; acceptance of the Mexican and Guatemalan consular cards as forms of identity to open bank accounts at Citibank; and a bi-national credit card program to allow Banamex USA credit card clients to share their credit with relatives in Mexico.

Citigroup has also developed relationships with Hispanic organizations to support the economic development of Hispanic communities and promote financial education.

In 2005, we initiated a new remittance service to Ecuador, initially from New York, with a nationwide rollout slated for 2006. We developed a personal loan offer through both Citibank and CitiFinancial and a mortgage loan offer through CitiMortgage for individuals without credit history.

Monitoring Our Businesses' Performance

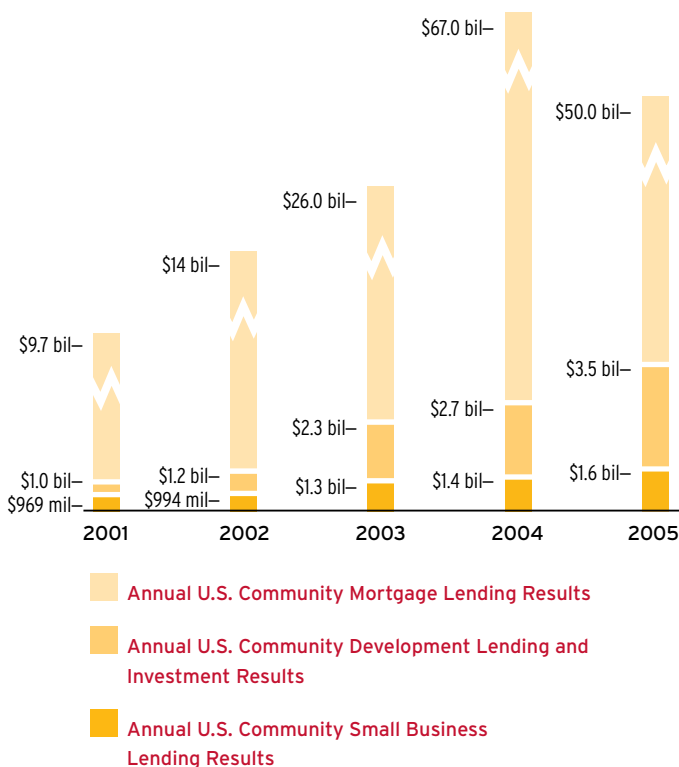
Global Consumer Group Community Relations, in conjunction with Citigroup's Community Reinvestment Act (CRA) and Fair Lending Officers, helps ensure that Citigroup's legal vehicles remain in compliance with U.S. Home Mortgage Disclosure Act (HMDA), CRA and Fair Lending regulations. Across businesses, we set consistent goals, optimize program efficiencies and ensure that we share best practices between our corporate center and the local U.S. markets where we do business.

Goals are set each year for HMDA-reportable lending and for small business lending based on relevant CRA and fair lending metrics. For each market, GCG Community Relations works with CCD to set volume goals and with our Community Relations Officers to develop and implement community development services and grants programs. Our goals are set so that we can obtain "Outstanding" CRA ratings and "1" ratings on our fair lending exams.

CITIBANK'S CRA RESULTS

In the U.S., an important benchmark for community impact is recognition by government regulators in the form of "Outstanding" Community Reinvestment Act (CRA) ratings. To date, nine of our 12 legal vehicles have received the highest rating possible—"Outstanding."

Bank	Regulator	Assessment Area(s)	Results	Date of Last Review
Citibank (Banamex USA)	FDIC	Los Angeles, CA	Outstanding	2005
Universal Financial Corp.	FDIC	Salt Lake City, UT	Outstanding	2005
Citicorp Trust Bank	OTS	Wilmington, DE and National	Outstanding	2004
Citibank (West), FSB	OTS	Portions of CA and NV	Outstanding	2004
Citibank Delaware	FDIC	Wilmington, DE	Outstanding	2003
Citibank, FSB	OTS	Portions of CT, DC, FL, IL, MD, NJ, TX and VA	Outstanding	2003
Citibank, N.A.	OCC	Portions of NY, Guam and Puerto Rico	Outstanding	2003
Citibank (Nevada), N.A.	OCC	Las Vegas, NV	Outstanding	2003
Citibank (South Dakota), N.A.	OCC	Sioux Falls, SD	Outstanding	2003
Citibank USA, N.A.	OCC	Sioux Falls, SD	Satisfactory	2003
Department Stores National Bank	OCC	Sioux Falls, SD	Unrated	N/A
Citibank Texas, N.A.	OCC	Portions of Texas	Unrated	N/A



impact and use online software applications to track our grant-making activities, evaluate the effectiveness of new and existing nonprofit partnerships, identify underserved markets and monitor our employees' volunteer efforts.

Supplier Diversity Spending Increases 200% in Four Years

Citigroup's Supplier Diversity Program experienced another year of growth in 2005. Overall spending with business enterprises owned by minorities, women, disabled veterans and other people with disabilities in the U.S. grew to almost \$1 billion. This figure is 19% ahead of our 2005 plan to reach \$800 million. Our growth has been driven by combining procurement-driven spending in commodity areas with new initiatives in the professional services sectors of our businesses.

Supplier Diversity a Business Priority

Our Supplier Diversity Program has increasingly expanded its role within Citigroup by fostering greater participation on the part of the company's businesses and working with our community relations teams on various programs. During 2005, the Supplier Diversity team made presentations to general community advocacy groups to demonstrate its support of Citigroup's commitment to our local communities. They also worked to foster supplier diversity with organizations including the Greenlining Institute; Hispanic Chamber of Commerce; the National Association for the Advancement of Colored People (NAACP); Rainbow PUSH; and TELACU; as well as with Citibank's California Community Advisory Committee on Supplier Diversity and the Citigroup Community Fund, to name just a few.

GCG Community Relations monitors CRA and fair lending performance on a monthly basis and undertakes regular self-assessments. They also meet at least once a year with both the Public Affairs Committee of Citigroup's Board of Directors and with Citigroup retail bank senior managers to review CRA and fair lending performance, and routinely work with business managers to ensure that the company is on track to reach its CRA and fair lending goals.

Our Community Relations team also works to ensure that we meet and exceed industry standards. We have adopted guidelines and developed tracking mechanisms to capture our community

Industry-Leading Practices and Policies in Community Lending

In 2004, Citigroup and its businesses were among the first to implement certain industry-leading policies and programs in community lending. In 2005, Citigroup teamed up with U.S. Senator Paul Sarbanes, the Leadership Conference on Civil Rights, Self-Help Credit Union and Center for Responsible Lending, and AARP to highlight the ongoing progress of CitiFinancial's industry-leading real estate lending practices. 2005 achievements included:

- Introducing a product that offers higher-credit-quality clients a lower-rate loan;
- Reducing the maximum prepayment penalty; and
- Eliminating mandatory arbitration provisions on real estate-secured loans.

Along with these initiatives, Citigroup's nonprime mortgage business continued to foster innovative foreclosure prevention and neighborhood revitalization programs.

European Supplier Diversity Business Forum—

Citigroup Supplier Diversity, Citigroup Europe Middle East, Africa (CEMEA), and our U.K. Workforce Diversity team are members of the industry-wide European Supplier Diversity Business Forum. Established in 2004, the Forum aims to introduce supplier diversity to small- and medium-sized enterprises owned by ethnic minorities, women, immigrants and the disabled in five European countries over the next three to four years.

In 2005, Citigroup was selected to chair the Forum's newly created Board of Directors, which will oversee a number of projects in the U.K. and Germany. These projects include completing a corporate members' survey to identify potential diverse suppliers; and sponsoring a Prime Contractors and Supplier Diversity in Action meeting to introduce supplier diversity to major U.K. companies.

The Forum has launched a public Web site (www.europeansupplierdiversity.com) and was highlighted in *European Leaders in Procurement* magazine.

Citigroup was among the presenters at the 2005 European Leaders in Procurement Forum in Amsterdam, and on a panel at the 10th Annual European Federation of Black Business Owners Global Summit Business Expo in London. In addition, an ongoing effort is under way to build relationships with intermediary groups that can assist us in expanding our outreach to more diverse suppliers in the U.K.

Diverse Suppliers Represented in Building New Citigroup Tower

During 2005, Citigroup broke ground for a new 20-story office tower in Long Island City, New York, that will house approximately 1,200 employees. Citigroup Supplier Diversity, partnering with Citigroup's Real Estate and Facilities Business, has set a goal to have 20% of those contracted for the construction project to be diverse suppliers.

Minority- and Women-Owned Broker/Dealer Breakfast Produces Positive Results

During 2005, Citigroup Supplier Diversity partnered with Citigroup CIB's Equities Capital Markets (ECM) Group to host a Minority- and Women-Owned Broker/Dealer Breakfast. Representatives from 17 minority- and women-owned firms were invited to present their firms' capabilities to ECM management. As a result, diverse broker/dealers for those firms were involved in 21 deals and commissions reached almost \$2 million.



Pictured at the ECM/Citigroup Supplier Diversity Broker/Dealer Breakfast are (from left): Deloris Johnson, Manager of Supplier Diversity; Timothy Tynan, Managing Director of Citigroup Business Services; and Diane Ashley, Director of Supplier Diversity.



James O'Donnell, Citigroup Managing Director and Head of Global Products, addressed the audience at the ECM/Citigroup Supplier Diversity's Broker/Dealer Breakfast.



"Consistent with Citigroup's goal to be the most respected global financial services company and a corporate philosophy that emphasizes shared responsibility to the communities where we live and work, we measure the strength of our partnerships by the quality of our interactions. Transparent, honest and constructive dialogue guides our partnership principles and has served as a cornerstone of our success this past year. We strive to join our partners in addressing community challenges by developing innovative solutions that bring Citigroup's vast array of resources to bear in our local markets."

Eric V. Eve

Senior Vice President for Citigroup GCG Community Relations

Citigroup's GCG Community Relations in the U.S.

In 2003, Citigroup's Global Consumer Group (GCG) began a comprehensive review of the company's community relations function in an effort to increase its impact on the communities we serve. After two years, we have made solid progress. We have expanded and strengthened the role of GCG Community Relations, established key partnerships, and continued to innovate with products and services for LMI communities.

We place a premium on building comprehensive relationships with national nonprofit organizations by providing them with resources—including philanthropic support, technical assistance and volunteers—to help them fulfill their missions and increase their effectiveness. The strength of our partnerships is measured by the quality of our interactions—both positive and negative. Throughout 2005, we engaged in Community Forums with nonprofit organizations and advocates across the U.S. to encourage transparent and constructive dialogue on how we can help address issues. These

Community Forums served as a cornerstone for much of our recent progress.

Becoming Part of the HMDA Solution

In early 2005, we submitted our 2004 Home Mortgage Disclosure Act (HMDA) data to our federal regulators, after which the data were made available to the public. Beginning with the HMDA data reporting in 2004, lenders were required to report pricing data related to mortgage loans. Our data, and that of the industry generally, showed that African-Americans were more likely in 2004 to receive higher-priced loans than Whites. However, these data did not provide a complete picture because they did not include FICO scores, Loan-to-Value (LTV) ratios and other indicators of risk that are primary drivers of subprime mortgage pricing. Federal regulators corroborated these findings in a report accompanying the release of the 2004 aggregate HMDA data.

Not surprisingly, the release of the 2004 HMDA data—and the debate it has sparked regarding the frequency with which African-Americans and Latinos receive higher-priced loans than Whites—captured the attention of lenders and advocates across the nation.

Highlights of Citigroup's HMDA Solutions

- **Financial Education** Citigroup is in the process of amending its prepurchase financial education materials to help borrowers better understand the relevance of credit scores to the availability and price of credit. The updated curricula are being tested by four nonprofit organizations in eight U.S. cities. Citigroup is also funding a study to examine which financial education materials influence the financial behavior of LMI borrowers and whether that in turn influences default and loan repayment rates.
- **Nontraditional Payment Data** Our CitiMortgage unit has partnered with Pay Rent, Build Credit (PRBC), a credit bureau focused on allowing individuals to build credit histories by tracking bill payments. Giving lenders access to nontraditional credit information like this will allow more informed decisions to be made relating to a broader range of potential clients.
- **Public Awareness Campaign** Citigroup has partnered with a number of other mortgage lenders and the Ad Council of America to develop a public awareness campaign to promote financial education and an understanding of the value of having a good credit history. This campaign is slated to begin airing on TV and radio in May 2006.

At Citigroup, we viewed the results contained in the 2004 HMDA data as an opportunity to share ideas and potential solutions with others who care about the price at which consumers in general and minorities in particular receive credit, and about the impact this phenomenon has on our communities. Since our 2004 HMDA data became public in April 2005, we have engaged interested parties around the country in a discussion of the meaning of the data.

In 2005, GCG Community Relations staff met with more than 200 community advocates and national and local nonprofit organizations—including the Association of Community Organizations for Reform Now (ACORN), National Community Reinvestment Coalition (NCRC), National Council of La Raza (NCLR), National Training and Information Center (NTIC), National Urban League (NUL), and NeighborWorks America—to discuss the broader implications of our 2004 HMDA data. In response, we developed our HMDA Solution.

Leadership in Preventing Foreclosures

Throughout 2005, Citigroup's nonprime mortgage businesses continued to foster innovative foreclosure prevention and neighborhood preservation programs. CitiFinancial Mortgage Company (CFMC), Citicorp Trust Bank (CTB) and the CitiFinancial Branch Network (collectively CitiFinancial) have worked with other lenders, local governments and nonprofits to replicate successful initiatives that help borrowers in danger of defaulting on their mortgages, thereby mitigating the impact of such foreclosures on communities.

In 2005, CitiFinancial supported the expansion of the Chicago Home Ownership Preservation Initiative (HOPI) program, which analyzes and addresses certain causes of foreclosure and studies business practice changes that could potentially reduce foreclosure rates. In particular, HOPI began studying whether the use of escrow accounts in connection with nonprime mortgages could assist in this endeavor. CitiFinancial was the first of three institutions that volunteered to provide data for this ongoing study.

In addition, CitiFinancial is working with others to replicate the successes of the Chicago HOPI program in other geographic areas. CitiFinancial's experience indicates that certain nonprofit partners, such as NTIC, NUL, NeighborWorks America, Neighborhood Assistance Corporation of America (NACA) and ACORN Housing have the capacity and expertise to provide housing counseling for homeowners in danger of default. We have helped these organizations conceptualize how to build a national foreclosure prevention infrastructure through community-based housing counseling.

ACORN, one of the largest advocacy organizations serving the needs of LMI people and communities, has opened Earned Income Tax Credit (EITC) Centers in 28 U.S. cities. Its expanded outreach was made possible through a partnership established in 2004 between ACORN and Citigroup. The new EITC Centers will help low-income families increase their collective income by approximately \$100 million over the next three years and empower them to make choices about allocating their refunds for savings or reducing debt. In its first year, the program has helped reach more than 13,200 individuals, an estimated 11,600 returns were filed and approximately \$19 million was recovered from the EITC unclaimed fund.

Our Community Building Strategy

Citigroup is committed to helping neighborhoods become more economically viable because it's good for communities and creating strong communities makes good business sense. We focus our community building efforts in four major areas:

- **Asset Building**—We lead the industry in offering a continuum of activities that afford underserved and unbanked populations the opportunity to attain economic advancement and security;
- **Neighborhood Revitalization**—We encourage investment in underserved communities as a catalyst to improve and expand upon a neighborhood's affordable housing, retail development, social services and physical infrastructure;
- **Neighborhood Preservation**—We support programs that ensure the sustainability of revitalized communities, as well as acquired assets, such as homes; and
- **Partner Investment**—We foster capacity building and succession planning of nonprofit organizations by sponsoring Citigroup Nonprofit Days, National Development Council trainings, community summer interns, conferences and seminars.



"Citigroup's community leadership challenges others in the financial services industry to do more to find answers and take action to solve the problems facing America's neighborhoods."

Joe Mariano
Executive Director, NTIC



Our businesses coordinate Citigroup's participation in hundreds of community programs each year.

- A** With the acquisition of First American Bank in 2005, Citibank entered the retail banking business in Texas. Pictured is Paula Sullivan, who joined as Director of Community Relations for Citibank in Texas with Dr. Terry Flowers, Executive Director of St. Philip's School, to which we provided a grant to support the expansion of its fourth grade.
- B** In 2005, a \$750,000 grant from the Citigroup Foundation was made to NeighborWorks® America (NWA) in support of its NeighborWorks Center for Homeownership Education and Counseling (NCEC) program, which, over the next three years, will help train 570 counselors who will counsel an estimated 102,600 potential homebuyers annually. Pictured are (from left): Ken Wade, CEO of NWA; Jayna Bower, NWA Senior Manager of NCEC; Leslie Meek, Citigroup Foundation Vice President; and Maura Markus, President of Citibank Retail Network.
- C** In 2005, our Corporate and Investment Banking (CIB) unit entered into a partnership with the World Food Program (WFP), the United Nations' disaster relief arm and lead agency in the fight against hunger. Our commitment to WFP is that Citigroup's offices around the world will be ready to lend assistance in times of emergencies. We are also working with WFP to extend its network of corporate partners through our extensive relationships with companies around the world and through volunteer support and sponsorships. Pictured is Emily Walker, CIB Managing Director in Global Banking, with her daughter, making deliveries for the WFP in Uganda.
- D** Citi Cards employees Randy Harkless and Stacy Hoffman taught the dos and don'ts of credit to students at the Flandreau Indian School in Sioux Falls, SD, on the American Bankers' Association's **Get Smart About Credit Day**.
- E** We are proud that NGOs and nonprofit organizations honor our efforts with awards given to our community programs, as well as those recognizing individuals for their outstanding contributions. As an example, Community Works, a nonprofit arts education organization based in New York City, recently honored Jacqueline Arrington, Citibank Regional Director of Community Relations for Citibank North (pictured center). Presenting the honor was Barbara Horowitz, founder and Executive Director of Community Works, and Voza Rivers, Harlem Jazz and Music Festival Co-Founder.
- F** Cheryl Evans, Citibank's Western Division Director of Community Relations (seated front row center), is pictured at one of our many Nonprofit Appreciation and Nonprofit Training Days held nationwide. Citibank sponsors Nonprofit Appreciation and Nonprofit Training Days with support from the Citigroup Foundation to help recognize organizations that work with us, as well as to provide leadership training to help these organizations build their capacity to serve more clients.



"The cultural exchange provided by the **Citigroup International Case Competition** and the chance for students to listen to senior business executives is an extraordinary opportunity for their personal and professional development. Nineteen teams from around the world came together to compete, share their experiences, forge friendships and hone their business skills. It couldn't happen without the tremendous cooperation and vision of such companies as Citigroup."

Professor Paul Forster
Hong Kong University of Science and Technology

Educating the Next Generation

In today's knowledge-based society, investing in education is one of the most important contributions Citigroup can make to develop the human capital that supports the economic competitiveness and social progress of our communities. Among other things, our commitment is demonstrated by grants totaling more than \$23 million to educational programs in 49 countries. Highlights of the types of programs we support follow.

Teachers Network in the U.S.—Because teachers are the most influential factor in student achievement, recruiting and retaining teachers of high quality is a critical issue for school systems around the world. The Citigroup Foundation has made supporting new teachers a global priority and devotes substantial resources to efforts that strengthen good teaching.

To provide support for beginning teachers and encourage them to remain in the profession, the Citigroup Foundation has teamed up with Teachers Network and local school districts on the *New Teacher Resource Program*. This program offers new teachers a comprehensive package of materials, which when combined with new teacher mentoring programs, offers a comprehensive curriculum that enables experienced teachers to share their knowledge with their newer colleagues.

Since 2000, the Citigroup Foundation has awarded more than \$1.3 million in grants to the *New Teacher Resource Program* in New York, NY; Newark, NJ; Hartford, CT; Broward County, FL; and seven California school districts. In 2005, we reached 2910 new teachers through a total of \$505,700 in grants to this program.

Hong Kong University of Science and Technology—In October 2005, Citigroup and the Hong Kong University of Science and Technology (HKUST) hosted the third annual *Citigroup International Case Competition*. With support from a \$100,000 grant from the

Citigroup Foundation, the event brought together teams of outstanding students from 19 universities worldwide to analyze a business case developed by professors at the HKUST Business School. Student teams from countries including China, Czech Republic, Japan, Mexico, New Zealand, Spain, Thailand and the United States were asked to provide recommendations to resolve issues facing Hong Kong's Airport Authority. Each team had 30 hours to prepare its case to present before a panel of judges made up of senior business executives and HKUST professors.

The case competition has established itself as the premier event of its kind in the Asia Pacific region and is rated by students and faculty advisors as outstanding for the quality of its business and cross-cultural learning opportunities.

Theatreworks/USA—Each year, Theatreworks/USA introduces millions of youngsters to the joy of live, professional theater through original plays and musicals performed in more than 250 cities across the U.S. The topics are drawn from dramatic adaptations of historical events, as well as classic and popular children's books. Study guides containing activities and readings extend the impact of the performances.

The Citigroup Foundation is funding Theatreworks/USA's *Access to the Arts* program with a \$150,000 corporate grant, payable over two years. This program helps build future audiences and advances literacy through the arts. The grant underwrites tickets for more than 20,000 disadvantaged children, grades K - 4, throughout New York City's five boroughs, Long Island, Westchester and New Jersey. Additionally, Citigroup's grant provides free tickets for underserved children in nine other U.S. locations.



Actress Russell Arden Koplin of Theatreworks/USA helps to delight as well as educate youngsters.



e nvironment

Working Toward a Sustainable Future



"We are excited to have Citigroup join us in our efforts with local landowners in Brazil's Atlantic Forest to protect and restore the Araucaria moist forest ecoregion. Fostering the production of five million seedlings to restore at least 5,000 acres of riparian forests and degraded land within the Araucaria corridor will bring substantial ecologic and economic benefits back to local communities and farmers. In conjunction with the Conservancy's reforestation plans, the project will provide local residents with job and income alternatives, along with technical assistance and skills training on restoration activities. We believe that involving local communities in the design and implementation of our conservation efforts is the best way to ensure that we maximize and balance the economical, ecological and social values of this globally critical natural area."

Miguel Calmon

Director of The Nature Conservancy's Atlantic Forest Program

I Stakeholder
Engagement
and Partnerships



II Our Policies
and Process



III Organization
and People





“Our commitment to environmental and social responsibility continued to deepen in 2005. Our leadership, including our ongoing involvement within the Equator Principles network, demonstrates that our commitment is strong and has a positive impact on our business and the clients we serve. Within Corporate and Investment Banking, we are proud to say that our business and independent risk management teams work collaboratively to implement our Environmental and Social Risk Management Policy, as this is a core component of our Credit Risk Policies and Procedures. Ultimately, we view this as a part of our shared responsibilities to our clients and our franchise.”

Robert Druskin
CEO, Citigroup Corporate and Investment Banking (CIB)

Our Environmental Management System

OUR ENVIRONMENTAL MANAGEMENT SYSTEM (EMS) provides Citigroup with a framework to identify, discuss, manage and act on environmental and social risks and opportunities. We developed this system in 2002 and have adapted it as our sustainability programs have evolved. In 2005, we consolidated the EMS to focus on six key areas to guide our thinking and process on sustainable development issues.

I. Stakeholder Engagement and Partnerships

Citigroup's stakeholders include our clients, employees, shareholders, competitors, governments, community organizations and nongovernmental organizations (NGOs). Global Community Relations holds primary responsibility for communicating with social and environmental NGOs, but our business units and local Citigroup offices around the world are also involved.

In 1995, we were a founding member and signatory to the United Nations Environment Program's Statement by Financial Institutions on Environment and Sustainable Development, a group known as UNEP FI. In signing the UNEP Statement, Citigroup

pledged its commitment to sustainable development from both a business and a corporate citizenship perspective, and to ensure proactive environmental and social risk management of our lending operations, in addition to proactive environmental management of our own footprint. Our participation in UNEP FI enables us to share best practices with other financial institutions.

As one of the leaders in the development of the Equator Principles, Citigroup engages regularly with other financial institutions that have adopted the Principles and with NGOs interested in how the Principles are implemented. Based on the policies of the World Bank and its private sector investment arm, International Finance Corporation (IFC), the Equator Principles are voluntary guidelines for managing environmental and social risk related to financing development projects. During 2005, Citigroup was also involved in discussions with IFC, other financial institutions and NGOs regarding IFC's revisions to the Safeguard Policies (now called Performance Standards) that underpin the Equator Principles.

Stakeholder Engagement

Shareholder Dialogue Group (SDG)—Since 1998, Citigroup has had regular meetings and communications with a self-assembled group of socially responsible investment (SRI) firms. This group provides feedback on our sustainability initiatives,



"Since the enhancement of Citigroup's environmental policies in 2004, our partnerships with stakeholders have evolved in number and depth. We actively engage with NGOs and SRIs to get their feedback on our policies, implementation and transparency. We also partner with NGOs to develop and implement environmental initiatives to minimize our own direct environmental impacts. And finally, through Citigroup Foundation's environmental grants program, we support economic development projects that also address critical environmental issues such as deforestation and climate change."

Todd Thomson

Chairman and CEO of Citigroup Global Wealth Management

implementation and transparency. For the first time and in an effort to improve our transparency relating to the feedback we receive, the SDG has provided a "Stakeholder Statement" on page 6 of this Report providing their perspective on our 2005 Citizenship Report. Core members of the SDG include: Christian Brothers Investment Services; Ethical Funds; F&C Asset Management; Missionary Oblates of Mary Immaculate; Neuberger Berman; Real Assets Investment Management; and Trillium Asset Management Corporation. These SRIs have also invited Friends of the Earth-US to join the SDG meetings.

Socially Responsible Investment Firms—We also meet individually with SRI research firms, including KLD Research & Analytics, F&C Asset Management

and the Investor Responsibility Research Center (IRRC), which is now part of Institutional Shareholder Services (ISS). In these meetings, we provide information on Citigroup's governance, community and sustainability progress, and learn about emerging issues of importance to SRI investors. In addition, we met with the Free Enterprise Action Fund, which opposes many of our environmental programs and policies.

Rainforest Action Network—Since 2004, Citigroup has met annually with the Rainforest Action Network (RAN), which from 2001 - 2003 was an active critic and campaigner against Citigroup. RAN maintains a keen interest in our implementation of various environmental initiatives, and we have a good relationship with them.

Citigroup's Participation in IFC Safeguard Update Process

In 2005, while we focused on strengthening and refining our own internal implementation processes and improving on public reporting of our Environment and Social Risk Management (ESRM) Policy implementation, we continued to be deeply engaged with a broad range of stakeholders in IFC's review and update of its environmental and social safeguard policies.

Forums between Equator Principles Financial Institutions (EPFIs) and IFC were held in New York City, two of which Citigroup hosted, and in Paris. The EPFIs also reached out to the NGO community, including BankTrack, a network of NGOs focused on monitoring the private financial sector, to listen and learn from their experiences and better understand their concerns. Citigroup also participated in these meetings held via conference calls and in person in Zurich and London.

Our bankers have also consulted clients on the revised IFC Performance Standards, as they are the entities that actually implement these standards and manage these projects on the ground. A primary goal for 2006, as IFC completes its safeguard policies review, will be to revise the Equator Principles. The IFC policy revision process has subsequently informed the EPFI network of its own revision of the Equator Principles, which started early in 2006.



"The EPFI's review of the proposed IFC revisions was remarkable in that it demonstrated again that EPFIs, although competitors, have a keen interest in working closely together to achieve sustainable outcomes in the financial sector."

Shawn Miller

Citigroup CIB ESRM Director

World Resources Institute, Tropical Forest Trust, Rainforest Alliance, ProForest and Others—We also consult with NGOs that are subject matter experts or that specifically contact us to learn more about a particular initiative. In 2005, we met with the World Resources Institute (WRI) to discuss Equator Principles implementation and our Environment and Social Risk Management (ESRM) Policy. Our Corporate Realty Services (CRS) team also participates in WRI's Climate Northeast partnership, which provides a forum for Northeastern U.S.-based companies to develop and share strategies for reducing their energy use and greenhouse gas emissions. In addition, our CRS team participates in the Business Roundtable Climate RESOLVE initiative, which promotes voluntary action to control greenhouse gas emissions. We also met with Tropical Forest Trust, Rainforest Alliance and ProForest to discuss the development of a refined forestry policy, an integral component of our ESRM Policy.

Citigroup Hosts Stakeholder Meeting—Interest in our ESRM Policy, which includes the Equator Principles, led us to host a full-day meeting on March 1, 2005 with some of our stakeholders to discuss our policy implementation. During the meeting, our CEO, Chuck Prince, addressed the group and participated in a Q&A session. Citigroup senior CIB business and independent risk managers also attended. More than 20 representatives from the NGO and SRI community participated, including CERES, Christian Brothers Investment Services, Conservation International, F&C Asset Management, Friends of the Earth-US, Innovest, International Rivers Network, IUCN-The World Conservation Union, KLD Research & Analytics, The Nature Conservancy, Rainforest Action Network, Rainforest Alliance, Rockefeller Brothers Fund, Trillium Asset Management, World Resources Institute and World Wildlife Fund-US. During the meeting, we also solicited direct feedback from stakeholders on projects of concern to them, along with ideas on how we could improve transparency related to our ESRM Policy implementation.

A separate dialogue was also conducted with Equator Principles Financial Institutions (EPFIs) and NGOs regarding the IFC update of its Safeguard Policies. The Equator Principles are based on IFC Safeguard Policies, and many EPFIs and NGOs were active participants in IFC's stakeholder consultation process.

Our Partnerships

In addition to working with NGOs on various environmental initiatives undertaken by our business units,

we also form grant relationships through the Citigroup Foundation with environmental groups that foster economic development with a sustainability focus in the countries where we do business. Our grant portfolio seeks to build general capacity in areas where we have expanded our environmental commitments, particularly on forestry and clean energy issues.

Clean Energy Group—U.S. and United Kingdom—to explore opportunities, market interest and methods for attracting capital to foster the creation of the first Transatlantic Investment Initiative in Clean Energy Technology. This initiative stems from Clean Energy Group's efforts to promote clean energy financial structures and policy mechanisms to catalyze the growth of the clean energy sector.

Conservation International (CI)—China—to support building of local ecotourism networks to conserve biodiversity in China. CI's Ecotourism program develops strategies and tools to strengthen small firms in host communities and integrate them competitively into the tourism value chain. A particular focus is the mountains of Southwest China, which form one of the world's 34 Biodiversity Hotspots.

E+Co—Asia, Africa and Central America—to support E+Co's carbon finance, monitoring and evaluation activities. E+Co's strategy of empowering local clean energy enterprises represents a win-win, market-based solution to the dual issues of meeting the demand for energy services while protecting the environment. E+Co's Monitoring and Evaluation (M&E) program quantifies the financial, social and environmental impacts of those enterprises it has invested in. As a result, E+Co is able to report a number of Triple Bottom Line impacts from its investment of \$12.5 million in 120 entrepreneurs: 685 entrepreneurs trained; 6 million liters of kerosene displaced; 720,000 tons of CO₂ offset annually; and 1,938 jobs sustained, producing \$7 million in improved annual income.

Ecologic Development Fund—Honduras—to promote investment in forest regeneration and sustainable livelihoods, along with providing a new model for carbon-offset-based project financing. This initiative, led by Citibank subsidiary Banco de Honduras, will help complete the development of a community forestry pilot project, which supports sustainable commercial forestry, restoration and protection of vulnerable landscapes and community agroforestry, as well as accelerate model replication in Guatemala. Two million trees will be planted on deforested land, which will sequester close to one million tons of CO₂ within 25 years. Carbon offset credits sold to the World Bank will help finance project costs.



"When Friends of the Earth first began working with Citigroup, its Environmental Affairs unit was primarily focused on managing direct environmental impacts, such as electricity and paper use. Today, after years of working with environmental groups and concerned stakeholders, Citigroup has one of the industry's most robust environmental credit risk management processes. Citi's challenge now is to ensure that these processes actually create better environmental results, and that it retains its leadership by developing groundbreaking new standards and by engaging with underwriting clients to demonstrably improve their environmental performance."

Michelle Chan-Fishel
Friends of the Earth—U.S.

Ecologic Finance (EF)—Latin America—to support the provision of loan capital to small- and medium-sized enterprises in low-income communities whose business activities foster environmental conservation and grassroots economic development. EF target markets include agroforestry, with a focus on coffee, wild-harvested products, certified wood, sustainable fisheries and ecotourism. Since 1999, EF has made 140 loans totaling \$23 million.

Forest Trends—Worldwide—to support Forest Trend's Ecosystem Marketplace and Business Development Facility (BDF). The Ecosystem Marketplace is a Web-based resource that provides information to buyers and sellers of ecosystem services. The BDF provides technical assistance to help sellers understand and participate in this new emerging market.

Institute for Sustainable Communities—Russia—to support the Star Community Initiative (SCI), a community-based program to reduce energy consumption and greenhouse gas emissions, improve air, water quality and environmental health, produce energy-efficiency savings that are reinvested in sustainable community projects and develop new energy-efficiency financing mechanisms.

Natural Resources Defense Council (NRDC)—U.S.—to support the *Green Communities* Initiative, an effort by Enterprise and NRDC to develop affordable environmentally friendly housing that reduces energy use. The grant will support increased staffing to provide technical assistance and complements one also made by the Citigroup Foundation to Enterprise for the *Green Communities* Initiative.

SEEP and Sustainable Energy Solutions—Asia and Africa—to support a comprehensive research initiative to assess the opportunities, barriers, costs and impact associated with microfinance institution lending portfolios that have integrated energy services into their products. Six researchers with expertise in rural energy and financial services will undertake this effort.

Sustainable Northwest—U.S.—to support the Healthy Forests, Healthy Communities (HFHC) Partnership to stimulate environmentally sound forest restoration and economic revitalization in the Pacific Northwest. Funds also are targeted to build a consortium of peer organizations across the U.S. that connects sustainable, community-based forestry to emerging markets seeking responsibly sourced and domestically produced forest products and services.

The Nature Conservancy (TNC)—Brazil—to launch a community-based reforestation and conservation project in Brazil's Araucaria Forest. TNC's objective is to work with small local landholders and create a "conservation corridor," protecting and restoring approximately five million acres of the Araucaria Forest, which contains 37 indigenous communities. Citigroup Brazil employees will be trained by TNC as project volunteers.

World Resources Institute (WRI)—Brazil, China and Indonesia—to support WRI's New Ventures, an initiative providing technical assistance for small- and medium-sized companies in developing countries that incorporate unique social and environmental benefits in fast-growth sectors, including organic foods and fibers, non-timber forest products, renewable energy and clean technologies.

World Wildlife Fund (WWF)—Worldwide—to support WWF's Global Forest & Trade Network (GFTN), a collaboration of 22 national and regional Forest & Trade Networks, which facilitates market links among companies and communities that support responsible forestry and contribute to sustainable development in regions where populations are among the world's most economically challenged. Over three years, the GFTN expects to reach its goal of 300 companies sourcing sustainable forest products, 100 million hectares of credibly managed forests and 50 million hectares progressing toward credible certification.

II. Our Policies and Process

As part of our effort to be the most respected global financial services company, Citigroup CIB deepened its commitment to environmental and social responsibility in 2005. As an EPFI, Citigroup understands the tremendous reputational benefit that accrues from maintaining high environmental and social standards. Concrete examples of a business case are also developing—along with wanting to “do the right thing,” environmental and social responsibility is good for the bottom lines of CIB and our clients.

Our ESRM Policy—Managing Risk, Creating Opportunities

The cornerstone of Citigroup’s internal policy and initiatives is CIB’s ESRM Policy. In 2005, we continued to focus on robust implementation of all aspects of the ESRM Policy.

Introduced in 2003, following adoption of the Equator Principles, CIB’s ESRM Policy was subsequently updated in 2004 and, most recently, in early 2006. With this most recent update, the transactions covered under the Policy are as follows:

- All CIB project finance loans where the project capital costs exceed \$10 million (these are the transactions covered by the Equator Principles);
- Corporate and government loans, including Official Export Agency loans, with known use of proceeds, and where the facility amount is \$50 million or more;
- Debt securities placements or underwritings (i.e., bonds) with known use of proceeds, and where the financing amount is \$50 million or more;
- **New:** Financial advisory mandates related to project finance where estimated project capital costs are above \$10 million and where eventual use of proceeds is known to be for a specific project or investment; we have therefore committed to make our clients aware of the content, application and

benefits of applying the Principles to the anticipated future project, and ensure our Transactors understand that the client intends to comply with the Equator Principles and requisite standards;

- **New:** CIB equity transactions where Citigroup makes a firm investment in excess of \$5 million where use of proceeds is known to be for a specific project or asset;
- **New:** CIB equity underwritings where Citigroup acts as underwriter for a market sale of equity securities in excess of \$50 million where use of proceeds is known to be for a specific project/asset; and
- **New:** Letters of credit, bid bonds and performance bonds where the instrument exceeds \$50 million in the aggregate and where use of proceeds is known to be for a specific project or investment.

Each financing instrument noted above would have varying degrees of environmental and social risk review and process requirements. For example, a Category A project financing transaction would require the full suite of Equator Principles process requirements including: 1) a full Environmental Impact Assessment (EIA) and an Environmental Management Plan (EMP) that would be covenanted into financing documentation; 2) public disclosure of the EIA and EMP and consultation with affected communities; 3) independent expert review of the EIA and EMP; and 4) ongoing monitoring and reporting on compliance with the EMP. According to Citigroup’s ESRM Policy, the bond underwriting transaction would be evaluated at the Global Commitment Committee level and receive enhanced review and due diligence, including asking the customer whether an EIA had been undertaken appropriate to the nature and scale of the proposed use of proceeds. Both transactions would require internal elevated review and approval by a Citigroup Senior Credit Officer/ESRM Specialist, in consultation with the ESRM Director.



“CIB’s commitment to environmental and social responsibility does not begin or end at project finance. Pursuant to our broader ESRM Policy, in consultation with the ESRM Director, CIB’s Global Commitment Committee screening process incorporates evaluation of environmental and social risk issues in securities transactions with a stated use of proceeds. This evaluation extends to other transactions that may raise certain environmental or franchise risk concerns, but may not be explicitly covered by the ESRM Policy. We engage in dialogue with our issuer clients to understand how they are improving their awareness of these issues. In some instances, we have made recommendations regarding specific actions to enhance responsiveness.”

Rashmini Yogaratnam

Member of Citigroup Global Commitment Committee and ESRM Specialist

Environmental and Social Risk Categories for Citigroup CIB's ESRM Policy

Category A—Use of proceeds expected to have significant adverse social and/or environmental impacts that are diverse, irreversible or unprecedented.

Category B—Use of proceeds that are expected to have limited adverse social and/or environmental impacts that are few in number, generally site-specific, largely reversible and readily addressed through mitigation measures.

Category C—Use of proceeds expected to have minimal or no adverse impacts.

When a project finance transaction is deemed Category A, a designated Citigroup Senior Credit Officer or ESRM Specialist with support from the ESRM Director must review and give sign-off approval for the transaction to proceed.

Summary of ESRM Policy Review Roles:

- Global Commitment Committee—Reviews bond underwriting transactions (senior level)
- Transactor (Banker)—Initiates transaction
- Independent Risk Management/Risk Officer—Reviews transaction
- CIB ESRM Director or designate—Provides advice and counsel to ESRM Specialists on Category A transactions; and available for review, advice and consultation for CIB Transactors globally
- ESRM Specialist (Senior CIB Credit Officer)—Approves Category A transactions or grants justified deviations, in consultation with ESRM Director
- Portfolio Banker—Continues ESRM monitoring over life of loan, in consultation with ESRM Director, as needed

In 2005, we also refined our approach to investments in the Forestry sector in order to more effectively implement our public commitment that we will not make loans to companies whom we know to be in violation of local or national laws regarding illegal logging. Our refined Policy approach on this issue includes Risk Assessment criteria and concrete steps for various Forest Products Obligors. For example, we will engage in dialogue with certain clients annually on these issues to ensure they have robust procedures that demonstrate they are not sourcing or processing logs from illegal sources. When clients are engaged directly in commercial harvesting or extraction of logs on lands they own or manage in countries

deemed to be at high risk for illegal logging, we will work with them to develop a time-bound action plan to achieve independent certification.

Certain activities are precluded under Citigroup CIB's ESRM Policy, including activities that involve harmful child labor or forced labor, and also the significant conversion or degradation of a critical natural habitat.

ESRM Policy Responsibility

Implementation of CIB's ESRM Policy continues to be a shared responsibility. To ensure our businesses' ownership of environmental and social risk issues related to ESRM-covered transactions, Transactors continued to be responsible for initial ESRM screening and for complying with required approvals, analysis and documentation standards. A Risk Officer from CIB's Independent Risk Management is then required to review, question and ultimately confirm a Transactor's analysis to ensure consistent implementation of our policy. Often the ESRM Director also gets involved to provide review, advice and consultation and to ensure consistency in policy application.

ESRM Specialists are our most senior CIB Credit Officers and are designated with Category A transaction approval responsibility by CIB's Risk Management head. In addition, in the rare cases where a Transactor is seeking an exception or justified deviation to the ESRM Policy or Equator Principles, this exception must be evaluated and granted by an ESRM Specialist, in consultation with the ESRM Director.

The CIB ESRM Director also advises the Global Commitment Committee on Category A bond transactions where use of proceeds are known. The Committee reviews and approves all public and private offerings of common stock, preferred securities and most debt issuance where Citigroup acts as a lead or co-manager.

Finally, the Portfolio Banker provides oversight to a transaction on various issues, including responsibility for ESRM monitoring over the life of the loan.

To meet increasing demand for timely and clear ESRM Policy review and advice, a new ESRM Vice President (VP) position was created and filled in 2005. Citigroup's ESRM VP assists the ESRM Director in reviewing and providing advice on ESRM-covered transactions, refining ESRM Policy and guidance, accelerating internal training, and increasing communications and policy implementation tracking and reporting. The ESRM Director and ESRM VP also work closely with Citigroup's Environmental Affairs unit on other corporate initiatives.

EQUATOR PRINCIPLES:

CITIGROUP'S TYPICAL PROJECT FINANCE REVIEW, APPROVAL AND MONITORING CYCLE¹

Client Actions	Project Review Stage	Business/Transactor Actions	Independent Risk Review & Approval
<ul style="list-style-type: none"> Client seeks competitive financing terms from bank market Preparing or finalizing EIA documentation 	Business Opportunity Identified	<ul style="list-style-type: none"> Business opportunity identified for internal review and discussion 	
<ul style="list-style-type: none"> Receives and reviews marketing letter from Citigroup 	Greenlight Memo & Marketing Stage	<ul style="list-style-type: none"> Approvals required from appropriate senior business heads, control units ESRM Category proposed along with potential ESRM Policy or Equator requirements Following greenlight approval, submits Citigroup proposal/marketing letter to client 	<ul style="list-style-type: none"> Approvals required from appropriate Independent Risk heads Independent Risk representative assigned to deal team ESRM Director notified and consulted For Category A transaction, ESRM Specialist approval required in consultation with ESRM Director
<ul style="list-style-type: none"> Reviews and seeks clarification on Citigroup proposals, including discussion on Equator Principles requirements Accepts, modifies or rejects Citigroup proposal If proposal accepted, Citigroup mandated 	Discussion of Citigroup Proposal with Client	<ul style="list-style-type: none"> Includes discussion of Equator Principles, if relevant Prior to mandate, preliminary credit approval or re-approval of greenlight which includes, again, discussion of ESRM Category and requirements 	
<ul style="list-style-type: none"> Client provides to Citigroup Equator Principles documentation, prepared by or on behalf of client (e.g., EIA, EMP, consultation information) 	Detailed Due Diligence Process, Including Term Sheet Negotiations	<ul style="list-style-type: none"> Transactor and Independent Risk review EA documentation For Category A transactions, appointment of Independent Environmental Consultant to review EA documentation to confirm compliance with Equator Principles ESRM Director provides review and advice 	
<ul style="list-style-type: none"> Client accepts commitment 	Credit Approval & Commitment	<ul style="list-style-type: none"> Confirms project satisfies applicable internal credit analysis standards, including ESRM Policy and Equator Principles requirements or, in rare instances, appropriate waivers obtained if deviation is justified For Category A transaction, ESRM Specialist approval required in consultation with ESRM Director 	
<ul style="list-style-type: none"> Final facility terms agreed Signs loan documentation Receives first disbursement 	Closing and Disbursement	<ul style="list-style-type: none"> Conditions precedent met, including ESRM and Equator Principles conditions, if any Citigroup signs loan documentation Business "hand-off" of project to Independent Risk/Portfolio Management 	<ul style="list-style-type: none"> Credit Approval revised, if appropriate Portfolio Management assumes control and oversight of project
<ul style="list-style-type: none"> Based on previously agreed terms, client plans for and submits Equator Principles and other monitoring and reporting to Citigroup and/or Syndicate regarding compliance with environmental and social conditions (e.g., EMP) 	Ongoing Monitoring and Supervision	<ul style="list-style-type: none"> Conditions precedent met, including ESRM and Equator Principles conditions, if any Citigroup signs loan documentation Business "hand-off" of project to Independent Risk/Portfolio Management 	<ul style="list-style-type: none"> Receives and reviews ongoing monitoring and compliance reports from client and/or Independent Expert² Works with the client and/or Independent Expert to identify and correct areas of noncompliance, if any If significant area of noncompliance evident, ESRM Specialist notified and action plan devised to bring client back into compliance

¹ The foregoing provides an illustrative summary of usual steps taken in a typical CIB project finance transaction. All transactions are not identical, and the review, approval and monitoring steps described above may be tailored, reduced or supplemented based on the facts and circumstances of a particular transaction.

² Monitoring and compliance reports are usually submitted quarterly during construction periods and annually thereafter.

Designates ESRM review and control point.



"We've made significant progress over the past year. Our systems and policies have been refined and are in place; our ESRM team was expanded to ensure we provide sound and timely advice and support to our bankers and clients; and we engaged regularly with our counterparts at other Equator Principles Financial Institutions in order to share and learn from implementation experience. We're proud of the fact that robust environmental and social risk management has become a core component of CIB's overall credit review and risk management process."

John Gilliland

Managing Director, Structured Portfolio Management, Citigroup CIB

The Equator Principles

Strong and uniform implementation of the Equator Principles was a key goal for Citigroup. Consistent application of the Principles in our Infrastructure and Energy Finance (IEF) unit, including categorization and fully meeting key process requirements, was viewed as a high priority. In 2005, further strengthening the credit review and approval systems in our Independent Risk Management structure was a key component in helping us achieve this consistency. For example, in 2005 the IEF Credit Program was modified to ensure that the ESRM Director was made aware of all project finance transactions and proposed ESRM categorizations at both the greenlight approval and eventual credit approval stages. The IEF Credit Program was also updated to ensure that each Transactor and Risk Officer was required to sign off on whether the Equator Principles and ESRM key process requirements were met prior to credit approval and commitment stages. This declaration is noted in the Transaction's credit files, which are then subject to future audit and review.

As an integral component of CIB's Credit Risk Policies and Procedures, all ESRM-covered transactions are subject to internal audit and review. Audits are conducted periodically on a business unit portfolio basis. Therefore, ESRM-covered transactions approved when the ESRM Policy was first implemented in 2003 received auditing by Citigroup's Audit and Risk Review (ARR) unit against the Policy. In fact, the IEF business unit completed its ARR review in February 2006, receiving the highest rating with no business issues. This ARR audit included a review of ESRM and Equator compliance. During 2005, ARR representatives participated in ESRM Training sessions and also a conference call to address their questions about the ESRM Policy.

Project finance transactions subject to the Equator Principles are also monitored periodically by our Independent Risk and Portfolio Management Officers

to ensure that Citigroup-funded projects are meeting their environmental and social obligations. For example, as required by the Equator Principles and our ESRM Policy, a Category A transaction must meet certain reporting and monitoring requirements on its EMP implementation. These monitoring reports are often prepared by an independent environmental consultant appointed by the lenders' syndicate, and are submitted periodically to Citigroup (e.g., quarterly during construction and annually during operations) in line with agreements made with the customer and as covenanted in financing documentation.

Project Finance Transactions Subject to the Equator Principles

In 2005 we modified and improved our systems in order to more fully track the total number of project finance transactions that received ESRM and Equator Principles review and advice and were eventually funded. This has enabled us to report more thoroughly this year. We hope this increased transparency will generate greater confidence in our ESRM Policy implementation.

A total number of 74 project finance transactions received ESRM and Equator Principles review and advice at the greenlight stage in 2005. (Note: These numbers do not include other transactions that received ESRM review or advice that were covered under our ESRM Policy.) Data is also provided on page 37 of this Report on the 18 project financings eventually funded by ESRM Category and with combined total project capital costs of \$28.28 billion with disaggregation by sector and ESRM Category. We also are reporting for project finance transactions two exceptions granted to the ESRM Policy. In both cases, certain waivers were granted by ESRM Specialists, in consultation with the ESRM Director, based on justified deviations to Equator Principles standards. A case study example detailing the situation and the rigorous process required for granting an exception or justified deviation is found on page 38 of this Report.

2005 PROJECT FINANCE TRANSACTIONS

Funded Project Finance Transactions Subject to the Equator Principles				
ESRM Category	Project Finance Transactions Receiving ESRM Review and Advice at Greenlight Stage	Project Finance Transactions Funded (with Combined Total Project Capital Costs)		Exceptions to ESRM Policy Granted
A	21	3	\$16.2 billion	0
B	38	10	\$9.38 billion	2
C	15	5	\$2.7 billion	0
TOTAL	74	18	\$28.28 billion	2

2005 Funded Project Finance Transactions by ESRM Category and Sector						
ESRM Category	Oil, Gas & Petrochemicals	Metals and Mining	Power	Infrastructure	Telecom	TOTAL
A	2	1	-	-	-	3
B	4	1	2	2	1	10
C	-	-		1	4	5

2005 Funded Category A Transactions Meeting Equator Principles Key Process Requirements	EA Undertaken and Disclosed Locally	Public Consultation Undertaken	EMP Prepared & Covenanted	Independent Expert Review
	3/3	3/3	3/3	3/3

In the 2004 Citizenship Report, we detailed only the number of Category A transactions along with a summary of whether the Equator Principles' key process requirements were fulfilled. In 2005, although 21 Category A transactions received ESRM review at the greenlight stage, Citigroup CIB eventually funded or closed three Category A transactions with combined total project capital costs of \$16.2 billion. Due diligence for project finance transactions often requires significant time before financial close, and many of the 21 Category A transactions reported for ESRM review at greenlight

stage were still undergoing due diligence as the 2005 Citizenship Report went to press. Therefore, we may foresee an increase in closed or funded Category A transactions for next year's report.

Carbon Dioxide Emissions from Power Projects

In 2004, Citigroup agreed to report annually on the aggregate CO₂ emissions from power plants that we finance in our IEF business. Our annual assessment includes emissions data on Citigroup project

Mining the Business Case: Citigroup's Environmental and Social Leadership Adds Value to Project Finance Advisory

In 2004, a long-term client approached Citigroup for assistance and advice in structuring appropriate financing for a significant expansion of an existing mining project in Latin America. The client also indicated that they preferred Citigroup as an Advisor because of our lead role in developing the Equator Principles. They stated up front that, as a responsible company, they wanted to adhere to World Bank and Equator Principles standards and would welcome Citigroup's advice on how to structure their deal to fully meet these standards. The client viewed the application of the Equator Principles not only as an effective and credible risk management tool, in addition to adhering fully to local and national laws and regulations, but also as a way to differentiate their business positively in a complex and challenging sector and equally tough region. Citigroup was mandated as Financial Advisor, and during 2004 – 2005, we engaged the project sponsor in a number of conversations related to the Equator Principles and requisite requirements. This included discussions on categorization and EIA/EMP quality, in addition to explaining the differences and similarities between the Equator Principles and the OECD "Common Approaches on the Environment for Export Credits." As Financial Advisor, Citigroup provided sound advice on the project's financial and technical aspects, but also ensured that taking into account environmental and social concerns up front made good business sense. We confirmed that the transaction adhered fully at closing to Citigroup's ESRM Policy and the Equator Principles and it will be monitored on an ongoing basis. The Project also went beyond mere compliance, and added value via local community development activities and ongoing community engagement. In 2005, Citigroup, through Citibank's local capital markets capabilities, participated in the financing of this project.

Making an Exception: Independent Expert Review Assists with Reasonableness Test in Pollution Prevention and Abatement

In 2005, Citigroup acted as both an advisor and investor in a Category B project in the oil and gas sector. The Lead Arrangers, including Citigroup, had agreed on a Category B designation for this project and requested that the Lenders' Independent Engineer (IE) conduct a review of the project's EIA to confirm Equator Principles compliance. Following the review, the IE found one area of non-compliance regarding the SO² emissions level from the sulfur recovery unit (SRU) stack; the number suggested the project would significantly exceed the maximum allowed under the relevant *World Bank Pollution Prevention and Abatement Handbook (PPAH)* guideline.

Finding a Reasonable Solution: The IE had several conversations with recognized specialists in the field, including consulting with an IFC pollution specialist, to determine whether the *World Bank PPAH* standard had a technical or numerical error. Upon determining that the SRU emissions represented a deviation and not a numerical error, the IE analyzed potential design changes that would be required in order to meet the *World Bank PPAH* standards (the IE also consulted a specialized "sulfur expert" knowledgeable about the industry). In addition, as a Lead Arranger, Citigroup requested that the IE analyze the degree of adverse environmental impact, if any, which would result from this deviation to help us determine if the deviation would be justified and reasonable.

The Outcome: The IE found that, for several reasons, the deviation would not have an adverse impact or be an issue of concern. In addition, the IE felt that a costly design change to the SRU would provide no material benefit to the surrounding environment. It is important to note that the total emissions amount did comply with the *World Bank PPAH* guideline and local and national law, and the project also complied with the host country's SO² ambient standards. Since this required a deviation from the relevant *World Bank PPAH* standard for this industry, the CIB ESRM Director was consulted and involved in all discussions. The relevant CIB Senior Credit Officer/ESRM Specialist was fully briefed on the IE findings, and gave final sign-off for the deviation. The project was eventually funded.

financing of new capacity only, including expansions of existing plants, both fossil fuel and renewable plants, that have closed during the year. As noted in last year's Report, we expect that these reported emissions will fluctuate from year to year depending on the number of deals closed that year and nature of the power plant financed. In 2005, Citigroup did not close or fund any project finance transactions for new power plants or expansions.

ESRM Training and Communications

Our ESRM training of IEF project finance staff continued in 2005 with intensive day-long sessions held in New York and London, and modeled on prior sessions held in 2004. These training sessions were mandatory for IEF project finance staff and the Independent Risk unit staff that interfaces with IEF. In addition, a total of 58 employees representing Citigroup Legal, Audit and Risk Review, Global Relationship Bank (GRB) and Corporate Communications also attended. These sessions were jointly developed and presented together by CIB's ESRM Director and a representative from Sustainable Finance Ltd., a U.K.-based consulting firm that specializes in environmental and social risk management and training for financial institutions.

CIB Risk Training continued to hold its Essential Risk Skills and Intermediate Risk Skills courses globally. More than 400 Transactors, Risk Officers and other staff, including new hires, participated in these week-long training sessions in 2005. An environmental risk module has been a core component of both training sessions for a number of years, and the participants receive exposure to environmental and social risk issues.

An ESRM training session was also held in July 2005 for Transactors and Risk Officers in our Export and Agency Finance (EAF) unit. The session focused largely on the OECD "Common Approaches on the Environment for Export Credits" in order to create better understanding among staff on the differences between the Equator Principles and the "Common Approaches." In addition, Citigroup invited OPIC's Environmental Director and Vice President for Investment Policy to explain OPIC's environmental policies, standards and categorization process.

Along with these training sessions, we regularly update Citigroup's intranet to communicate with our employees on a range of issues, including those related to sustainable development. Our internal communications includes reports on recent



Giving a tour for architecture students is Henry Gifford, project manager for a recently constructed, energy-efficient, green building located on New York City's Lower East Side.

Citigroup Foundation \$1.5 Million Grant to Help Train Housing Developers

Enterprise is a leading provider of development capital and expertise designed to create decent, affordable homes in thriving communities. In 2005, the Citigroup Foundation provided Enterprise with a \$1.5 million grant payable over three years for its *Green Communities™* Initiative. *Green Communities* is a \$555 million national initiative with the Natural Resources Defense Council to build 8,500 environmentally friendly affordable homes. The program is designed to promote health, conserve energy and natural resources, and provide easy access to jobs, schools and services. Our grant will enable Enterprise to provide technical assistance and training to help developers incorporate green principles and practices in their work.

environmental and community activities in which Citigroup has been involved, as well as making key senior management and staff aware of environmentally and socially sensitive transactions that Citigroup is tracking. Our senior managers are also called upon to serve as speakers and panelists for various NGO and institution-sponsored social and environmental programs and events. Transcripts of speeches delivered are periodically posted on our intranet and Web site.

Citigroup's CEO and Citigroup Environmental Affairs and CIB ESRM representatives were highlighted or quoted on our sustainable development activities in a variety of publications and press outlets in 2005 including the *Financial Times*, *BBC News*, *US Banker*, and the *Christian Science Monitor*. This provided an opportunity for us to speak to a wider audience on Citigroup's approach to environmental and social responsibility, implementation of our ESRM Policy and the Equator Principles, and how we want to both serve and learn from our clients.

ENVIRONMENTAL RESPONSIBILITIES AT CITIGROUP

Board of Directors Public Affairs Committee
Reviews corporate environmental policies

Environmental Affairs

Led by the SVP of Global Community Relations, consults on environmental policy and other issues

Environmental and Social Policy Review Committee

16 senior managers provide advice and oversight on environmental and social policy issues

Business Heads

Approve policies and initiatives for their individual businesses

CIB ESRM Director and VP

Provide counsel and advice to ESRM Specialists and other CIB staff globally on environmental and social risk issues

CIB Independent Risk Management Group

More than 20 Senior Credit Officers implement the ESRM Policy, including the Equator Principles, and approve Category A transactions

CIB Infrastructure and Energy Finance Group

Entire professional staff of 70 Transactors implements ESRM policy

CIB Export and Agency Finance Group

Entire professional staff of 62 implements ESRM Policy and requires adherence to official export agencies' environmental standards

CIB Relationship Managers and Transactors

Work with clients on environmental and social issues in connection with financings

U.S. Public Finance

14 Senior Environmental Bankers finance water, sewage, solid waste, recycling and brownfield projects

Citigroup Alternative Investments

28 Investment Professionals identify and make investments under the Sustainable Development Investment Program (SDIP)

Corporate Real Estate Services

Facilities Managers globally reduce energy footprint, set reduction targets and procure green power

Procurement

7 Procurement Professionals work to "green" our supply chain and communicate Citigroup's environmental commitment to our suppliers

Global Wealth Management

Manages European equities' socially responsible investment initiatives

III. Organization and People

The Public Affairs Committee of the Citigroup Board of Directors reviews Citigroup's performance on the environment and sustainable development annually. Pamela Flaherty, Senior Vice President for Global Community Relations, serves as the staff liaison to the Public Affairs Committee.

We believe that for sustainability initiatives to be truly implemented and embedded in our operations and culture, our business units must own these initiatives. Therefore, apart from the formal responsibility held by the Board's Public Affairs Committee, environmental responsibilities at Citigroup also reside with business units that have adopted environmental policies or initiatives. Some of those responsible include:

- Responsibility for our ESRM Policy (includes the Equator Principles and our anti-illegal logging policy) rests with the CIB Head of Risk Management; John Gilliland, Managing Director, Structured Portfolio Management Citigroup CIB; Shawn Miller, ESRM Director; and ultimately resides with Robert Druskin, the CEO of CIB.
- Responsibility for the Sustainable Development Investment Program (SDIP), a private equity initiative, rests with Andrew de Pass, Managing Director, Citigroup Venture Capital International (CVCI); Bob Khanna, Head of CVCI New York Office; Dipak Rastogi, Head of CVCI; and ultimately resides with Michael Carpenter, Chairman and CEO of Citigroup Alternative Investments.

- Responsibility for our Environmental Database, which tracks the energy use of our facilities worldwide, for setting goals to reduce our indirect greenhouse gas emissions and for green building, rests with Steve Lane, Director of CRS Capitol Projects Group; Joseph Sprouls, Head of Citigroup Realty Services; and ultimately resides with Kevin Kessinger, Citigroup's Head of Operations and Technology.
- Responsibility for green procurement resides with Michael Valentini, Citigroup Global Head of Procurement; and ultimately resides with Kevin Kessinger, Citigroup's Head of Operations and Technology.

Citigroup's Environmental Affairs unit is an important source of expertise for the company on environmental issues. The team develops and manages Citigroup's sustainability strategy and supports the business units with advice and external communications. The unit also advises the Citigroup Foundation on its environmental/sustainability grant making. Citigroup's Environmental and Social Policy Review Committee (ESPRC), which is composed of senior managers from various business units, serves in an advisory function to the Environmental Affairs unit and to the business units responsible for implementing environmental policies and initiatives. CIB's ESRM Director, with support from a newly created ESRM VP position, provides advice and counsel to CIB senior management and staff on environmental and social risk concerns and policy, including those related to CIB transactions covered by the ESRM Policy.



Among those at Citigroup who focus on environmental initiatives are (left to right): John Gilliland, Managing Director, Global Manager, Structured Portfolio Management; Courtney Lowrance, Vice President, Environmental and Social Risk Management; and Shawn Miller, Director, Environmental and Social Risk Management.

CASE STUDY

Collaboration and Partnership Key to Successful Environmental and Social Review with Colombian Public Sector Company

In 2005, Citigroup acted as both an advisor and arranger for a \$250 million, 20-year bank financing for ISAGEN, a public sector company majority owned by the Government of Colombia. Using the U.S. government agency Overseas Private Investment Corporation's (OPIC's) sovereign non-honoring program, the loan will help support the company's plan for capital expenditures, modernization and capital structuring projects.

Citigroup determined that use of proceeds for this facility included refinancing and modernization of existing assets, such as hydroelectric facilities and a thermal power plant. We identified early on that these assets would likely be Category A uses of proceeds according to both Citigroup's ESRM Policy and OPIC's environmental standards.



Citigroup and ISAGEN employees take a break from project due diligence near an ISAGEN-run hydroelectric facility. Pictured (from left to right) are: Julián Torrado, Assistant Vice President, Citigroup Colombia; Rodrigo Vega, Vice President, Citigroup CIB, New York; Maria Cristina Hincapié, Financial Team member, ISAGEN; and Juan Diego Ortiz, Financial Subdirector, ISAGEN.

process, the independent consultant determined that the projects did not include significant involuntary resettlement or adverse impacts on any indigenous peoples, and that locally affected people had been engaged in the consultation process. Special review and consideration was also given to minimum ecological flow and potential downstream impacts.

Following Citigroup's engagement with ISAGEN, OPIC determined that five projects were deemed eligible for posting as required under OPIC's statutory 60-day disclosure period. This was followed by an on-the-ground due diligence trip to the projects, which included OPIC environmental senior management, Citigroup representatives, the independent environmental consultant and ISAGEN. ISAGEN was found to have had excellent capacity and management systems at both the corporate and project levels to implement their environmental and social responsibilities and commitments. It was also determined that Colombian environmental laws and regulations, to which ISAGEN needed to fully comply, were in line with or even above international standards. The collaboration and partnership between ISAGEN, Citigroup and OPIC clearly demonstrated a solid business case for environmental responsibility, thereby strengthening important client relationships.

"ISAGEN's environmental and social management policies have been of strategic importance since the inception of the company, making ISAGEN a leading power company in Colombia. ISAGEN's culture is that the environmental policies it follows will result in establishing responsible and beneficial relationships with their biophysical as well as social surroundings wherever we operate a hydroelectric facility or thermal power plant. ISAGEN's environmental and social management activities extend beyond the requirements of Colombian law. We also have in place voluntary social and biophysical investment programs, which, in addition to providing economic resources to the communities, also help educate these communities so that they can more actively participate in and manage their own development."

Dr. Fernando Rico Pinzon
CEO, ISAGEN

Due diligence commenced immediately with Citigroup's ESRM Director and Transactors meeting with ISAGEN's environmental team in Colombia to assess the projects, ISAGEN's environmental capacity and to explain both Citigroup's ESRM Policy and OPIC's environmental policies and the review process that would be required. This included discussion and full understanding of OPIC's disclosure process and their special environmental requirements related to hydroelectric facilities, including discussion of certain "Categorical Prohibitions" as defined under OPIC's environmental policy.

Citigroup recommended engagement of an independent environmental consultant to assist ISAGEN in translating and preparing high-quality environmental documentation in order to meet OPIC's posting and disclosure requirements. During this due diligence



"By 'greening' our real-estate practices around the world, from increasing energy efficiencies and reducing space to creating best practices for others to follow, I am proud to say that we are helping the planet, and improving Citigroup's bottom line."

Joseph Sprouls

Global Head, Corporate Realty Services, Citigroup

IV. Our Environmental Footprint

Citigroup's real estate portfolio of nearly 90 million square feet represents an enormous opportunity for us to take proactive steps to reduce our impact on the environment. In 2005, we continued to make progress in creating sustainable business practices by reducing energy consumption, consolidating space, better tracking greenhouse gas emissions, participating in government and third-party initiatives and starting to partner with suppliers to improve their environmental practices. We are proud to pioneer creative solutions, such as adopting flexible work strategies, and to be recognized as an industry leader in this important arena.

Greenhouse Gas Emissions

In 2002 Citigroup initiated a comprehensive process and a Web-based database to track, report and manage our environmental performance. This enormous task involves 400 staffers who gather monthly data for the nine consumption categories reported, from more than 13,000 properties, encompassing more than 90 million feet of space, in more than 100 countries. In 2005, we made enhancements to our database that improved its accuracy and transparency and increased the amount of actual data collected from leased properties.

With this more accurate measuring tool in place, in 2006 we announced a goal to reduce emissions by 10% from 2005 levels by 2011. To help achieve this goal, we have joined the U.S. Environmental Protection Agency Climate Leaders program. This voluntary industry-government partnership identifies environmental leaders that are adopting aggressive goals and strategies for curtailing greenhouse gas emissions at manufacturing and other facilities. Citigroup will partner with an EPA-appointed engineer to enhance its ongoing global emissions reduction strategy.

As we work toward achieving our 2011 target, consumption data in the environmental database

will be measured against planned reduction targets each quarter. The database will be linked to tools that can rate the energy efficiency of our facilities against other industry benchmarks as well as expedite the consumption reduction process.

Energy Consumption

We have made progress in trying to reduce our overall energy consumption and moving toward using renewable sources of power in greater amounts.

In November, we signed an agreement that will provide for electric energy in four of our deregulated, high-energy-consuming states in the United States that will include 10% certified "green" power through 2007. A total of 10,478 MWh of certified green electric power was purchased in 2005. In 2006 and 2007, we expect to purchase in excess of 30,000 MWh of certified green electric power. This represents a 270% increase over our previous green-power level. The certified green power will be consumed in Texas, Maryland, New York and New Jersey. In 2006, we will look for additional green power alternatives to be considered at other locations.

For example, we will purchase "green" power for the bank's Zurich Headquarters building. The agreement will result in 40 MWh of solar-generated power and 210 MWh of hydroelectric power being supplied annually.

With tens of thousands of desktops, mainframe computers and thousands of servers, IT hardware represents a major power consumer for us. In 2005, we began working with IT equipment manufacturers to achieve greater efficiencies in terms of heat generation and cooling requirements. This effort continues in 2006, with participation in a financial-industry consortium to drive higher power supply efficiencies.

Through the Carbon Trust, Citigroup identified and implemented energy initiatives in Citigroup Centre in London that saved more than 1,500 MWh in

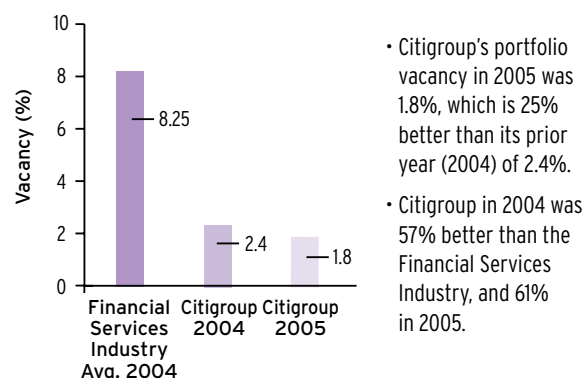
CITIGROUP 2005 ENVIRONMENTAL SURVEY REPORT

	ABSOLUTE VALUE 2004	2005	RELATIVE VALUE 2004	2005
Per capita count	340,000	374,000		
Surface area monitored	7,673,324 m ²	8,144,650 m ²		
Surface area monitored in sq. ft.	82,595,655 sq. ft.	87,669,015 sq. ft.		
Consumption				
Electricity	7,285,175 Giga Joules	7,653,824 Giga Joules	21.4 GJ/per capita	20.5 GJ/per capita
			5,952 kWh/per capita	5,685 kWh/per capita
			263.7 kWh/m ²	261.0 kWh/m ²
			24.5 kWh/sq. ft.	24.3 kWh/sq. ft.
Heat (natural gas, steam, chilled water)	1,090,348 Giga Joules	1,142,416 Giga Joules	3.2 GJ/per capita	3.1 GJ/per capita
			39.5 kWh/m ²	39.0 kWh/m ²
			3.7 kWh/sq. ft.	3.6 kWh/sq. ft.
			12,516 BTU/sq. ft.	12,355 BTU/sq. ft.
Fuel Oil	4,769 m ³	5,017 m ³	14.0 lit./per capita	13.4 lit./per capita
			3.7 gallon/per capita	3.5 gallon/per capita
Water	6,791,252 m ³	7,127,401 m ³	79.9 lit./per capita per day	76.2 lit./per capita per day
			21.1 gallon/(per capita per day)	20.1 gallon/(per capita per day)
			885 lit./m ²	875 lit./m ²
Total Waste (rubbish and recycled material)	111,564 US tons	110,019 US tons	297.7 kg/per capita	266.9 kg/per capita
			722 lbs./per capita	647 lbs./per capita
Refuse & Other	89,176 US tons	87,705 US tons	80% of total Waste	80% of total Waste
Office Paper Recycled	22,388 US tons	22,314 US tons	20% of total Waste	20% of total Waste
Consumption Converted to CO₂ Emissions				
Electricity	1,219,308 US tons	1,291,775 US tons	3,253 kg/per capita	3,133 kg/per capita
	1,106,156 Metric tons	1,172,359 Metric tons	144 kg/m ²	144 kg/m ²
Gas	146,865 US tons	159,450 US tons	392 kg/per capita	387 kg/per capita
	133,236 Metric tons	144,653 Metric tons	17 kg/m ²	18 kg/m ²
Fuel Oil	36,812 US tons	38,297 US tons	98 kg/per capita	93 kg/per capita
	33,396 Metric tons	34,743 Metric tons	4 kg/m ²	4 kg/m ²
	1,402,985 US tons	1,489,523 US tons	3,743 kg/per capita	3,613 kg/per capita
CO₂ Emissions Total	1,272,788 Metric tons	1,351,756 Metric tons	166 kg/m ²	166 kg/m ²

USING SPACE EFFICIENTLY

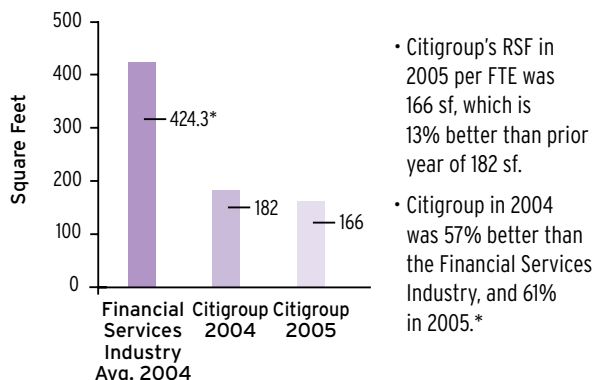
Benchmarking

Vacancy Rate as a % of Total Portfolio



Benchmarking

Rentable SF per FTE (Office & Operation Centers)



If Citigroup were to use the industry average for space use per full-time equivalent (FTE), it would require an additional 70.8 million square feet of space, which would be an additional 81% of its existing portfolio.

* Industry comparison taken from Real Estate Executive Board-2004 Annual Benchmarking for Global Financial Services Companies, with branches.

Per capita count for both 2004 and 2005 in the chart above was based on the number of occupied seats in the portfolio less documented vacancy. Judgment was used to make adjustments for buildings with shift work where seats are occupied multiple times during the day as well as for seasonal employment.

Consumption data for 2004 was normalized to reflect changes in the portfolio that were not available at the time of publication of the 2004 Citizenship Report. Some additional changes were made to improve the quality of data. The majority of the quality upgrades were made as a result of using database functionality that was enhanced during 2005.

REDUCTION GOALS

The following table contains a summary of the performance against key metrics and includes a column for targets that we hope to achieve in 2006.

Environmental Target for	2006	2005	2004
Energy consumption/FTE	22.9 GJ/FTE	23.6 GJ/FTE	24.6 GJ/FTE
CO ₂ emissions/FTE	3,504 kg/FTE	3,613 kg/FTE	3,743 kg/FTE
Green power total discretionary procurement	30,000 MWh	10,498 MWh	9,403 MWh
Number of countries in which green power is included in discretionary energy purchase	5	3	2

2005, with another 1,300 MWh in savings identified. In 2006, we expect to save 5,800 MWh in our United Kingdom portfolio. Citigroup has partnered with Global Action Plan, a U.K. environmental charity, with the objective of reducing the impact our business has on the environment. A pilot study is in progress and will be rolled out across the entire United Kingdom portfolio in 2006.

Green Building Practices

A number of initiatives began in 2005 to change how we construct new facilities and retrofit existing ones. We have gathered the data for 88 buildings in the United States that each contain more than 100,000 square feet to prepare for entry onto the U.S. Environmental Protection Agency Energy Star System. This scoring process enhances our internal database and will help identify facilities that could benefit from action to improve energy efficiency. The rating process is a first step in our plan to explore achievement of Leadership in Energy and Environmental Design (LEED) certification for existing buildings in the portfolio.

We believe that by participating in the Energy Star and LEED certification programs, we can better prioritize our emission-reduction activities in the next five years and have a better method of measuring our progress.

Additionally, we have established LEED "Silver" as the target for all of our major development projects going forward. As an example, we have completed design and commenced construction of a major office building in Long Island City, NY, that is in the process of being certified as LEED Silver.

We also will work with the U.S. Green Building Council to help them develop an efficient process to rate buildings in existing portfolios that they can deploy to others.

Partnerships

We have advocated for sustainable business practices by participating in discussions of environmental best practices at conferences sponsored by Clean Air, Cool Planet, the Business Roundtable and the Energy Forum. We were also on the Steering Committee that shaped the Business Roundtable's S.E.E. (Society, Environment and Economy) Change initiative that focuses on corporate sustainability target setting.

In 2005, Citigroup participated in Industry Standard's Organization (ASHRAE-American Society of Heating Refrigeration and Air Conditioning Engineers) TC 9.9 publishing of equipment standards for high-density IT equipment, providing a road map for IT equipment manufacturers for equipment design. This was the technical standard for IT equipment performance information in Data Centers and provides for better information for design professionals to optimize Data Center design.

In 2006, Citigroup participated in an ASHRAE publication to provide guidelines for energy efficiency in *Data Center Designs for the Engineering Design Community*. We participated with both IBM and major cabinet manufacturers to advance the design and technologies around water-cooling uses on the Data Center floor as a more efficient means of heat rejection from IT equipment.

In 2006, we will look to develop a pilot program/alliance with major equipment suppliers who will inspect large air conditioning machinery and controls systems as necessary in major facilities globally. Selection of inspection locations will be based on data benchmarking using our environmental database as well as the Energy Star rating system.

We will begin discussion with vendors that support our real estate operations to make sure that they are using environmentally friendly products and that they have a code of conduct that attests to their aspirations to behave in a responsible manner when it comes to selection and use of materials.

We also will explore how we can use our leverage to encourage landlords to adhere to sound environmental principles and operate their buildings to achieve high-energy efficiency.

V. Sustainable Enterprise

Citigroup has developed a number of business initiatives and products that are specifically focused on the environment. Typically, these initiatives have a business case, but were developed with input from various stakeholders and with great attention paid toward maximizing the environmental benefits. In addition, our business units are also involved in financing many projects that have strong environmental benefits that came to us through our regular business pipeline. Below are some examples.

Sustainable Development Investment Program

Our Sustainable Development Investment Program (SDIP) operates as a unit of Citigroup Venture Capital International (CVCI) within the Citigroup Alternative Investments division. The program underscores Citigroup's commitment to protect the environment through greenhouse gas emissions reduction and supports our belief in the need for alternative sources of energy.

SDIP's objective is to make private equity investments in renewable energy, sustainable forestry, waste management, water management and clean technologies. Through SDIP, we will make investments in generation projects and in equipment and service providers. While our geographic focus has been in developing markets where we believe SDIP activities can have the most impact, we will also consider investments in developed countries. A significant level of funding has been committed for this initiative commensurate with some of the largest investment funds targeting these sectors.

In 2005, one of Citigroup's SDIP portfolio companies, Suzlon Energy Limited, an equipment supplier for the wind energy sector, completed a highly successful initial public offering in India. The offering highlighted the potential for attractive returns from investments in renewable energy.

Biofuels, including cleaner-burning biodegradable fuels, such as ethanol and biodiesel, represent important alternatives to carbon-based fuels. In 2005, Citigroup's SDIP invested in Balrampur Chini Mills Ltd., one of the largest sugar producers in India, which intends to expand its ethanol manufacturing capacity as various states in India are expected to start to mandate the blending of ethanol with gasoline.

Citigroup, through SDIP, is co-sponsoring and presenting at Euromoney Energy's Renewable Energy Finance Forum in Beijing at the end of March 2006. We intend to continue to increase our presence

in the renewable energy space and intensify our investment activity during 2006.

CIB Asset Finance Group Makes First Renewable Energy Equity Investment

Our CIB Asset Finance Group (AFG) made its first renewable energy equity investments over the past year, in the Bingham Lake Wind Power Project and the San Juan Mesa Wind Power Project. The Bingham Lake project, located in Minnesota, has a 15-megawatt-generating capacity, which is enough to power approximately 4,000 homes. The San Juan Mesa project, located in New Mexico, has a 120-megawatt-generating capacity. AFG took a 50% equity interest in the Bingham Lake project and a 25% equity interest in the San Juan Mesa project. Both investments were made in a partnership with Edison Mission Group of Irvine, CA, a subsidiary of Edison International.

Renewable energy in the U.S. and abroad is expected to attract several billion dollars of financing annually over the next 15 years, with wind power driving much of this growth. As a mainstream CIB business unit, AFG operates on a global basis with 70 executives and a portfolio in excess of \$2 billion, providing financing for many types of assets.

Financing Renewable Energy Companies

In August 2005, Citigroup served as the bookrunner for a follow-up public offering for Plug Power, a development-stage company founded in 1997 that designs and produces fuel cell technology for on-site power systems, backup power systems and onsite H₂ generation. The public offering enabled Plug Power to raise \$529 million to be used for research and product development and to fund capital expenditures.

In October 2005, we also served as the joint bookrunner for an initial public offering for Q-Cells, a company that develops and produces silicon-based, highly efficient solar cells. Launched in 1999, Q-Cells is now one of the world's leading solar cell manufacturers. The public offering enabled Q-Cells to raise 313.2 million Euros. Demand for the shares exceeded supply by a factor of 40 due to high demand from sustainability, solar and European investors.

Financing the Expansion of a Petrochemical Facility in Latin America

Much stakeholder focus has related to projects in heavy industries, such as the petrochemical sector,

and how Citigroup can help its clients minimize the environmental and social risk of such projects. In many cases, our work with these clients involves opportunities to improve a facility's operational efficiencies and decrease its environmental impact. For example, during 2005, Citigroup helped arrange a \$110 million loan to finance an expansion project of the Brazilian company Braskem S.A., Latin America's leading petrochemical company. The financing is targeted for Braskem's Basic Petrochemical Unit, Polyolefin Unit, Vinyl Unit and New Business Unit, and will enable the company to streamline key processes and increase production while improving efficiencies and reducing costs. Citigroup acted as Lead Arranger of the financing, counting on a partial comprehensive guarantee from Nippon Export and Investment Insurance (NEXI).

Environmental benefits realized through this investment include reductions in gas and particle emissions, hydrocarbon effluents, and energy and water use, as well as preventing the loss of flammable hydrocarbons into the atmosphere, and decreasing the number of emergency plant stops, thereby reducing the release of combustion gases.

U.S. Public Finance Group Backs 181 Environmentally Beneficial Projects

In 2005, Citigroup's U.S. Public Finance Group financed 181 environmentally beneficial projects totaling over \$11.6 billion, including facilities for pollution control, water and sewerage, recycling and solid waste disposal. Citigroup was the leading underwriter in this category, with a 31.4% market share. Citigroup increased its number of transactions up from 168 in 2004, although overall volume dropped from \$12.9 in 2004.

Citigroup is also the leading underwriter in water and sewer, the largest environmental subcategory. At nearly \$9.6 billion water and sewer projects financed, over 35% of total industry volume, we were more than \$2 billion ahead of our nearest competitor.

In 2005, the South Florida Water Management District's board hired Citigroup as one of four senior managing underwriters for the \$1.5 billion financing to accelerate the construction of certain priority projects, known as Acceler8 Projects, within the Comprehensive Everglades Restoration Program (CERP). Citigroup was also selected to lead the underwriting team for the inaugural securities offering scheduled in 2006.

Socially Responsible Investment

Although the need for businesses to deliver returns to shareholders is often cited as a barrier to sustainable development, more companies and investors now recognize that business value can be derived from responsible management of environmental and social issues.

To develop this line of thinking and to integrate sustainable development considerations into equity research and the investment process, in early 2005 Citigroup Investment Research (a part of Citigroup's Global Wealth Management business unit) appointed a team of SRI analysts to research the environmental and social themes that affect major companies from all sectors. From the outset, this team was fully integrated within Citigroup's overall equity research process and operates by working with individual sector research teams (e.g., construction, oil and gas) to bring their specialist expertise to bear in developing investment themes.

The team has proposed five key steps to help integrate SRI analysis into mainstream analyst research and investor decision-making.

1. Understand the Investment Context: Providing a fundamental industry platform for understanding sustainability issues relevant to each sector.
2. Understand the Sustainability Context: Understanding of current sustainability issues by providing current news flow and meeting with opinion leaders.
3. Put Companies in Context: Understanding which sustainability issues are relevant to a certain company.
4. Sustainability Governance Analysis: Evaluating how companies respond to their sustainability challenges.
5. Sustainable Investment Themes: Integrating sustainability themes to add value to the investment process.

Focused initially on European companies, the SRI analyst team has already completed a broad analysis of the environmental and social themes that could affect each stock market sector, and has facilitated meetings on sustainable development issues between major European companies and investors. The team is now working to identify how the themes could produce opportunities and risks for company-level investors. With the SRI analyst team fully integrated within Citigroup's mainstream analyst team, we can ensure an improved flow of information and capital between investors and companies interested in sustainable development.



"The case for renewable energy was certainly highlighted in 2005 with increased oil and gas prices and the devastating impact of hurricanes. Through SDIP, Citigroup will continue to support the reduction in greenhouse gases and the development of alternative sources of energy as we support companies who are generating alternative energy or providing the tools to do so."

R. Andrew de Pass
Managing Director, Citigroup Venture Capital International

Energy-Efficient Mortgages

In 2004, Citigroup began offering the MyCommunityMortgage Energy Efficient Mortgage (EEM), a product developed by Fannie Mae and targeted for LMI consumers. The product is structured as an underwriting feature where an energy-efficient home's electricity savings is counted as income for the purposes of a borrower's qualifying ratio.

During a time of rising energy costs, energy-efficient mortgages are an exciting concept. Yet we have found the EEM very difficult to sell because the customer segment that benefits from the product is small and the mortgage process is complex. After evaluating different options during 2005 for promoting the EEM, we have learned that working through developers who are constructing large numbers of energy-efficient homes, rather than reaching out to individual consumers, could be key to EEM's success.

With this in mind, Citigroup's Community Mortgage unit in partnership with CitiMortgage has developed EEM training materials, and in 2006 will incorporate an EEM module into trainings for our mortgage brokers and bankers who work with developers. This effort expands our goal from simply originating EEM mortgages to educating developers about the benefits of energy-efficient construction. In 2006, we will also roll out the standard EEM product, which has no income restrictions, so we can offer consumers the full EEM portfolio.

VI. Evaluation/Future Planning

In last year's Report, we identified six goals and believe we have achieved them all.

- We refined our criteria for the SDIP Program and made a ground-breaking investment in alternative fuels in India;
- We set impressive targets for a 10% reduction of our own GHG emissions by 2011 and announced this publicly on January 23, 2006;
- We substantially revised our ESRM policy criteria to incorporate our learning over the past two

years and to maintain our financial industry leadership position on these issues;

- We significantly improved our reporting on our implementation of the Equator Principles to enhance transparency;
- We continued our learning on how to prevent the financing of illegal logging and refined our own policy on this issue to include independent certification requirements for certain transactions; and
- We identified next steps on our EEM product.

All of these initiatives have been described in more depth in this Report. In addition, we increased our environmental capacity in the company by hiring an expert from URS to be an ESRM Vice President to assist CIB's Director of ESRM. We also have a new senior manager appointed to lead our SDIP Program, which demonstrates our continued effort to empower our business units with responsibility to execute our environmental initiatives. We also further strengthened our ongoing discussions with NGOs and SRIs interested in these issues.

Our goals for 2006 include the following:

- Expand financial institution participation in the EPs.
- Implement all initiatives necessary to meet our goals for reduced GHG emissions.
- Once IFC finalizes and approves its revised Performance Standards, work with all of the Equator Principles Financial Institutions to revise the Equator Principles, including both client and NGO/SRI discussions and input.
- Expand and renew our ESRM training program.
- Expand and refine our CIB ESRM training program and explore avenues for greater communication of ESRM Policy.
- Make more investments as part of our SDIP.
- Expand our communications to employees and externally around our sustainability initiatives.
- Continue to stay apprised of and learn from emerging environmental and social issues pertaining to the financial sector.

workplace



EMPLOYEES LEFT TO RIGHT

"By being an Employee Network leader, I can serve as an example for my colleagues and instill in employees of African descent a greater sense of their ability to succeed and accomplish great things."

Deanna Bannister
Managing Director, Citigroup
Global Transaction Services
and Co-Chair of the African
Heritage Network

"Being part of an Employee Network has given me the opportunity to promote cultural awareness for the Hispanic and Latino community and helps me fulfill my shared responsibilities to our clients, colleagues and our franchise."

Robert De La Cruz
Vice President Customer Service
Operations Manager Citi Cards and
Co-Chair of the Hispanic Network

"As a parent I have been able to attend and stay connected to my three children without losing much time at work thanks to Citigroup's onsite Family Center in Sioux Falls, South Dakota. The Center is wonderful and gives me great peace of mind."

Anne Marie King
Operations Manager—Student Loan
Collections

"At Citigroup's onsite Child Care Center, the infant room teacher-to-child ratios are excellent. The staff does not just watch my child; they focus on learning and development."

Suzie Johnson
Human Resources—Citi Cards

"As a single mother, the snowy day feature of the **Just In Time Care** program allows me to know that when a school closing is announced, my 9-year-old son can be in a quality program at my worksite and I don't need to arrange last-minute care."

Val Lewis
Vice President, Client Delivery
Corporate and Investment Banking

"The Child Care Center at Citibank Service Center is a very high quality care environment for children. The program offering is sophisticated and the location on our work site is convenient. My older daughter's transition to kindergarten this year was made so much easier because of the quality of care she received."

Celeste Gutierrez
Client Financial Analyst
Citibank Service Center

"The **Just In Time Care** backup care program helps me set up and pay for care, and get to work when the community child care center we use for ongoing care closes due to inclement weather. Our 3-year-old daughter gets quality home care and we feel less stress."

Akinwale Ojomo
Specialist, Global Loans
Corporate and Investment Banking



An Inclusive Atmosphere

AT CITIGROUP, WE RECOGNIZE THAT OUR employees are our company's greatest asset. We foster a culture where the best people want to work, where people are promoted on their merits, where they treat each other with respect and where opportunities to develop are widely available to all—regardless of differences. We invest in talent development and want to help our employees in gaining new skills, managing their work/life responsibilities and enjoying a satisfying career. We serve as mentors for each other, as well as others in the community.

The Power of Our People—Volunteerism at Citigroup

Our employees continue to tell us time and again how much personal satisfaction they get from volunteering. In 2005, we completed the launch of our *Global Volunteer Initiatives Program*, making it available to employees worldwide. This program offers employees the opportunity to take a paid day off from work each year to volunteer at a qualified nonprofit organization of their choice. Volunteers who have given 50 hours of service to a nonprofit organization can have a \$500 donation from the Citigroup Foundation awarded to the nonprofit. Citigroup also continues to enhance its Volunteer Tracking System, an online management tool that helps employees search for local projects and track their volunteer hours.



“Our employees live and work in the same communities as our clients and share with them the same goals of wanting to make a difference in those communities. We are proud of our employees—their dedication to their work here at Citigroup and their commitment to volunteer and provide financial support for NGO and nonprofit organizations in their local communities.”

Michael Schlein

Senior Vice President of Global Corporate Affairs, Human Resources and Business Practices for Citigroup

Disaster Relief and Rebuilding Efforts

Beginning with the tsunami in Asia in December 2004, last year saw an unprecedented number of natural disasters occurring around the world. Citigroup has been at the forefront of efforts to help those affected. In 2005, Citigroup, the Citigroup Foundation and employees committed close to \$26 million for disaster relief and rebuilding efforts.

Asia Pacific Tsunami Relief—Outstanding support of Citigroup volunteers was cited by the Red Cross in Indonesia as being among the major factors that accelerated aid programs in the country's tsunami-impacted areas. Citigroup Pakistan coordinated various volunteer opportunities with organizations

In 2005, Citigroup became the first corporation to partner with the American Red Cross to send a disaster relief team of volunteers to the Gulf Coast region. Thirty employees were selected for the two-week pilot program led by team captain Denise Durham Williams, National Director of Community Relations for Citibank. The Citigroup Red Cross Volunteer Action Team was deployed to Louisiana November 30 – December 12 and delivered hands-on relief services to the hurricane victims.



Pictured (front row, fourth from right) Citigroup CEO Chuck Prince attended a special send-off held for the 30 employees who volunteered their time and energy to help restore communities devastated by the 2005 hurricanes.



Primerica Financial Services employee Tim Foster celebrated his birthday during the time he served as a Red Cross Relief Effort volunteer.



Sandy Weill, Citigroup Chairman; and Terry Bischoff, CEO of the American Red Cross of Greater New York, met with Denise Durham Williams (center), Citigroup Red Cross Team Captain and Citibank National Director of Community Relations, before she and the Citigroup team left for the U.S. Gulf Region.

"I was honored to have been selected as the captain for this team of 30 extraordinary Citigroup employees who took two weeks away from their families and their jobs to prepare to assist those who suffered loss as a result of natural disasters. It was truly a once-in-a-lifetime experience and one that made it so clear that no matter what business or geography our employees come from, they give unselfishly to help make communities better because they are there."

Denise Durham Williams
National Director of Community Relations, Citibank

such as the United Nations and Oxfam and gave employees time off from work to volunteer. And in Malaysia, more than 200 Citigroup employees volunteered 1,000 hours in four days at Mercy Malaysia and Malaysian Red Crescent Society to pack clothes and other supplies.

U.S. Gulf Region and Florida Hurricanes—

Hurricane Katrina and Hurricane Rita left a wake of destruction throughout the Gulf Coast region of the U.S. in 2005. Citigroup and its employees quickly offered hope in the form of financial aid and put their hearts into hands-on assistance. Employees banded together to collect money for relief efforts, serve food in shelters, organize donations of clothing and other goods, and man call stations during telethons.

Earthquake in South Asia—On October 8, 2005, a powerful earthquake struck the region bordering Pakistan, northern India and Afghanistan, killing more than 80,000 and leaving an estimated three million people homeless. In response, U.S. President George W. Bush reached out to Sandy Weill and four other private sector leaders to lead a global effort to raise awareness and resources to help those in need. With the President's support, they quickly established the South Asia Earthquake Relief Fund to raise funds for relief and supplies. To date, Citigroup, the Citigroup Foundation and our employees have pledged \$7 million toward relief efforts. In addition, the South Asia Earthquake Relief Fund has distributed \$2.7 million to five nonprofit organizations for immediate disaster relief.

Our Strong Volunteerism Tradition

Along with disaster relief efforts, Citigroup employees carry on our strong tradition of volunteerism when they build homes for people who need them, deliver food to the homebound ill or elderly, teach young people about finance or serve on the boards of charitable organizations.

Citigroup's volunteer efforts were recognized with national awards in Spain, Poland and Turkey. In the U.S. more than 1,100 employees were honored with the President's Volunteer Service Award for contributing more than 100 hours of volunteer service to nonprofit organizations over a 12-month period.

We continue to foster a volunteerism culture and encourage employees to get involved by offering exciting new opportunities. Through projects like *One Day's Pay—New York Remembers*, 500 employees and their friends and families commemorated 9/11 in

New York City by painting, cleaning and planting at a settlement house, a city park and an elementary school in Lower Manhattan.

On October 22, 2005, Citigroup employees took part in *Make A Difference Day*, a national day of community service sponsored by *USA Weekend* magazine and the Points of Light Foundation. More than 4,000 employees and their friends and families volunteered for 88 events across the country that benefited more than 300,000 people.

Making Employees' Voices Heard

Each year Citigroup administers the Voice of the Employee (VOE) survey to obtain anonymous feedback from employees. The VOE process is designed to help Citigroup improve its organizational effectiveness and its work environment. Senior managers and line managers use the results for evaluation and action, and VOE follow-up is regularly discussed by our CEO and heads of Citigroup's businesses. In 2005, we were pleased to report that a record 92% of our employees participated in the VOE, up 5% over 2004. The 2005 results showed significant improvement in many areas, as well as a few challenges.

Favorable responses were significantly higher for each of the following:

- Employees who say they can report unethical practices without fear of reprisal;
- Employees feel valued;
- Management acts on survey findings;
- Employees' opinions and thinking are being sought; and
- Senior management is concerned about employees.

In addition, we saw a positive trend in the number of employees who think that management is committed to diversity and who feel that we value diverse perspectives in our work environment. Pride in working for Citigroup was at 74%, and scores for "living our shared responsibilities to clients, to each other and to the franchise" were in the 80%-plus favorable range.

However, there is still work to be done. Two of the areas noted above—"employees feel valued" and "management acts on survey findings"—while up from the prior year, are below the global norm for companies our size. Many employees consider their workloads excessive and believe their work schedules do not allow enough flexibility.

As a result of VOE survey data, we took an important step in September 2005 when we introduced global Flexible Work Guidelines to help our employees better manage their business and personal lives. Our intranet contains the guidelines and other tools for employees and managers to use when they discuss the potential for flexible work, along with information for human resources professionals and supervisors to increase their awareness and build skills for managing flexible work strategies. In 2006, we will continue these efforts.

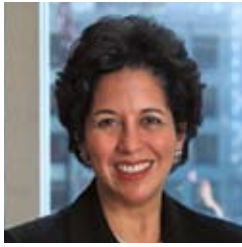
In 2005, Citigroup employees also took part in the first-ever Manager Feedback Survey (MFS) with a participation rate of 88%. Reports based on MFS results were sent to senior managers (top 1% of our company) to create action plans to enhance their leadership skills and the leadership skills of the managers within their areas. In 2006, we plan to extend the MFS to a much broader population of Citigroup managers.

In addition to the two full census surveys mentioned above, we conduct periodic sample surveys focused on specialized issues, such as culture, performance management, career development, internal job mobility and communications.

Communicating with Our People

Keeping our employees informed is a key aspect of Citigroup's open culture. While communicating in print, video and online to 300,000 employees in more than 100 countries presents challenges, Citigroup commits the management and resources necessary to make it work in meaningful ways. From live "Town Hall" communication forums with our senior management and employees rebroadcast on our intranet to a daily global e-mail with key announcements and top news stories about the company, our communications team prides itself on sharing news about Citigroup with employees first, rather than letting them hear it from another source.

Using a coordinated network of communicators organized by business, region and country, our internal communications group covers the world. We make our employee newspaper and other critical communications available in a total of ten languages. We offer summaries online on topics ranging from the Environment and Anti-Money Laundering to Child Care and Diversity to our employees and the public under the Corporate Citizenship section of our external Web site.



"At Citigroup our employees are engaged as leaders and drivers of our diversity strategy. Their efforts reaffirm our shared responsibility to treat our teammates with respect, and champion our remarkable diversity."

Ana Duarte McCarthy
Chief Diversity Officer, Citigroup Inc.

Diversity at Citigroup

At Citigroup, our success—and the success of our entrepreneurial culture—depends not on the schools we attended or our ethnicity, race, gender, sexual orientation, religion, physical abilities or national origin. Instead, our success depends on every one of us working together to deliver value for our clients and shareholders, and feeling a sense of pride and fulfillment in what we do.

In 2002, Citigroup created and endorsed a company-wide diversity strategy based on four components—to be the employer of choice, service provider of choice, business partner of choice and neighbor of choice.

Our strategy for employer of choice focuses on building management accountability, attracting talent, fostering workforce development and creating an inclusive work environment. Each of our lines of business has diversity plans. We review progress against these plans quarterly, and foster best practices and encourage consistency across our businesses through our Diversity Councils.

Our Diversity Training Commitment

Strong progress is being made in providing diversity training throughout our businesses in the U.S., Asia, Eastern and Western Europe, Latin America, Mexico and the Middle East. Ninety-three percent of the members of Citigroup's Management Committee have received diversity training. Courses including Valuing Diversity, Respect at Work, Diversity Awareness and Respecting Diversity in the Workplace were attended by our employees in Ireland, Japan, the Philippines, Singapore, the U.K. and the U.S. in 2005.

Diversity Councils Around the World

As part of Citigroup's Diversity Councils, employees take leadership roles in developing and executing business diversity strategies. Located around the world, each of our Diversity Councils are championed by a senior executive and composed of

employees from various levels, who determine the objectives around talent, workforce development and work environment.

Fostering Next Generation Leaders

Throughout 2005, we continued to build our strategic partnerships with national U.S. organizations to help us attract and develop minority talent.

National Black MBA Association (NBMBAA) and the National Society of Hispanic MBAs (NSHMBA)—Through our partnerships with NBMBAA and NSHMBA, we help identify top talent and support the economic empowerment of the communities we serve. Citigroup was again a lead sponsor of the NBMBAA and NSHMBA annual conferences. We are also a member of both organizations' strategic corporate advisory boards and work closely with their national offices and local affiliates.

INROADS—In 2005, 65 minority students were employed as interns in Citigroup businesses as a result of our *INROADS* partnership. *INROADS* is an internship program for minority students that promotes excellence, develops leadership and helps bring greater diversity to the workplace. The *INROADS* interns hired by Citigroup typically spend two to four summers of their university careers with us.

Management Leadership for Tomorrow (MLT)—Citigroup has initiated a strategic partnership with Management Leadership for Tomorrow (MLT), a nonprofit organization focused on preparing diverse students across the U.S. for careers. In 2005, Citigroup, in partnership with other corporate sponsors, provided a training program for 104 MLT students beginning their MBAs. We hired 20 of these students as summer interns. We also sponsored the MLT MBA Prep Program New York City orientation attended by more than 80 undergraduates and early-career professionals.

National Business and Disability Council (NBDC), Abilities Inc. and Just One Break (JOB)—In 2005, Citigroup partnered with NBDC, Abilities Inc. and

Highlights of Key Minority Progress in the U.S.

Total minority representation in Citigroup's U.S. employee population continues to trend positively, rising from 31.9% in 2003 to 33.2% in 2005.

Our largest minority group is African-American, which represents 13% of Citigroup's U.S. workforce, followed by Hispanic at 11.1%, Asian at 8.6% and American Indian at 0.4%.

Total minority representation continues to increase in most job categories. In our Officials & Managers and Professional jobs, total minority representation was 21.2% in

management positions in 2003 increasing to 22.3% in 2005, a 1.1% increase, and representation in professional jobs rose from 32.5% in 2003 to 36.0% in 2005, a strong 3.5% increase.

Citigroup Inc. and its subsidiaries offer Equal Employment Opportunity (EEO) to everyone—regardless of race, gender, gender identity or expression, color, creed, religion, national origin, citizenship, age, disability, marital status, sexual orientation, ancestry, veteran status and socioeconomic status. Citigroup's EEO policies apply to all

employment practices, including recruiting, hiring, promoting and training. Citigroup's commitment to EEO includes the development of Affirmative Action programs modeled after U.S. federal, state and local employment laws and regulations. Executives and department managers are responsible for making good faith efforts to achieve Affirmative Action goals. The primary responsibility for developing and monitoring each program is assigned to a senior human resources officer, and progress on Affirmative Action efforts is reviewed regularly with senior management.

JOB CATEGORIES	OVERALL	MALE					FEMALE				
		White	Black	Hispanic	Asian	American Indian	White	Black	Hispanic	Asian	American Indian
Officials & Managers	20,041	8,516	675	713	675	32	7,059	972	802	567	30
Professionals	29,611	11,125	1,164	1,257	3,331	38	7,821	1,733	1,177	1,924	41
Technicians	2,225	969	157	162	230	10	468	75	62	89	3
Sales Workers	20,435	12,733	487	821	695	39	3,864	414	720	642	20
Office & Clerical	60,878	9,062	2,937	2,516	974	97	27,621	8,635	6,503	2,254	279
Craft Workers	54	32	10	3	3	0	2	4	0	0	0
Operatives	928	143	123	79	86	2	226	92	43	130	4
Laborers	1	0	1	0	0	0	0	0	0	0	0
Service Workers	187	57	33	45	10	0	18	12	10	2	0
Total	134,360	42,637	5,587	5,596	6,004	218	47,079	11,937	9,317	5,608	377

DIVERSITY RESPONSIBILITIES AT CITIGROUP

Board of Directors

Reviews corporate diversity strategy and policies; discusses status and initiatives

Chief Executive Officer

Approves corporate diversity strategy and policies; reviews status and initiatives, holds business heads accountable for progress

Business Heads

Ensure diversity plans in business; review status and initiatives, hold senior managers accountable for process

Senior Vice President of Global Corporate Affairs, Human Resources and Business Practices

Ensures the development and implementation of diversity strategy and policies; reviews status and initiatives

Chief Diversity Officer

Develops global diversity strategy and policies to establish management accountability, attract talent, develop and retain workforce; fosters an inclusive work environment; ensures communication and implementation of global diversity strategy in conjunction with businesses

Business Diversity Heads/Human Resources Directors

Develop, communicate and implement diversity strategy; ensure focus on management accountability, attracting talent, developing and retaining workforce, and fostering an inclusive work environment

Citigroup Country Officers/Senior Business Managers

Accountable for implementation of diversity strategy; foster employee engagement, champion Diversity Councils and Employee Network Groups

Employee Network Groups

Focus on initiatives that support overall strategy; 26 in the U.S. & U.K., 18 currently in formation; groups are open to all employees

24 Diversity Councils

Develop and implement diversity objectives locally

JOB to serve as a business sponsor of the *Disability Mentoring Day* program. This program provides individuals with disabilities a chance to learn about career opportunities and meet with mentors who can offer insight and advice. Our businesses in New York City and Long Island hosted and mentored a total of 25 students and professionals with disabilities.

Our Employee Networks Continue to Grow

Citigroup's employee networks, launched in 2002, are groups initiated and led by employees. The networks are open to all employees and provide them with an opportunity to share common experiences and build awareness of diverse cultures and communities.

Employee networks exist in 12 U.S. and U.K. cities. Five new Citigroup employee networks were formed in 2005, bringing the total number to 26. Last year, participation in the networks grew to more than 8,200 employees, a 58% increase over 2004. Recognized U.S. groups include: African Heritage; Asian Pacific Heritage; Hispanic; Pride (a group focused on the lesbian, gay, bisexual and transgender communities); Women; and Working Parents. In the U.K., Pride, Women, Working Parents and a multicultural network called Roots have been recognized. Another 18 groups are in formation.

Human resources and business advisors support the formation of employee networks by providing guidance and commitment to network activities. Once established and recognized by Citigroup, a network forms a leadership committee that oversees the planning and implementation of initiatives, receives funding and becomes an important link to enhancing our diversity activities for employees.

Work/Life Programs Evolve to Serve a Changing Workforce

Citigroup recognizes the need to provide employees a broad array of work/life programs to meet their changing needs. Whether our employees need assistance locating quality child care, dealing with the needs of an aging parent or finding time to fit in physical activity, our programs provide the tools and resources to help them make choices and decisions as their needs change over time. Providing personal and professional resources contributes to employees' work/life satisfaction and results in more focused and productive employees.

HIGHLIGHTS OF 2005 ONSITE HEALTH AND WELLNESS PROGRAMS:

- More than 2,900 employees enrolled in a month-long walking incentive program
- More than 21,000 employees received onsite flu immunizations
- More than 1,000 women screened for breast cancer
- More than 3,400 employees screened for cholesterol
- More than 1,000 employees screened for skin cancer
- More than 13,000 employees participated in onsite weight management classes

The LifeWorks® Program at Citigroup

Citigroup's *LifeWorks*® program provides access to information, research and resources, along with customized referrals to help employees achieve solutions on a wide variety of topics, such as parenting/child care, managing the needs of older adults, self-care, adoption, education and legal issues. Open to employees, their partners and dependents in the U.S., Puerto Rico and Canada, the program is available through a toll-free telephone number and via the Web around the clock.

In 2005, *LifeWorks*® resources supported employees and their families coping with military deployment and following the hurricanes in the Southeast. In 2005, *LifeWorks*® was used 27,000 times by employees and their dependents, with child care and senior services ranking as the top two concerns.

Employee Assistance Program at Citigroup

Citigroup offers Employee Assistance Programs (EAPs) to our employees and their immediate family members in the U.S., Puerto Rico, Australia, Canada, Ireland, South Africa, Spain and the U.K., and expatriate staff around the world who may need assistance dealing with personal problems. Access to the EAP is available around the clock via toll-free telephone numbers. EAP provides a place to begin to fully assess a personal problem with the support of a licensed counselor. Callers can receive short-term confidential counseling and, for longer-term needs, referrals to professionally trained counselors and other qualified service providers. In 2005, the U.S. EAP facilitated 24 worksite sessions and provided resources for employees and their family members coping with the devastation wrought by Hurricanes Katrina and Rita.

Dependent Care Options

Citigroup offers full-time and backup child care programs and elder care management services and backup programs to more than 93,000 employees in the U.S. and Europe. We own or participate in 12 child care centers located in the U.S., Ireland and England, with a 13th site under construction.

In the U.S., employees working in participating businesses in 18 states have access to a backup child and elder care program that helps them identify and pay for care when their primary dependent care is unavailable for any reason. U.S. employees may also receive discounts when they use leading national centers. More than 6,600 children and older family members of employees are served through these programs.

Employees in the U.S. also have access to elder care management services to assist them when their elder care needs become more critical. Offered through Citigroup's *LifeWorks*® Program, employees are provided with assessment and evaluation, coordination of care and respite services free of charge.

Good Health Contributes to Strong Productivity

Health and productivity are the focus of Citigroup's medical programs. Onsite facilities are located in the U.S. in New York, New Jersey, Florida and Texas, and in London, England and Dublin, Ireland. More than 60,000 visits were documented at these sites in 2005.

Automatic External Defibrillators (AEDs) also have been placed in Citigroup locations across the U.S. AEDs are devices designed to be used by lay people to provide lifesaving technology to a person who has had a cardiac arrest. To date, 435 AEDs have been placed in 270 different locations and more than 2,000 employees have been trained in Cardio-pulmonary Resuscitation (CPR) and AED. By the end of 2006, more than 1,500 AEDs will be in place and more than 4,000 employees will be trained.

In most locations where Citigroup has operations, the majority of women in the workforce are under the age of 45. Statistically, at least 40% will have children. To help meet their specific needs, lactation facilities are available in the cities of London and Dublin, and the U.S. states of Florida, New Jersey and New York, as well as 25 other worksite locations in the U.S. Citigroup's intranet

posts an online tutorial about the benefits of breastfeeding, along with a list of its U.S. facilities that have lactation locations and guidelines for establishing lactation facilities.

In addition to our onsite medical facilities, we also provide or arrange for medical services for our employees globally. We partner with and manage the Citigroup Travel Health Assistance program with International SOS to provide around-the-clock, worldwide medical access and assistance for expatriates and international business travelers via a dedicated emergency phone line. Additionally, Citigroup Travel Health Assistance can arrange for medical transport and evacuation.

Our businesses in more than 30 countries used International SOS's services last year. International SOS also helped us deliver more than 13,500 Web-based e-mail medical alerts to our employees who were traveling on business to inform them of health, prescription and immunization needs to specific destinations.

Making Strides Toward Better Health

Finding time to fit in exercise between work and their personal lives can be challenging for employees. That is why Citigroup sponsors 24 professionally managed onsite wellness centers for employees working in 13 U.S. states and in Australia, England, Ireland and Puerto Rico. More than 14,000 employees are currently enrolled as members. The wellness center staff sponsors a wide variety of fun and motivating programs including charity running and cycling events, walking challenges and weight management programs.

Citigroup's Health Management program also provides outreach support to U.S. businesses without onsite fitness facilities and provides health and wellness-related seminars, behavior change programs, events and activities. Targeted programs and activities are selected to meet the needs and interests of each business location and also conform to the U.S. Government Healthy People 2010 goals. All U.S. employees also have access to print and Web-based health education information and discounts for commercial health/fitness club memberships.

2005 SUSTAINABILITY AT A GLANCE

Business Results	2005		2004
Total revenue (net of interest)	\$83.6 billion		\$73.6 billion
Net income	\$24.6 billion		\$17.0 billion
Total assets	\$1.49 trillion		\$1.48 trillion
Return on equity	22.3%		17.0%
Countries of operation	100		100
Social	Target for 2006	2005	2004
# Employees (Direct Staff figure)		299,938	290,332
% Local hires		98%	98%
Women (US)		55.3%	56.1%
Workplace ethnic diversity (US)		33.2%	33.4%
Board diversity (women and ethnic diversity)		7/17	7/16
Employee Diversity Network Groups	44 groups	26 groups 8,200 employees	21 groups 5,200 employees
Five Point Plan: Annual Ethics/Code of Conduct training	100%	99.3%	–
Five Point Plan: Annual franchise training for senior managers (top 3k)	100%	100%	–
Five Point Plan: Citigroup franchise training and compliance training for managers (top 27k)	100%	36% 10/31 – 12/31/05	–
Voice of the Employee survey (response rate)		92%	87%
Voice of the Employee survey (% employees satisfied/neutral/dissatisfied)		67/18/15	65/19/16
Voice of the Employee survey (% proud to work for Citigroup)		74%	–
Financial Education/# countries		68	63
# Employees taking Volunteer Day		6,138	–
Citigroup total giving		\$126 million	\$111.3 million
Environmental	Target for 2006	2005	2004
Energy consumption		8.99 million GJ	8.55 million GJ
Energy consumption/capita	23.3 GJ/cap	24.4 GJ/cap	25.1 GJ/cap
Energy consumption/sf		0.1025 GJ/sf	0.1036 GJ/sf
CO ₂ emissions (indirect)		1,291,775 US tons	1,219,308 US tons
CO ₂ emissions/capita	3,504 kg/cap	3,613 kg/cap	3,743 kg/cap
CO ₂ emissions/sf		15.41 kg/sf	15.41 kg/sf
Green power procurement	30,000 MWh	10,498 MWh	9,403 MWh
Green power procurement (# of countries)	5	3	1
Office paper recycled (select buildings)		22,314 tons	22,388 tons
Recycled paper procurement		6,596 metric tons	6,488 metric tons
Recycled office supplies procurement	45%	44%	37%
Funded project finance transactions subject to Equator Principles (Categories A and B)		Category A 3 Category B 10	Category A 3 Category B NA
# Exceptions granted to the Equator Principles		2	0
Environmental and social risk training (# people trained)		500+	1,050
Economic Development	Target for 2006	2005	2004
Community Development lending and investing (US)	\$3.6+ billion	\$3.5 billion	\$2.7 billion
Supplier diversity spending (% of total supplier spending)	\$1 billion	\$950 million	\$725 million
CRA results (# of Citibank entities rated “Outstanding”)	11 of 12	9 of 12	9 of 11

Citigroup is not providing 2006 targets for those areas that are shaded.

GRI Reporting Guide

Citigroup developed the 2005 Citizenship Report with reference to the guidelines developed by the Global Reporting Initiative. These guidelines are intended to enhance the quality, rigor and utility of sustainability reporting and to provide standardized definitions. This year, we have reported on a number of guidelines from the 2002 Sustainability Reporting Framework, as well as the Financial Services Sector Supplements for Social Performance and Environmental Performance.

Sustainability Reporting Guidelines

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For additional information on Corporate Citizenship at Citigroup, please visit: <http://www.citigroup.com/citigroup/citizen/index.htm>.