



Citizenship Report 2006

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A good head and a
good heart are
always a formidable
combination.

—*Nelson Mandela*
Nobel Peace Laureate 1993

LETTER FROM CHUCK PRINCE >>>

Citi, by virtue of our size and presence in more than 100 countries, holds a very special position within the global community. As such, we clearly recognize what our role is and what our responsibilities are to the betterment of society.

Indeed, the many benefits accrued from our franchise come with these responsibilities. We cannot have one without the other. We are guests in the countries we serve. We have the right to exist, we have the right to expand, we have the right to prosper, but only if we act in the legitimate interests of these countries in how we choose to reside and grow.

There are two ways we can do that. We recognize that our business is an engine for growth. We are integral to the growth of economies and it is very important for us to help create jobs and raise the quality of life. We are profoundly aware that global poverty is one of the compelling moral issues of our day. We also recognize that climate change is a major economic, social and environmental challenge globally. Climate change and global poverty are not unrelated because climate change will disproportionately impact the poorer people and nations of the world. The public and private sector as well as civil society must work together to make progress on both of these issues. On climate change, we have set a target to reduce our own greenhouse gas emissions, and we work with our clients to provide innovative solutions as they strive to reduce their own emissions.

The second way is to be involved in communities and to act philanthropically. Our employees are involved in their communities, and we encourage and help channel their efforts and give generously to community institutions. Citi's global reach is buoyed by the hard work and creative ingenuity of our 325,000 employees. Not only do they work every day to make Citi the financial leader it is, many volunteer their time and personal resources to their communities and to citizenship projects that Citi supports. Active and qualified Citi employees are encouraged to take a paid day off from their job each calendar year to volunteer for the organization of their choice.

Our philanthropic activities positively affect the education and welfare of people in every nation in which we do business. On our first-ever Global Community Day, more than 45,000 Citi employees, their families and friends turned out in 100 countries to put their dedication to their communities to work. This may have been the single largest organized act of global volunteerism in history.

As the world's leading financial services company, we strive to make a difference by delivering innovative products and services to improve the economic prospects not just of the affluent but also of people who historically have been excluded from the financial system.

LETTER FROM CHUCK PRINCE

For example, Citi is a leader in supporting microfinance in the developing world. We do it because it strengthens the underlying framework of local economies — which is beneficial to those countries and will be beneficial to the participants in those financial markets. In the past year, our Citi Global Microfinance business group has developed and marketed a wide range of financial products, working together with leading microfinance institutions, for the “unbanked” and “underbanked” to participate — many for the first time — in the mainstream economy.

We have always driven change in our industry and we continue to set high standards for ourselves in sustainable growth, social outreach, financial education, community building, disaster relief and philanthropy. As co-founders of the Equator Principles — guidelines developed to manage environmental and social issues relating to project finance — we continue to ensure the implementation of these Principles within our business.

At Citi, we are accountable for all that we do. Therefore, we welcome and seek dialogue with our stakeholders and we continue to test ourselves against our own rigorous standards as well as those established by others. You will find feedback from our stakeholders on pages 8–9 and we welcome additional feedback from you on how we are doing.

We have been recognized for our efforts and are pleased once again to be included in the Dow Jones Sustainability World Index and the FTSE4Good Index for 2007, which acknowledge our leadership in setting standards in sustainable growth and in demonstrating exceptional environmental, social and economic performance.

We are committed to delivering shareholder value, coupled with our commitment as concerned citizens of the world to address the environmental and social issues that lie outside the traditional scope of Citi. We want to be known not only for delivering success to our clients, but also for responding to the needs of people and the planet.



Chuck Prince
Chairman and Chief Executive Officer
Citi Inc.



CORPORATE CITIZENSHIP AT CITI >>>

Corporate social responsibility is good business. We are committed to building our global business and serving our clients, while at the same time improving the communities in which we do business. As a financial services organization, people entrust us with their wealth, and therefore, with their aspirations for their families. This is an enormous business responsibility and a great opportunity. We, in turn, strive to listen and learn from our stakeholders and take action where appropriate.

We make a positive impact in four ways: operating a profitable business in 100 countries; providing employment and careers for 325,000 people around the world; 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.

Stakeholder engagement continues to be an integral part of our business strategy. We learn from these dialogues, which help us to generate new ideas for policies, products and implementation.

Three examples include the issuance of a statement on climate change; a statement on human rights; and a new approach to helping families who face foreclosure in our U.S. consumer business. The climate change position articulates our views on a global issue that affects us, our clients and communities where we do business. The Statement on Human Rights describes which human rights issues we believe are most subject to influence by our businesses, and describes our approach to addressing them.

In 2006, our Consumer Business Group formed a partnership in the U.S. with NeighborWorks Center for Foreclosure Solutions, which encourages financially distressed homeowners to seek support by contacting qualified housing counselors. The program will be piloted for two years in eight to 10 U.S. communities hardest hit by foreclosures, with expansion planned for later this year.

Volunteerism has long been embedded in Citi's culture. Citi has spearheaded many successful company-wide volunteer initiatives, including Junior Achievement, Habitat for Humanity, Operation Hope and Teach Children to Save. Our businesses organize team events in communities around the world, and we had 45,000 employees take part in our first Global Community Day.

Citi Foundation continues to make a difference by supporting initiatives in three areas: building communities and developing entrepreneurs through our leadership in microfinance; financial literacy; and educating the next generation. Our businesses all over the world identify nonprofits they can support and partner with in order to improve the communities where we do business.

CORPORATE CITIZENSHIP AT CITI

We continue to search for better ways to serve our employees in the workplace, and each year Citi conducts the Voice of the Employee (VOE) survey to obtain anonymous employee feedback. A record 94 percent of our employees responded in 2006.

We also saw enhanced business engagement on sustainability issues. Our Environmental and Social Risk Management (ESRM) unit in our Citi Markets & Banking business added new capacity this year. Citi Investment Research issued a number of research reports. The Sustainable Development Investment Program made significant investments in solar facilities and a clean energy fund. There are many other examples of how Citi has sought to minimize environmental and social risks, while also seeking opportunities that generate strong environmental and financial returns.

Transparency continues to be a cornerstone of our engagement with stakeholders. This year, as in previous years, we have expanded our reporting on issues of interest to specific stakeholders, including, wherever possible, statistics and facts. We have also, as in previous year, invited a group of Socially Responsible Investors (SRIs) and one Non-Governmental Organization (NGO) to comment on a draft version of our report. This year, we have added comments from the National Urban League and both have been printed in their entirety.



Pamela P. Flaherty
Director, Corporate Citizenship
President and Chief Executive Officer, Citi Foundation



SUSTAINABILITY AT A GLANCE

2006 SUSTAINABILITY AT A GLANCE		
Business Results	2006	2005
Total revenue (net of interest)	\$89.6 billion	\$83.6 billion
Net income	\$21.5 billion	\$24.6 billion
Total assets	\$1,884,318 trillion	\$1.49 trillion
Return on equity	18.8%	22.3%
Countries of operation	100+	100
Social	2006	2005
#Employees (Direct Staff figure)	333,097	299,938
% Local Hires	98.45%	98%
Women (US)	54.78%	55.3%
Workplace ethnic diversity (US)	34.6%	33.2%
Board diversity (women and ethnic diversity)	7/16	7/17
Employee Diversity Network Groups	36 networks	26 networks
Five Point Plan: Annual franchise		
Training for senior managers (top 3K)	91%	100%
Five Point Plan: Annual franchise and compliance training for manager (top 27K)	80%	36% (10/31-12/31/05)
Voice of the Employee Survey (response rate)	94%	92%
Voice of the Employee Survey (% employees satisfied / neutral / dissatisfied)	70/17/13	67/18/15
Financial Education/# countries & Territories	72	68
# Employees taking Volunteer Day	7,243	6,138
Citi total giving	\$137 million	\$126 million
Environmental	2006	2005
Energy consumption	2,705 GWh	2,552 GWh
Energy consumption/occupant	6,763 KWh	6,823 KWh
Energy consumption/sf	31 KWh	31 KWh
CO ₂ emissions (Scope 2)	1,338,905 metric tons	1,243,800 metric tons
CO ₂ emissions/occupant	3.5 metric tons	3.5 metric tons
CO ₂ emissions/sf	0.0160 metric tons	0.0157 metric tons
CO ₂ emissions, business air travel	195,071 metric tons	177,656 metric tons
Green power procurement	52,283 MWh	30,000 MWh
Green power procurement (# of countries)	3	3
Office paper recycled (select buildings)	22,694 metric tons	20,318 metric tons
Recycled office supplies procurement	32%	44%
Recycled copy paper procurement	8,186 metric tons	7,416 metric tons
FSC paper procurement	557 metric tons	173 metric tons
Funded project finance transactions subject to Equator Principles (Categories A and B)	Category A 5 Category B 7	Category A 3 Category B 10
# Exceptions granted to the Equator Principles	2	2
Environmental and social risk training (# people trained)	556	500+
Economic Development	2006	2005
Community Development lending and Investing (US)	\$3.7 billion	\$3.5 billion
Supplier diversity spending (% of total supplier spending)	\$1 billion	\$950 million
CRA results (# of Citibank entities rated "Outstanding")	4 of 5	9 of 12

A STATEMENT FROM REPRESENTATIVES OF SOCIALLY RESPONSIBLE INVESTMENT FIRMS >>>

For nearly a decade, Citi has met regularly with a group of investors and environmental advocates to explore how the bank can identify and manage social and environmental risks in financing decisions, from investments in the energy sector to underwriting development projects in sensitive ecosystems. Over that time, Citi has moved beyond focusing on its paper and energy use to addressing the complex and far-reaching impacts of its financing decisions on the environment and local communities. Citi's vision and leadership, coupled with external stakeholders' evolving expectations, paved the way for a dramatic shift in accountability within the financial services industry.

For example, Citi co-authored and in 2006 helped revise the Equator Principles, an industry-level initiative in which banks commit to apply the social and environmental standards of the World Bank Group to project finance deals. Among banks we interact with, we believe Citi has some of the most robust practices, staffing and disclosure around Equator Principles implementation. Its leadership Environmental and Social Risk Management Policy strengthens due diligence on transactions, helps protect critical natural habitats and discourages the widespread problem of illegal logging.

Citi's commitment to continuous improvement is evident in the six-year evolution of its Citizenship Report. The 2006 report is no exception, providing laudable details on the number of Equator transactions broken down by sector, region and environmental impact. We also welcome a new chart that gives a longitudinal look at the number of Equator transactions in 2006 as compared to 2005, and we appreciate the case studies that provide insight into how the policies are put into action. We also welcome the reporting of forward-looking goals and progress in meeting past goals, including information where performance has fallen short. However, Citi has not yet achieved a gold-standard level of transparency, as its reporting still fails to discuss with real candor some of the deep-seated challenges it faces and areas of disappointing performance. We also encourage the company to make public the full text of its current Environmental and Social Risk Management Policy, which guides so much of the results covered in this report.

We have long urged Citi and its peers to manage the human rights risks associated with their lending. Citi's new Statement on Human Rights, referenced in this report, is a notable first among U.S. banks. We look forward to learning more about how Citi will build on this first step and turn policy into practice, linking the Statement with its Environmental and Social Risk Management Policy.

A STATEMENT FROM REPRESENTATIVES OF SOCIALLY RESPONSIBLE INVESTMENT FIRMS >>>

As Citi seeks to maintain its leadership and achieve its goal of being the world's most respected financial institution, it faces both challenges and opportunities. One of the most central of these is climate change. Recognition of the potential risks of climate change, and calls for businesses to do more to address it, have grown dramatically in the few years since Citi adopted its Environmental and Social Risk Management Policy. Over the last year, Citi's lead role arranging financing for a substantial expansion of coal-fired power generation in the United States posed a real challenge to the bank's reputation and credibility as an environmental leader. We welcome the bank's commitment to reduce its own greenhouse gas emissions, and its support for effective public policies to reduce U.S. and global greenhouse gas emissions in its February 2007 Position Statement on Climate Change. However, we see a need for Citi to adopt new financing policies that help it contribute to the growth of a more sustainable energy future, reduce global greenhouse gas emissions, and raise the bar for environmental leadership among banks.

In addition, Citi's new ownership stake and management control of the China Guangdong Development Bank provides another critical opportunity for the bank to set a new standard in that market by establishing due diligence and banking systems that meet sustainable development goals.

We know these challenges are not easily resolved, and addressing them must involve multiple players, not just Citi. Nevertheless, Citi's past efforts give us confidence that the company can and will continue to evolve its environmental and social commitments, management systems and reporting to meet these global challenges and to ensure it maintains its leadership position.

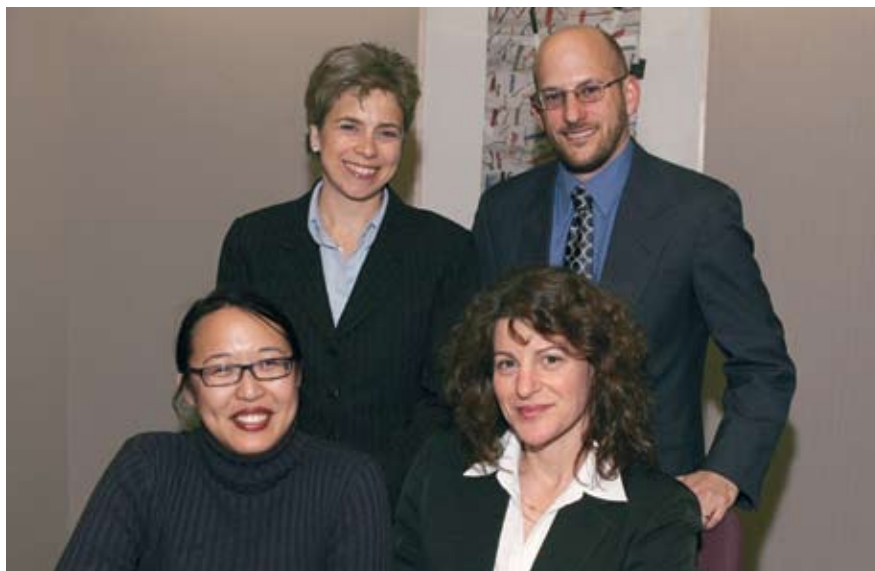
The Shareholder Dialogue Group (SDG), a self-assembled group of socially responsible investment firms, provides Citi feedback on its sustainability initiatives, implementation and transparency.

Steve Lippman, Vice President of Social Research, Trillium Asset Management Corp.

Julie Tanner, Corporate Advocacy Coordinator, Christian Brothers Investment Services

Elizabeth McGeeveran, Vice President, Governance & Sustainable Investment, F&C Management Ltd.

Michele Chan-Fishel, Director, Green Investments Program, Friends of the Earth U.S.



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

A STATEMENT FROM REPRESENTATIVES OF SOCIALLY RESPONSIBLE INVESTMENT FIRMS

A Statement from the National Urban League

A core principle and continuing mission of the National Urban League (NUL) is to lower the barriers to homeownership. Of particular importance is our determination to help close the homeownership gap that exists in minority and low- to moderate-income communities.

Citi is in the business of helping people achieve their financial goals and strengthening the fabric of the communities where it does business. The National Urban League is pleased that Citi takes its responsibilities — to its customers, its shareholders, its associates and its communities — seriously. We know that community strength depends on the interplay of complex and diverse elements and we are proud to partner with Citi to mobilize many resources — financial experts, jobs, loans, grants, volunteer hours and policy leadership — to help communities thrive.

Helping people become better money managers is just the beginning of our collaborative efforts to improve financial literacy across our nation. We have jointly developed several innovative financial education tools and programs that are delivered by Urban League Affiliates to facilitate financial literacy classes, and in turn, ensure that lower-income consumers can access financial services.

We remain as passionate as ever about providing consumers with the knowledge they need to make informed financial choices, and together with Citi we are steadfast in our mission to helping close the gaps that prevent individuals and families from achieving the dream of homeownership.

Sincerely,



Marc H. Morial
President and Chief Executive Officer
National Urban League

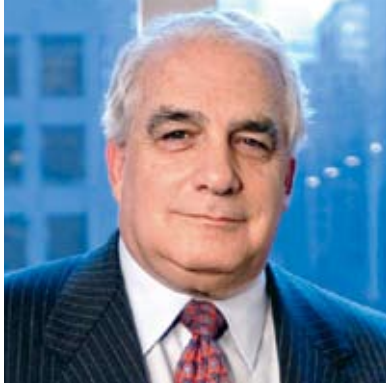


We have a responsibility
to our clients.

We have a responsibility
to each other.

We have a responsibility
to our franchise.

—*Our Shared Responsibilities*



Lew Kaden
Vice-Chairman and
Chief Administrative Officer,
Citi Inc.

As the leading global financial services company, Citi has some 200 million customer accounts and does business in 100 countries. Our 325,000 employees around the world help to provide consumers, corporations, governments 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 Citi's trademark arc include: Citibank, CitiFinancial, Primerica, Smith Barney and Banamex.

Citi traces its history in the U.S. to 1812 and more than a century in China, Hong Kong, Japan, Panama, the Philippines, Singapore and the U.K. 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, Latin America and the Caribbean.

Responding to our clients' needs, while taking a leadership role to foster economic development, is at the heart of Citi's operations in each of the communities where we do business. In striving to be the most respected global financial services company, we support hundreds of 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.

Our Shared Responsibilities

We believe that by aligning ourselves with our Shared Responsibilities, we will achieve our goal to be the most respected global financial services company. Citi developed and adopted these Shared Responsibilities in 2004 to reinforce values and expectations for all employees.

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 Citi's long-term interest 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.

Our Code of Conduct

We believe that our company will achieve organic growth 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. <http://www.citigroup.com/citigroup/corporategovernance/codeconduct.htm>. A revised Code will be published later this year. All employees worldwide are required to read the Code and sign and return a form acknowledging their understanding of the content.

Corporate Governance

We publicly issue the *Citi Initiatives Corporate Governance Business Practices Report*. Please see the full text on our Web site at www.citigroup.com. This report discusses initiatives that the company has undertaken to ensure leadership in corporate governance practices. The most recent update (Spring 2005) highlighted the company's Five Point Plan, which has brought needed change to Citi and helped employees live up to our Shared Responsibilities.

Citi in the Neighborhood and in the World

Citi recognizes its responsibility to be a participant on both the global and local levels. Citi's total philanthropic giving from our Foundation and our businesses combined was \$137 million in 2006. Citi increased its international giving from 2005 to 2006 by 40 percent (\$27.6 million to \$38.1 million). Citi Foundation made grants in 85 countries and territories during the year. For a comprehensive view of giving at Citi, see the 2006 Citi Foundation Annual Report at <http://www.citigroupfoundation.org/citigroup/corporate/foundation/annual.htm>.

Citi 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, Citi trains financial managers, employs local residents, and develops and offers financial products targeted to benefit the communities we serve.

We place enormous value on the men and women who work for Citi and align our hiring practices with the needs of the countries where we work and do business. We are committed to employing and training local talent; 98 percent 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.



“Diversity at Citi is a commitment—to our employees, our clients, our business partners, and our communities.”

Ana Duarte McCarthy
Chief Diversity Officer,
Citi Inc.

Diversity at Citi

One of the most important elements of Citi’s leadership has been our longstanding commitment to diversity. Citi’s success and the success of our entrepreneurial culture depend 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 employee being given the opportunity to succeed. It depends on each of us working together to deliver value for our clients and our shareholders. For a comprehensive view of diversity and workplace initiatives at Citi, please see our 2006 Diversity Annual Report at <http://www.citigroup.com/citigroup/citizen/diversity/annualreport.htm>.

Citi Corporate Political Contributions

Citi Global Government Affairs (GGA) staff lobby on issues that impact the company and our ability to do business. Political contributions are made in accordance with this policy as permitted under federal, state and local laws to help elect candidates whose views and positions are good for Citi, our industry and ultimately the free-market economy. These contributions come from the employee-funded Citi Political Action Committee (PACE, or, when permitted, from corporate funds.) For Citi’s complete statement on corporate political contributions, see the Web site at www.citigroup.com/citigroup/corporategovernance/data/ccpcs.pdf. Citi has committed to post a full listing of our political contributions in the U.S. later in 2007.

Making the Global Financial System More Transparent

At Citi, 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 that is perceived as honest, transparent and efficient, and 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.

Citi's broad-based Global Anti-Money Laundering Policy sets forth our stringent customer due diligence requirements and procedures designed to ensure compliance with U.S. laws and regulations as well as 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.

Our involvement in this and other private sector anti-money laundering initiatives, including those led by the American Bankers Association, Securities Industry Association and the New York Clearing House, has helped provide needed guidance to the financial community. Our commitment to ensuring that both the private and public sectors understand the risks associated with money laundering and terrorism financings runs even deeper. Each year, staff provides training and technical assistance on these issues to governments and financial institutions across the U.S. and abroad.

Recognizing the complexity and global nature of the fight against money laundering, fraud and terrorist financing, and to protect information security, Citi 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

Financial Action Task Force, the Overseas Security Advisory Counsel, the International Security Management Association and the International Association of Credit Card Investigators.

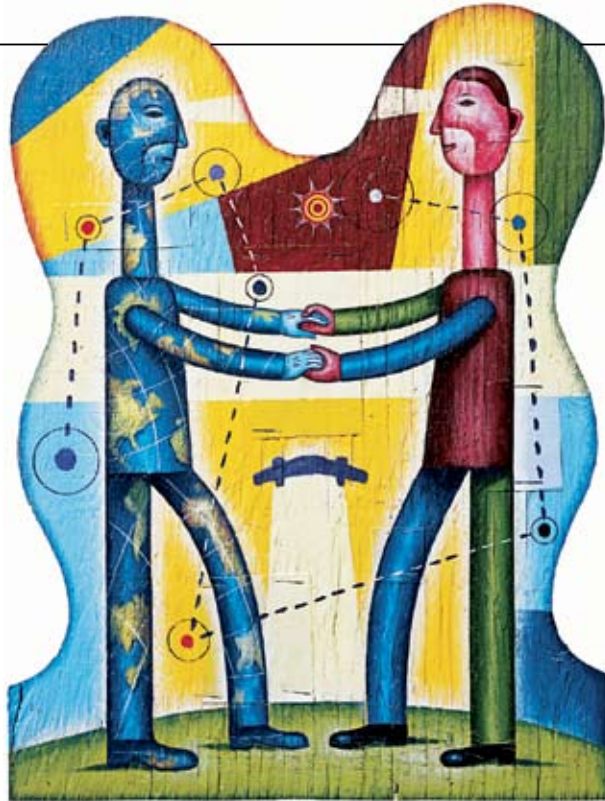
Human Rights

In March 2006, we formed an internal Human Rights Working Group to learn about human rights issues and their relevance to Citi. There were several drivers for taking on this initiative: 1) human rights is an emerging issue within the realm of corporate sustainability; 2) having a human rights statement is becoming a best practice among leaders in corporate sustainability; and 3) we were beginning to be asked by NGOs (Non-Governmental Organizations) and SRIs (Socially Responsible Investors) about human rights issues.

The Human Rights Working Group consists of representatives from Human Resources, Procurement, Citi Markets & Banking Risk, International Operations, Legal, and Environmental Affairs. During 2006, the working group first met with people within the company to understand our current policies as they relate to human rights. The group then met with NGOs and SRIs with expertise on human rights to understand their perspectives on human rights issues relevant to the financial services industry. The working group also interviewed other companies to learn from their experiences in developing and implementing human rights statements.

As a result of this work, in January 2007 Citi released its Statement on Human Rights, which can be viewed online at <http://www.citigroup.com/citigroup/citizen/humanrights/>.

Citi's Statement on Human Rights describes how our existing policies relate to international human rights standards, and how we seek to continue our engagement on these issues with suppliers and clients. The Statement describes how Citi addresses human rights in four areas: our employees, our suppliers, our clients, and the countries where we do business.



We encourage and support every conceivable intervention to help **the poor fight out of poverty.** We always advocate microcredit in addition to all other interventions, arguing that **microcredit makes** those interventions work better.

—*Muhammad Yunus*
Nobel Peace Laureate 2006

Microfinance: Accelerating Impact and Access Globally

“We have set out to change perceptions, increase our knowledge of the needs and the potential of partner Microfinance Institutions, the unbanked and the underserved; to incorporate a new segment into our businesses; and to leverage the energy, expertise and professionalism of our colleagues...but most of all, to view those whom we ultimately serve as valuable clients.”

—**Bob Annibale**
Global Director
Citi Microfinance

Expanding Access to Financial Services

Long associated primarily with philanthropy, leading microfinance institutions are demonstrating that they are sustainable and scalable providers of financial services to poor and underserved communities, attracting the interest of a wider spectrum of investors — including banks, specialized funds and even technology billionaires.

Many date the beginning of the microfinance movement back to 1976, when Muhammad Yunus, founder of Grameen Bank in Bangladesh, started making small loans to the poor without any collateral — because no one else would. In 2006, Yunus and the Grameen Bank were jointly awarded the Nobel Peace Prize for his innovation — expanding access to financial services to individuals and communities outside the reach of traditional financial institutions.

Since the movement began, more than 10,000 microfinance institutions (MFIs), operating through a wide range of legal vehicles — including banks, nonbank financial institutions, NGOs, cooperatives, etc. — have been formed to deliver banking services to the underserved. Most of these MFIs’ microcredit portfolios have excellent performance histories, usually outperforming local mainstream consumer portfolios.




(left to right) Li Wang, Citi China, Professor Muhammad Yunus, 2006 Nobel Peace laureate, and Bob Annibale, Global Director, Citi Microfinance.

Innovation Led by Citi

In his 2005 letter to Citi shareholders, Citi Chairman Chuck Prince highlighted the launch of Citi Microfinance as an initiative to accelerate and expand the scale and scope of financial access in many countries. Building on Citi's 40-year history of philanthropic support to microfinance, Citi Microfinance collaborates with our businesses to develop commercial relationships with microfinance institutions, investors and networks as clients and partners.

“As the movement goes mainstream, more and more corporate players are getting involved. In the past two years, Citi has scaled up its microcredit support and services devoted to guaranteeing loans, supporting technology improvements and spreading the word among other banks.”

—*BusinessWeek*



Presenting Citibank Pragati Account

With Small Savings you can fulfill your Big Dreams!

(ATM/Debit Card facility)
(Fixed Deposit Account | Easy-to-use savings account)

citibank

Citi Microfinance works with Citi's businesses, products and geographies to help its microfinance clients manage risks, through the provision of hedging mechanisms; reduce costs, by offering appropriate transaction services to the industry; achieve scale by providing financing and access to local capital markets; and increase product offerings by developing innovative savings, remittance and insurance partnerships.

In 2006, credit risk policies were expanded to include a wide range of microfinance institutions. These actions have accelerated and enabled Citi's businesses to work with many more MFIs as clients and partners.

One of the businesses that has led in supporting this initiative is Citi's Export Agency Finance Group (EAF), which works with all leading bilateral and multilateral development agencies and Citi's local country offices to structure creative financing for microfinance institutions. Late last year at the Clinton Global Initiative, Citi announced the largest such program with a development agency: a new \$100 million global microfinance local currency medium-term facility with risk participation by the Overseas Private Investment Corporation (OPIC). This lending program — designed to fund MFIs around the world, particularly smaller MFIs that have not traditionally received funding — will establish banking relationships with a wider range of MFIs and will facilitate a greater scale of local microfinance lending by Citi branches worldwide.

“This microcredit finance program will help to diversify support for MFIs, raising the profile of the microfinance sector among mainstream investors in regions that have not yet realized their benefit.”

—*Robert Mosbacher, Jr.*
OPIC President and CEO

Last summer, the *Financial Times* awarded Citi/Banamex the “Sustainable Deal of the Year” for its second tranche of the \$50 million local currency structured investment-grade bond for Financiera Compartamos. Compartamos is Mexico’s leading MFI with more than 600,000 clients of mostly self-employed rural women. The five-year investment-grade bond was designed to support the rapid growth in microloans by Compartamos. This innovative deal established an important capital markets benchmark for the microfinance sector globally, diversifying the range of financing resources for MFIs. According to Compartamos’ co-CEO Carlos Labarthe, Compartamos is able to sustain its ambitious growth and outreach in part due to its ability to access Mexico’s capital markets.

In 2006 Citi, working with FMO (Netherlands) and KfW (Germany), arranged a microfinance transaction for BRAC, the world’s largest national NGO with over 5 million borrowers in Bangladesh. This landmark deal brought the global financial markets to the doorsteps of nearly 1.2 million households, who are mostly women in poverty. The transaction was the world’s first AAA-rated local currency securitization of microcredit receivables. *CFO Asia* magazine referred to the deal in an editorial: “The deal brought innovation to funding for the poor, introducing a commercial transaction that may be replicated in countries where microcredit exists.”

Other financing transactions in developing countries include a 10-year facility to ProCredit Holdings (a Frankfurt-based network of 19 microfinance banks), as well as the first local currency loan syndication done in Romania to any borrower for ProCredit.

“Citi’s well aware of the need to focus on building domestic markets in developing countries,” said Elizabeth Littlefield, the chief executive of the Consultative Group to Assist the Poor, a consortium of development agencies affiliated with the World Bank. “That is absolutely the right thing to be doing.”

Microfinance institutions are increasingly working with Citi’s Global Transaction Services (GTS) and Treasury businesses as our relationship with the sector deepens. Citi’s Global Wealth Management business is now the banker to a number of the leading microfinance investment funds and networks, and it is working with Citi Alternative Investments on developing investment opportunities for clients interested in co-investing with Citi in the microfinance sector.



(left to right) Fernando Alvarez Toca, Chief Financial Officer, Financiera Compartamos; Jorge Rubio Nava, Director of Institutional Relationships, Citi Microfinance, and Bob Annibale, Global Director, Citi Microfinance

An Enormous Need, a Tremendous Opportunity

There is an enormous need and a tremendous opportunity to provide services to people — credit, but also insurance, savings and remittances.

In Mexico, Citi's insurance company, Seguros Banamex, launched a microinsurance program in 2005, and by year-end 2006 provided over 550,000 life insurance policies to Financiera Compartamos's microcredit clients. These policies — on average \$1,300 catering to women in rural areas — represent 10 percent of the total individual life insurance policies taken out in Mexico.

Similarly for savings, Citi's Global Consumer Bank in India launched in October 2006, an innovative microsavings product called "Citibank Pragati" ("Progress" in Hindi) to expand access to savings for the unbanked. The Citibank Pragati (which won the Indian Banks' Association Banking Technology Award 2006) account aims at serving first-time savers by utilizing the latest technology of biometric ATMs that can identify customers, not only by a card and pin, but also by their fingerprints. The ATM displays and speaks to customers in up to six different local languages. The machines are located in the branches of Citi's partner MFIs, with whom Citi's Consumer Bank is also providing loans to the individual microfinance borrowers.

In addition, Citi has been leveraging its worldwide presence and developing new partnerships to expand its ability to offer safe, fast and lower-cost remittance services for its immigrant clients, such as the program between Citibank, N.A. and Banco Solidario to link the families in the United States and in Ecuador and provide both sides with banking services.

Since Citi formally incorporated microfinance risk analytics, credit models and policies into our businesses' risk policies and procedures, we have been able to accelerate our involvement and impact in the microfinance sector — from expanded commercial relationships, local currency funding, innovative transaction services, cash management, foreign exchange hedging and much more.

According to Ajay Banga, Co-CEO of the Citi Global Consumer Group, *"By leveraging our businesses' whole range of products and services and by partnering with the different players in the industry, we are scaling up and sustaining our microfinance commercial initiatives to develop innovative products, diversify financing sources and deliver more banking services to the underserved and unbanked."*





You must be **the change you wish** to see in the world.

—Mahatma Gandhi

Innovative Programs in the U.S.

Leadership in Foreclosure Prevention

In anticipation of rising interest rates and regional economic challenges, Citi launched an aggressive campaign of innovative programs to prevent foreclosures in critical locations. Recognizing that a nonprofit's relationship with the community can help both the borrower and the servicer, in April 2006 we announced our national foreclosure prevention program, with the first local rollout in Ohio. This program is a partnership with the NeighborWorks Center for Foreclosure Solutions, and is designed to encourage financially distressed homeowners to seek help by contacting a designated 24/7 hotline for counseling. The program aims to educate those most at risk through advertising and telephonic counseling as well as face-to-face counseling. This program will be piloted for two years in eight to ten communities hardest hit by foreclosures. NeighborWorks and its partners expect to launch the program in up to six more communities this year.

Multi-family Housing Lending Protocol in New York City

A coalition of more than 100 tenant organizations, unions, clergy, community-based organizations and housing advocates formed "Housing Here and Now" (HHN) in February 2005. The group was formed to preserve decent affordable housing. That summer, HHN launched the "Fix It Now" campaign with three areas of reform:

- To strengthen New York City's system of code enforcement
- To increase multi-family lender accountability
- To end neglectful landlords' abuse of subsidies

Citi was contacted by HHN in August 2005 following our lending on a portfolio of buildings purchased by one of our borrowers. Many of these buildings were included in HHN's list of the 100 buildings with the most serious building violations. Both Citibank and HHN recognized that preserving and improving the quality of housing could only be achieved through the cooperative efforts of many parties: property owners, tenants, community organizations, city agencies, bank regulators and lenders.

We began a dialogue with HHN in September 2005 to look at market practices, due diligence in the underwriting decision, as well as the bank's role after the loan was made. The dialogue confirmed our understanding of the important role lenders could play in neighborhood revitalization and in preserving affordable, decent housing for low/moderate income communities. HHN and Citi worked together and met frequently over a five-month period to develop best practices for multi-family lenders.

In April 2006, Jorge Bermudez, President and CEO of the Commercial Business Group, HHN, the State Superintendent of Banks, New York City and the New York State Comptrollers and the Commissioner of New York City's Housing and Preservation Department announced the general principles of best practices in multi-family housing lending designed to improve the quality of multi-family housing in New York City while preserving the market value of the lenders' collateral. Since our work with HHN, other banks have adopted these principles in multi-family lending. "The Citigroup Principles is a milestone in the fight to improve the lives of tens of thousands of New Yorkers living in substandard housing. This partnership means safer and healthier homes for families in all five boroughs," said Julie Miles, Executive Director of HHN.



Curtis McKinney, Citi Northeast Region Managing Director, Commercial Real Estate, joins Ramona Santan, Julie Miles and Chlose Tribich of Housing Here, and Now and Joya Colon of Northwest Bronx Clergy, on a site visit to a Citibank financed apartment building in the Bronx, New York.

Citigroup's leadership has been instrumental in shaping and advancing our efforts to prevent foreclosures through the NeighborWorks Center for Foreclosure Solutions. Citigroup championed an innovative partnership with the Ad Council to develop a national campaign that will educate borrowers in distress. Citigroup's strong support for NeighborWorks America's foreclosure prevention efforts also influenced financial industry peers to join in this important work.

—*Kenneth D. Wade*
 CEO, NeighborWorks America



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<http://www.nw.org>

December 21, 2006

Natalie Abatemarco
 Director, Global Community Programs
 Citigroup
 850 Third Avenue, 12th Floor
 New York, NY 10022

Dear Ms. Abatemarco:

NeighborWorks® America is proud to count Citigroup as a leading private sector partner in our efforts to create opportunities for people to live in affordable homes, improve their lives and strengthen their communities. Citigroup's financial and employee volunteer support, leadership, and vision in the field of community development enable NeighborWorks® America to respond to community needs and fulfill our mission.

Our partnership with Citigroup is unique because it supports, informs and guides our work across key programmatic areas. For example, the Citigroup Foundation provides multi-year support for the NeighborWorks® Center for Homeownership Education and Counseling (NCHEC), the largest provider of high-quality training, certification, continuing education and tools for nonprofit homeownership educators and housing counselors. Citigroup is also a member of NCHEC's Advisory Council, which is developing national standards for the homeownership education and housing counseling field. The standards will promote cohesion, provide quality control and build sustainable support for the homeownership and counseling industry. Through these efforts, more families will achieve and sustain the goal of homeownership.

Citigroup's leadership has been instrumental in shaping and advancing our efforts to prevent foreclosures through the NeighborWorks® Center for Foreclosure Solutions. Citigroup championed an innovative partnership with the Ad Council to develop a national campaign that will educate borrowers in distress. Citigroup's strong support for NeighborWorks® America's foreclosure prevention efforts also influenced financial industry peers to join in this important work, maximizing the impact of our national strategy.

Citigroup's commitment to our efforts is exemplary, responding to new challenges and creating opportunities in the community development field. Dedicated to assisting local nonprofit organizations, Citigroup was the first financial institution to sponsor place-based training opportunities for housing counselors. Recently, Citigroup sponsored a NeighborWorks® Training Institute in Louisiana that enabled nearly 1900 nonprofit practitioners to improve and enhance their skills in affordable housing construction, rehabilitation and finance, community lending, asset management, and community organizing.

NeighborWorks® America's need for dedicated partners like Citigroup has never been greater. Together, Citigroup and NeighborWorks® America are addressing complex community development challenges to ensure that America is a nation of vibrant communities all are proud to call home.

Sincerely,

Kenneth D. Wade
 Chief Executive Officer

Home Mortgage Disclosure Act (HMDA) Solutions Update:

According to the U.S. Federal Reserve Board, the new HMDA data reveal both challenges and opportunities for the lending industry. At Citi, we address these challenges by developing innovative and strategic solutions with our nonprofit partners.

HMDA Public Awareness Campaign: Citi has partnered with other mortgage lenders and the Ad Council of America to develop a public awareness campaign that promotes financial literacy and an understanding of the value of a good credit history. The campaign will begin airing on television and radio in June 2007.

“The Post Purchase” program: This program targets existing homeowners through advertising, outreach and education to provide them with information that will help them avoid delinquency, default and foreclosure. The program was launched in the fourth quarter of 2006, and to date, Citi has conducted 12 seminars reaching 170 individuals.

Studying the Impact of Financial Education (FE) on Loan Performance: Citi is in its second year of a two-year study of the causal relationship between financial education and improved loan performance. It is hoped that the study will demonstrate the importance of financial education in enabling consumers to make wise financial decisions, validate the effectiveness of our financial

education curricula, and set the groundwork for a loan pilot that would price mortgages to reflect the reduction of risk to a lender if borrowers take advantage of financial education programs.

Harvard Study on Mortgage Best Practices: The Harvard Joint Center for Housing Studies, with other academics, nonprofits and lenders, convened a forum in February 2006 to evaluate, among other things, how mortgage credit is made available through a review of economic, demographic and risk factors. The forum also studied consumer and lender behavior in the mortgage market and their implications for mortgage credit allocation.

The forum published two reports for comment and made a number of recommendations, including: extending the Community Reinvestment Act (CRA) to cover all lenders, a review of the secondary market, the development of a national “Trusted Advisor” network to provide advice to consumers on “best fit” products, more meaningful and timely disclosures, and a toll-free number and a consumer website for comparative shopping similar to a “blue book” value for autos.

“Communities across the globe are only as strong and vibrant as the people who live and work there. While business plays a central role in society, the goals we share with our global community partners dictate how we contribute to creating sustainable, viable and strong communities. By encouraging employee participation, collaboration, values-sharing and the building of relationships, we create a synergy with far-reaching benefits to all stakeholders.”



—*Eric Eve*
 Head of Global Community Relations,
 Global Consumer Group

Working Together to Improve Communities

Our goal at Citi remains the same — to improve communities where we live and work. We continue our leadership by developing industry-leading initiatives and programs and by fostering affordable housing and sustainable community development. The Global Consumer Group Community Relations Department focuses on asset building, financial education and issues management while maximizing our strategic relationships with nonprofit partners and the communities we serve.

We continuously engage our partners in ongoing dialogue that provides us with the opportunity to respond quickly to issues with influential solutions. Our toolbox of strategic community programs provides our partners and their constituents with the resources they need to make a positive impact in low- and moderate-income (LMI) and other underserved communities.

In 2006, we focused on strengthening our community involvement here in the U.S., while broadening the scope of our programs and relationships internationally.

At Citi, we are committed to building viable and sustainable communities. Creating strong communities makes good business sense. Working closely with Citi Foundation and our Community Relations Officers in the field, we focus our community-building strategy into four key priority areas: Asset Building, Financial Education, Neighborhood Preservation and Revitalization.

Following are highlights from 2006:

Addressing Credit Issues with a Proactive Program

Youth that develop a strong foundation in their savings behaviors are more likely to achieve their future financial goals and are better prepared to meet their financial obligations. Youth Saves, is a pilot national program that encourages young people from lower- to middle-income households to save and build wealth. This program, which was developed in conjunction with a nonprofit partner of Community Relations, in part, as a solution to over-indebtedness and low savings rates, takes financial education to the next level, helping individuals put into practice what they learn.

An affiliation of America Saves, Youth Saves, will work with national youth organizations such as Family, Career and Community Leaders of America, Future Business Leaders of America and 4-H to focus on positive financial action, encouraging students to save money as part of their financial literacy programs.

Building Communities

Citi continues to apply the strength of its franchise, its financial resources and its employees to helping neighborhoods become economically strong and viable.

National Development Council (NDC)

Last year, as in years past, Citi Foundation provided funding to the NDC to build the capacity of community and economic development partners in 10 key cities. The program provides three- to five-day training sessions in the areas of new market tax credits, housing development, mixed-used real estate projects and economic development finance.

Through our partnership, NDC provides comprehensive educational and technical assistance training that builds the capacity of community development institutions and government agencies. In many of our markets, Citi is the only financial institution providing capacity-building opportunities to equip our partners with the tools they need to develop housing programs that make a deeper impact in LMI communities.

Corporation for Enterprise Development (CFED)

More often than not, Citi has been at the forefront of change in our industry by identifying innovative solutions and developing cutting-edge programs and products. *The Visions of Ownership: Regional Forums on Asset Building* is one in a series of innovative programs that provided a new and progressive perspective on asset building.

The forums created in partnership with CFED and the Federal Reserve System focused on innovation and the future of the asset-building field. The seminars were held in key cities across the country from 2005 through 2006, and focused on themes such as: emerging markets; best practices in development and distribution; rural strategies and public policy. Leaders from academia, foundations, think tanks, government and Citi participated.

Discussions and dialogue sparked additional research to advance asset-building policy and practice for LMI individuals and communities. A wide range of stakeholders shared best practices in the identification of new strategies with a focus on the opportunities that exist for financial institutions.

Quote from the National Council of La Raza:

“Thanks to Citi’s innovative leadership and support, Latino community-based organizations in the National Council of La Raza’s (NCLR) network now have more access to critically needed capital to start charter schools, build health clinics and provide new homes to first-time homebuyers. We are deeply appreciative of Citi’s strong commitment to the Latino community and to our partnership. Together Citi and NCLR are working to ensure that the door to the American Dream is open to all Latino families.”



— **Janet Murguia**
Executive Director, NCLR

**Community-Focused Businesses
Making a Difference**

Few industries have the ability to help people and their enterprises grow and fulfill their potential. At Citi we are proud of the role we play in helping strengthen communities and in creating opportunities that meet the needs of underserved populations, nonprofit organizations and business entrepreneurs.

In 2006, Citibank Community Development (CCD) provided financing up to \$3.7 billion 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.

Update on Affordable Mortgage Lending:
In September 2003, Citi 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 2006, Citi realized close to \$160 billion of its 10-year, \$200 billion commitment.

Monitoring Our Business Performance

While an important indicator of our leadership in the community comes from the recognition of our nonprofit partners, there is yet another measure of success — our regulatory exams. Each year, Global Consumer Group Community Relations, in conjunction with Citi’s Community Reinvestment Act (CRA) and Fair Lending Officers, works toward ensuring that our legal vehicles remain in compliance with the U.S. Home Mortgage Disclosure Act (HMDA), CRA and Fair Lending regulations. Setting consistent goals, closely monitoring our progress and ensuring that we share best practices between our corporate center and the local U.S. markets are the keys to our success.

In October 2006, Citi consolidated 12 separate depository institutions into four entities: Citibank, N.A., Citibank (South Dakota), N.A., Citicorp Trust Bank, fsb, and Department Stores National Bank. The consolidation initiative has provided a number of key benefits, the most important being enhanced customer service.

Going Global:

In order to fulfill our global corporate responsibilities, we remain committed to providing programs and solutions that meet the needs of communities across the world. From India to Brazil, we have focused our strategy to amplify and develop programs that address in-country issues and needs.



Mujeres Latinas en Acción



Oakwood Shores

CITIBANK’S CRA RESULTS						
Legal Vehicle	Business Line	Regulator	Assessment Areas	Results	Date	Next Exam
Citibank, N.A.	Retail Bank	OCC	Multiple	Pending	2006	2009
Citibank (Banamex USA)	Retail Bank	FDIC	Los Angeles, CA	Outstanding	2005	2008
Citicorp Trust Bank, fsb	Mortgage Trust	OTS	National	Outstanding	2004	2007
Citibank (South Dakota), N.A.	Bankcards	OCC	Sioux Falls, SD	Outstanding	2006	2009
Department Stores National Bank	Bankcards	OCC	Sioux Falls, SD	N/A*	2006	TBD

* Department Stores National Bank has applied to be evaluated for CRA under the Strategic Plan with the OCC

Building Affordable Homes

Habitat for Humanity International (HFHI)

Over the years, Citi Foundation has made grants totaling more than \$20 million to HFHI. These grant dollars have been targeted for the “Citi Builds Communities” employee volunteer program in the U.S., the Jimmy Carter Work Project (JCWP), the Financial Services Roundtable Community Build Day, creating affordable housing for LMI families and disaster relief efforts, including Hurricane Katrina in the U.S. and the South Asia Tsunami.

In 2006, Kevin Kessinger, Chief Operations & Technology Officer, Citi Inc., and member of Habitat’s International Board, hosted the HFHI Corporate Donor Symposium in New York. The Symposium, the first of its kind, included 20 corporate sponsors that presented best practices highlighting each corporate partner’s strategy to amplify Habitat’s partner programs.

IndiaBUILDS/Jimmy Carter Work Project (JCWP) 2006

The 2006 Jimmy Carter Work Project (JCWP) launched *indiaBUILDS*, a five-year campaign to address critical socioeconomic issues such as sub-standard housing, and to highlight the importance of providing millions of people with an important catalyst for breaking the cycle of poverty — the ability to attain a decent, safe and affordable home of their own. *IndiaBUILDS* aims to provide shelter for 250,000 of the country’s people by 2010 by mobilizing one million volunteers and raising sufficient money for a sustainable, \$50 million revolving housing fund.

To further that cause, Citi served as the Diamond Sponsor of the 2006 JCWP, which took place from October 30 to November 3 in Lonavala, India. Through a special Citi employee recognition program, 28 employees from around the world were selected, based on their outstanding record of personal community service to HFHI, to travel to India to participate in the Construction. Through the leadership of Sanjay Nayar, Corporate Country Officer of Citi India, who serves on the

indiaBUILDS Advisory Board, more than 300 Citi employees were among the 2,000 volunteers led by President Carter and his wife, Rosalynn, who built 100 homes in one week with local Habitat partner families. Citi sponsored the construction of 12 of those 100 homes.

Joint Letter from Kevin Kessinger, Chief Operations & Technology Officer, Citi Inc. and Sanjay Nayar, Citi Country Officer, India

It is a great honor for us to partner with Habitat for Humanity International (HFHI) in its mission to create affordable and decent housing for low-income people around the world. More than 300 Citi volunteers lifted blocks, mixed mortar and wielded paint brushes to build homes in Lonavala, India, as a part of the *indiaBUILDS*/ Jimmy Carter Work Project (JCWP) 2006. It was a truly humbling and amazing experience and marked a first for us to be part of a build with such large magnitude and scope.

With a footprint in almost as many countries as we have a presence in, Habitat helps us bridge the need for a global program that is sensitive to different cultures and addresses an important community need. Working in India with volunteers from 11 countries brought home the importance of a common experience that creates pride in our franchise for our employees.

We strongly believe in programs and partnerships, such as the one with Habitat, that help raise awareness about social issues, and, most importantly, help Citi make a difference in the local community because we are there.

International Community Scholar Intern Program (CSIP)

For more than 30 years, Citi's CSIP program has funded summer internships for more than 1,000 college and graduate-level students with nonprofit organizations, initially in New York only, and more recently, throughout the U.S.

In 2006, Citi announced the first international adaptation of Citi Foundation's CSIP. In South Korea the CSIP was launched in partnership with Kyung Hee University Graduate School of NGO Studies (GSN) to support students who wish to work with nonprofits. The GSN is the first institution of its kind in Korea and was established to prepare graduates for professional careers in the NGO sector.

Of the 255 applicants, 90 were selected to work as interns at more than 30 nonprofits in five major regions across the country. Groups of up to three interns were placed with selected nonprofit partners to work on specific community development projects for eight weeks starting in January 2007. In addition, Citibank employees will volunteer to mentor the interns as part of their eight-week field assignment program.

Through this innovative program, Citibank Korea is supporting local efforts to enhance communities while providing students with direct exposure to the nonprofit sector.

A Catalyst for Change

In 2005, former President William J. Clinton founded the nonpartisan Clinton Global Initiative to serve as a catalyst for global change by receiving commitments from corporations, philanthropists and NGOs. In March 2006, Citi Foundation committed \$5.5 million to honor microentrepreneurs in 24 countries with the Citi Microentrepreneur Awards and to provide financial education to more than two million of the world's underserved.

At the annual meeting held in September 2006, Citi Foundation provided a grant to CGI to primarily support the Poverty Alleviation Track discussion — one of four focus areas covered at the conference. Citi was well represented at the conference with Ajay Banga, Chairman and Chief Executive Officer, Global Consumer Group – International, who was appointed to the Poverty Alleviation Advisory Board and participated on a panel hosted by Senator Hillary Rodham Clinton entitled “Women and the Power of Economic Opportunity.” Lew Kaden, Chief Administrative Officer and Vice Chairman, Robert Rubin, Director, Chairman of the Executive Committee and James Wolfensohn, Chairman, International Advisory Board, also participated on panels related to poverty alleviation.

At the annual meeting, Citi made two additional commitments. Citi Markets & Banking in partnership with the Overseas Private Investment Corporation committed to launching a \$100 million financing program targeted to microfinance institutions that have had limited access to local currency financing. In addition, Citi committed to the first-ever Global Community Day, an employee volunteer initiative held in November across the world. It was a commitment that we surpassed when 45,000 employees in more than 100 countries and 450 cities volunteered to make a difference in their communities.

“At Citi we remain committed to strengthening our corporate citizenship efforts and continuing our dialogues with community partners. We continue to apply the strength of Citi’s franchise, global reach, financial resources and employees to make communities better because we are there.”

—*Ajay Banga*
Chairman and CEO
Global Consumer Group—
International

Citi Mounts Major Pro Bono Effort to Aid Katrina Survivors

In 2006, through the Citi Pro Bono Legal Initiative, about 50 attorneys from the U.S. and Mexico provided hundreds of hours of pro bono work to individuals and organizations in need of legal assistance after Hurricane Katrina. Citi is one of the few corporations to launch a major pro bono effort in the Gulf Coast region.

Citi lawyers have been involved in six different projects in the Gulf Coast. Two of these projects focused on helping hurricane survivors seek relief from the Federal Emergency Management Agency (FEMA). Small teams of lawyers representing a cross-section of Citi businesses made several trips to Mississippi to help

staff free legal clinics that focused on FEMA and other issues. In addition, Citi lawyers joined a network of law firms and legal aid organizations to help prepare appeal letters on behalf of hurricane survivors who were denied FEMA assistance.

Citi lawyers have also been working with small business owners in New Orleans. Together with lawyers from Strock and Lawyers Committee for Civil Rights, Citi lawyers helped create “Second Wind,” a nonprofit organization with more than 1,000 members that is advocating for relief programs and providing other assistance to small business owners. In December 2006, when Louisiana Governor Kathleen Babineaux Blanco announced a \$100 million pilot grant program targeted to small business owners, she acknowledged the important role played by Second Wind in helping to provide the much-needed assistance.

In other Gulf Coast pro bono projects, Citi lawyers are providing legal support to charter schools in New Orleans, developing materials for legal clinics related to the Mississippi Homeowner’s Grant Program and providing advice to a nonprofit organization building environmentally sensitive low-income housing in Gulfport, Mississippi.

In March 2007, in recognition of these and other efforts, the Pro Bono Institute presented its prestigious Zelon Award to the Citi Legal Department. Michael Helfer, the Citi General Counsel, noted that “while we are proud of our lawyers’ commitment to the Shared Responsibilities and all the pro bono work they have done thus far, there is still much more we can do and we look forward to strengthening and expanding our pro bono efforts in the years to come.”



Citi attorneys assisting Gulf Coast residents who were displaced by Hurricane Katrina.

The U.N. World Food Programme Emergency Network

Citi Markets & Banking has joined with the United Nations “logistics arm” and disaster relief coordinator, the U.N. World Food Programme (WFP), to form an emergency network that provides disaster relief around the world. The WFP is the world’s lead agency in the fight against hunger and feeds an average of 90 million people every year in more than 80 countries. Working in the poorest, most remote regions of the world, WFP helps people whose lives have been affected by natural disaster and conflict as well as those, especially women and children, who suffer from hunger due to extreme poverty.

Through the network established by Citi Markets & Banking, and with support from the World Economic Forum, participating companies provide critical resources and assets that can be pre-positioned in emergency bases around the world before disaster strikes. Time is of the essence during a crisis and a streamlined and preplanned approach allows WFP to utilize private sector support swiftly and effectively and more lives can be saved.

This partnership between Citi Markets & Banking and the WFP was born after the 2005 Asian tsunami when Citi Markets & Banking provided support and continued through Hurricane Katrina in the U.S. and the earthquake in the Philippines. Citi staff in Asia helped speed up dramatically the WFP’s operations in Bangkok for the recovery effort by providing office space, computers and important local contacts for needed resources. It continues as Citi Markets & Banking leverages its resources, including relationships with companies large and small around the world, volunteers, sponsorships and other programs.

One global community making the world just a little bit better.

On November 18, 2006, more than 45,000 Citi employees with their friends and families participated in volunteer activities in 475 cities in 100 countries.

500,000 lives were improved, 100,000 meals were served, 10,000 trees were planted, 8,000 tons of food were collected

All of it in just one day.



Indonesia



Japan



New York



Bahamas



Mexico



Netherlands



Brazil

For nearly 200 years, Citi's legacy of innovation and achievement has been part of the fabric of thousands of communities around the world. Every day our employees put their passion, talent and expertise to work by helping organizations and causes they believe in, ultimately helping to improve their communities. With this history comes a special responsibility to play a leadership role in corporate volunteerism, and given our global presence of 325,000 employees in 100 countries, Citi is in a unique position to mobilize and maximize the enthusiasm of its employees for volunteerism.

Volunteerism has long been an integral part of Citi's culture. Senior management has traditionally been highly supportive of employees' volunteer activities, and Citi has spearheaded many successful company-wide volunteer initiatives including Junior Achievement, Habitat for Humanity, Operation Hope, Teach Children To Save, Get Smart About Credit, March of Dimes and Global Community Day.

The Office of Global Volunteer Initiatives was created in 2003 as Citi recognized that our commitment to and our influence through

volunteerism could be even broader. It was conceived as a way to centralize information on volunteer activities, promote volunteerism to our employees, recognize individual and group volunteer efforts and strategically market volunteer opportunities to help meet community goals.

The Office of Global Volunteer Initiatives, in conjunction with Citi Foundation, Human Resources and our Office of Financial Education, helps identify and coordinate company-wide volunteer initiatives. The Citi Volunteer Program includes:

Employee Volunteer Day: Active and qualified Citi employees are encouraged to take a paid day off from their job each calendar year to volunteer for the organization of their choice. In 2006, 7,243 employees reported that they used their Volunteer Day.

Volunteer Incentive Program: Employees who volunteer 50 hours or more during a calendar year with an eligible NGO or nonprofit organization may apply for a \$500 grant for that organization. The impact of the employee's involvement is enhanced through a cash award to the organization.



Poland



Taiwan



Turkey



China



United Kingdom



Korea

Volunteer Management System: A multi-dimensional online platform where employees can find and register for volunteer opportunities in their area, and track their volunteer hours. More than 54,000 Citi employees currently use this system.

Global Community Day: Every day we foster a culture of volunteerism and encourage our businesses to organize team events that support local communities. But 2006 was historic for Citi. On November 18, more than 45,000 volunteers in some 450 cities and 100 countries participated in more than 800 activities to make their communities better. Across time zones and continents, Citi volunteers gave back to the communities where they live and work through a remarkable breadth of activities.

In Mexico, volunteers collected and distributed over 50 tons of food in 52 cities. In the U.S., 700 volunteers spent the day on a Texas ranch mentoring disadvantaged children. Colleagues in Japan improved facilities for the disabled by mapping out wheelchair access to the most popular areas. All over Asia Pacific, more than 13,000 volunteers in 17 countries at 90 events from Australia to Vietnam teamed up to show

“the power of our people.” Across Latin America and the Caribbean, from Argentina to Venezuela, nearly 25 percent of the workforce revitalized their communities by painting schools, planting trees and visiting hospitals. And throughout Europe, the Middle East and Africa, nearly 10,000 volunteers were involved in events in locations from Austria to the U.K., from Israel to the United Arab Emirates and from the Congo to Zambia, spending time with disadvantaged children, painting hospitals and working to improve the environment.

Douglas Peterson, Citi’s Chief Executive Officer in Japan, wrote to colleagues in New York City about his experience. “From the snow-bound mountains of Hokkaido to the beaches of Okinawa, and from the urban congestion of the streets of Tokyo to the crisp air of Mount Fuji, more than 600 people participated in volunteer events here today. I led a team of 90 at Mount Fuji with Green Earth Japan — which entailed cutting down trees to provide air, space and compost for the benefit of the forest. The participants in my team ranged from 30-year veterans to first-year associates and covered every Citi business in Japan.”

VOLUNTEERISM AT CITI



Baltimore



Barbados



India



China



Peru



Kenya



Ecuador

Charles Prince, Chief Executive Officer and Chairman, tells of his experience on Global Community Day when he taught a class on microfinance and joined in a leek harvest later in the day. He wrote to employees, "Global Community Day 2006 found my wife, Peggy, Lew Kaden (Chief Administrative Officer and Vice Chairman) and me in Beijing. Joined by China Chief Executive Officer Richard Stanley, we took a bus to Lai Shui, a county that has received microfinance support from Citi, including \$250,000 seed funding from the Citi Foundation through Grameen Trust for its 1,500 microfinance clients. We all proceeded to the Dong Long Quan Central District Primary School, where Richard and I taught a credit module to 12 credit officers from Lai Shui County, while Peggy and Lew joined a group of staff, teachers and older children painting classroom windows. To say we enjoyed the day would be an understatement — like so many of you who have done volunteer work, we found it exhilarating."

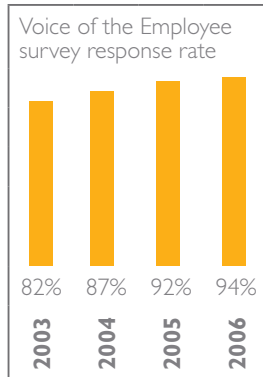
Nobel Peace Laureate and environmentalist Professor Wangari Maathai, assisted by Ade Ayeyemi, CCO Kenya and CMB CEO (East Africa), leads Citi Kenya volunteers in reforesting Nairobi's Karura Forest with 1,000 trees planted. Global Community Day was marked a day after the United Nations Conference on Climate Change ended in Nairobi. Citi's reforestation event was a contribution to the United Nations' Billion Tree Campaign launched by Professor Maathai at the U.N. conference.



Nature has given us one tongue,
but two ears, that we may
hear from others
twice as much as we speak.

—*Epicetetus*

VOICE OF THE EMPLOYEE

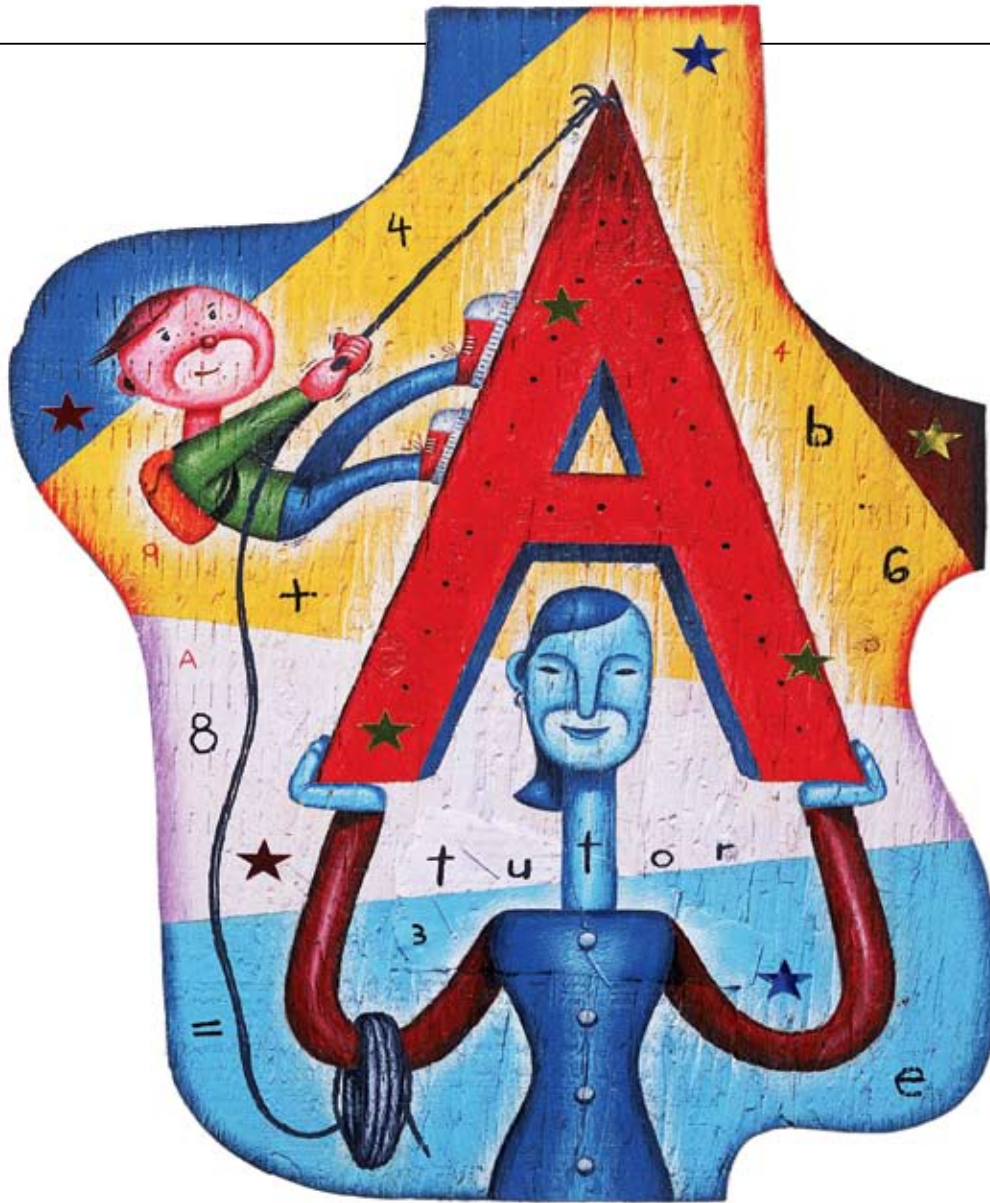


Voice of the Employee survey % of employees that are	satisfied	neutral	dissatisfied
2003	64%	19%	17%
2004	65%	19%	16%
2005	67%	18%	15%
2006	70%	17%	13%

Each year Citi conducts the Voice of the Employee (VOE) survey to obtain anonymous, candid feedback from employees. The VOE process is designed to help Citi improve its organizational effectiveness and its work environment. Senior managers and line managers use the results for evaluation and action, and our CEO and heads of Citi's businesses regularly discuss VOE follow-up. In 2006, we were pleased to report that a record 94 percent of our employees participated in the VOE, the highest participation rate ever. The 2006 results showed significant improvement in many areas, and there continue to be opportunities for improvement.

In addition to the VOE, Citi employees also complete the Manager Feedback Survey (MFS). MFS results were sent to individual managers to create action plans to enhance their leadership skills and the leadership skills of the managers within their areas.

In addition to the two full census surveys listed above, Citi conducts periodic sample surveys focused on specialized issues, such as client focus, culture, performance management, career development, internal job mobility and communications.



The **direction** in which
education starts a man will determine
his future life.

—Plato

Why Citi Supports Financial Education

In April, Citi and Citi Foundation celebrated the second anniversary of our unprecedented 10-year, \$200 million global commitment to financial education. Since the announcement of this commitment in 2004, Citi and Citi Foundation have invested nearly \$85 million in financial education in 72 countries.

During Citi's nearly 200-year legacy of industry leadership, we've helped individuals, families, entrepreneurs, institutions and governments better understand how to use the financial resources available to them to meet their goals. Through it all, we've learned that when it comes to money, knowledge is the greatest asset and in today's complex world, financial literacy is a critical life skill. Financial instruments are becoming increasingly complex and are entering new marketplaces where they had previously not had a presence. Faced with this reality, financial education is needed now more than ever.

Our Approach

Citi and Citi Foundation 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.

“No matter your age, understanding how to use money wisely is incredibly important. At Citi we hope to empower those of all ages by providing the information and tools they need to reach their financial goals. We accomplish this through our partnerships with selected non-profits throughout the world who have successful financial education programs to reach those in need.”



—*Dara Duguay*
Director, Citi Office of Financial Education

Citi Financial Education Curriculum

In April, Citi proudly released an updated version of the Citi Financial Education Curriculum. Since its debut in 2003, the curriculum has reached thousands of people through our nonprofit partners and Citi employee volunteers, providing information that has enabled them to make better financial decisions. Updates include additional preparation tools and checklists for facilitators, and new lessons with the Credit module covering topics such as credit scores, identity theft, bankruptcy, prime and subprime lending, predatory lending and managing credit challenges.

To date, more than 5,300 employees and non-profit partner staff have undergone training to teach financial education using the Citi Financial Education Curriculum.

Personal

EduCities — Online Financial Education Program Trains More Than 20,000 Students in Taiwan

Citi has joined forces with Taiwan's National Central University to launch EduCities, an online initiative that has delivered the basics of finance to more than 20,000 upper-grade elementary students in Taiwan since the launch of the program in May. This collaborative program features animated courses and online quizzes, and has won praise from teachers and students alike. In addition to learning programs, 206 school teams also entered an online financial education competition run on the Web site. The top 20 online performing school teams gathered in Taipei on August 9 to compete in the grand finale event. The competition was keenly contested with students displaying an excellent understanding of financial ideas and concepts. These top 20 school teams each received a certificate and cash prize of US\$300. The top three schools with the greatest participation numbers were also recognized at the awards event. Citi Foundation donated US\$180,000 over two years to support the EduCities' Financial Education Program.

Greece: Citibank Completes Second Year of Financial Education Programs

Citibank and Citi Foundation have completed the second consecutive year of the "Classes of Economy" program, a financial education program that visited five main Greek cities: Athens, Thessaloniki, Larissa, Patra and Herakleion in Crete. The program, supported by a \$75,000 grant from Citi Foundation, and designed and implemented by the Hellenic Children's Museum, reached 10,000 primary school children through 400 financial education sessions for the second year, thus reaching a total of 20,000 children since it started in December 2004.

Additionally, the primary school initiative "Economy: Knowledge with...Value" aims at familiarizing children in grades 1-6 with certain basic economic concepts that affect their everyday lives. Through three different programs that vary according to the school class and through educational games and role-plays, this program covers many topics, including the difference between needs and wants, the market's functions and the meaning of commerce. Sessions were conducted in schools throughout Greece, reaching 100,000 students in the 2005-2006 school year.

Citibank's financial education initiatives were supported by more than 100 Citibank staff who volunteered in school classes and enthusiastically supported the implementation of the various educational activities.

Teach Children to Save – 77,469 Students Reached in Past Seven Years in U.S.

In April, Citi employees traded in their balance sheets for blackboards in cities across the U.S. to volunteer their time, energy and expertise for the American Banker's Association Education Foundation's program, *Teach Children to Save Day*. This program encourages bankers to go into their local schools and teach children of all ages about the importance of saving money, budgeting and other financial facts of life. Through the *Teach Children to Save* program, our employee volunteers reached an estimated 8,000 students in 2006. Since we began participating in the program in 2000, 2,467 employee volunteers have reached an estimated 77,469 students.

\$3.9 Million Grant Will Reach Millions of Poor People Around the World

In Beijing on March 22, Citi announced a US\$3.9 million Citi Foundation grant to teach millions of poor people around the world about important financial concepts that will help them make more informed financial decisions and improve their standard of living.

The Financial Education for the Poor project is designed and managed by international non-profit group Microfinance Opportunities, in collaboration with Freedom from Hunger, a leader in adult curriculum development and integration of education with microfinance. The program aims to rapidly advance financial education for the poor in countries such as China through regional and country workshops that will result in a global network of financial educators. The first training workshop was held in Lima, Peru in May 2006. During the workshop, the attendees learned to use the toolkit in order to share the training through their respective organizations and networks across the region.

Over the next two years, the program will train and provide technical assistance to master trainers at more than 60 microfinance institutions (MFIs) who will in turn teach at least two million illiterate and semi-illiterate people around the world. The training uses a cutting-edge curriculum on budgeting and cash flow, debt management, savings, financial negotiation and banking services, as well as best practices in adult education and evaluation. New modules on consumer protection, risk management, insurance and remittances are under development along with the adaptation of existing modules to target poor youth in developing countries.

Financial Education Is the Focus for NULYP “National Day of Service”

On June 24, Citi and National Urban League Young Professionals (NULYP) sponsored a national day of service as part of the “NULYP National Financial Empowerment Agenda.” Thousands of young African American professionals lent their voices, time and resources to providing personal finance education to at least 5,000 African American youth between the ages of 12 and 18. Over 40 NULYP chapters participated in community service nationwide by educating youth in the area of savings, credit, money management and more using financial education curricula provided by Citi.

United Kingdom: Financially Speaking Competition

On November 28, Citi U.K. hosted its fourth “Financially Speaking” competition. Sponsored by Citi Foundation in partnership with the public speaking organization SpeakersBank, the Financially Speaking program is designed to give young people their first taste of public speaking while simultaneously introducing them to financial education concepts. In 2006, “Financially Speaking” ran in 20 schools in Southeast London and touched nearly 1,000 students from Lewisham, Tower Hamlets and Southwark. More than 80 Citi employees volunteered for the program. The material put forth for this program was adapted from the Citi Financial Education Curriculum. Topics include: Needs and Wants, Budgeting, Responsible Ways of Earning Money, The Cost of Cool and the Role of Banking.

Bill Wilkins, senior relationship manager, Citi Markets & Banking, explained the full benefits of the program: “It’s like a two-way street for volunteers. Going one way, you are able to invest your personal professional experience in teaching essential life skills to enthusiastic groups of young people. Going the other way, it’s a learning experience in how to communicate concepts and messages effectively to an audience outside the usual financial arena. In both directions, the benefits are tangible and rewarding—and it’s a great deal of fun!”

The final competition is held each year in Citi’s headquarters at Canary Wharf.

Saber Cuenta: Knowledge Counts

In 2005, Banamex, Citi's banking subsidiary in Mexico now in its 122nd year of operation, launched *Saber Cuenta*, or *Knowledge Counts*, and committed 120 million Mexican pesos to create a financial education project that would establish strategic partnerships and leverage the knowledge and experience of the bank's collaborators. *Saber Cuenta* is the only national project of its kind, with a sound strategy and clearly established commitments, focused on improving the quality of life of all Mexicans by providing programs that provide access to employment and entrepreneurship training, financial education and banking products and services. In 2006, after only one year of operations, the program has achieved many accomplishments, including: 2,967,468 beneficiaries, 54 ongoing programs and alliances with 35 strategic partners and the participation of Banamex employees as volunteers.

Latin America: Citi and Habitat for Humanity Train Low-Income Families

Throughout the year, Habitat for Humanity and Citi in seven countries in Latin America and the Caribbean launched the "Financial Education Program," benefiting 2,000 families who were applying for houses constructed by Habitat for Humanity. The objective of this program is to enable low-income families to manage their own personal finances, help them maintain a budget and educate them about the credit process. "A key element of breaking the cycle of poverty is helping families to better understand and manage their financial situation," said Torre Nelson, Habitat for Humanity's Vice President of the Latin America and Caribbean area.

Small Business**Citi Releases Small Business Guide Entitled "Becoming an Entrepreneur"**

Small businesses play an integral role in the United States economy. That is why Citi developed "Becoming an Entrepreneur," a series of informational guides designed to provide a wealth of information on starting and running a business to those seeking an opportunity to become entrepreneurs. This series of 10 guides includes activities, worksheets, self-assessments, glossaries and valuable additional resources to consult along the way. Citi worked with a team of small business owners to develop, write and produce this series. "Becoming an Entrepreneur" will become available, in English and Spanish, to our nonprofit partners and other interested parties in early 2007.

Smith Barney and the National Foundation for Teaching Entrepreneurship

Through a \$325,000 grant from Smith Barney and Citi Foundation, the first Smith Barney/NFTE National Business Plan Competition was held in New York City on October 26. NFTE teaches entrepreneurship to young people, overwhelmingly from low-income communities, to enhance their economic productivity by improving their business, academic and life skills.

During the day of October 26, high school students, representing 28 regional NFTE competition winners, presented their business plans to our roster of judges, including Citi, Smith Barney and other guest executives, in the quarter and semi-final rounds of the competition. The day culminated with the final round, held in conjunction with an exciting evening program for clients and guests, and featured high-profile "celebrity" judges. More than 50 Smith Barney and Citi volunteers served as coaches and judges in this competition; each made a tremendous difference in the lives of these students and the skills they gained through participating in this program.

Institutional

Citi-INSEAD 2006

Financial Education Summit Addresses Financial Illiteracy Among Youth

Building on the success of the previous Financial Education Summits in Hong Kong and Malaysia, the 2006 Citi-INSEAD Financial Education Summit was held in Seoul, Korea on November 9-10, with this year's theme being "Financial Health for the Next Generation." This summit, one of the largest international gatherings of financial education practitioners and advocates ever held in Asia Pacific, brought together more than 200 regulators, educators, corporate and NGO representatives to discuss a wide range of topics related to financial education for children, teenagers and young adults. The event featured many high-level speakers, moderators and delegates who, over the course of the two-day summit, agreed that starting financial education from an early age and making financial education part of the core curriculum are two of the key steps that should be taken in all countries. The summit was funded by a \$250,000 grant from Citi and Citi Foundation.

JA Banks in Action — A Growing Success

High school students from Brazil were the winners of the annual *JA Banks in Action* Latin America Regional Tournament, which was held in Panama City, Panama, from November 27 to 30. *JA Banks in Action*, a program created in partnership with Junior Achievement Worldwide, introduces students to the fundamentals of banking and the challenges of operating a bank in a competitive market. The program culminates with a competition in which student teams make important banking decisions from the perspective of senior management. They set interest rates on funds for short- and long-term deposits and loans to attract savers and borrowers, and determine how much to invest in marketing, research and development. The most successful bankers are those who create a winning strategy to best serve their customers, manage their bank's assets and liabilities, and increase their profits.

The 2006 *JA Banks in Action* Regional Tournament was the largest since its beginning in 1998, involving a total of 17 countries. Throughout 2006, the *JA Banks in Action* program reached more than 25,000 students in Latin America and the Caribbean.

In 2005, Citi Foundation committed \$2.7 million over three years to JA Worldwide for the redesign and worldwide expansion of the *JA Banks in Action* program, which was piloted in 19 countries in 2006. The full global launch of the new *JA Banks in Action* program is scheduled for 2007 in 28 countries including 21 U.S. markets.



We make a living by
what we do, but we make a life by
what we give.

—Winston Churchill



In developing countries where poverty is greatest, microenterprises are estimated to represent more than 80 percent of all wealth-building enterprises and more than 20 percent of GNP. We at Citi know that one of the most effective means of ensuring that the poor take part in their economy is to provide them with access to the financial products and services they need to help them build wealth and achieve their goals.

Citi Foundation has been supporting the expansion and evolution of the microfinance industry for decades; our funding has steadily increased along with that expansion. Over the past seven years, we have contributed nearly \$40 million in funding to microfinance institutions (MFIs) and microfinance networks, which provide long-term, sustainable impact to low-income families and communities in more than 50 countries. Through our support of MFIs and microfinance organizations, we have established deep, multifaceted relationships

that provide significant opportunities for us to contribute more than just dollars. We also support the microfinance industry through the volunteerism of our employees, who share their talents and experience with the communities they serve around the world. Our approach is to:

- Expand outreach to millions more low-income borrowers by increasing the capacity of MFIs and mobilizing capital
- Build and preserve borrowers' assets via savings, housing finance, remittances, insurance and financial education
- Increase industry commitment to transparency, standardized performance measures and best practices
- Build global awareness of microfinance as an effective poverty alleviation tool and encourage increased access to capital markets

Citi Foundation supports numerous global, regional and local microfinance organizations that inform the industry, build capacity and strengthen the sector overall in order to achieve greater client outreach and scale as they continue to grow exponentially. Our relationships with these nonprofits are focused on providing technical assistance, improving monitoring and benchmarking of the industry, encouraging policies that support the microfinance industry and strengthening the industry's connection to financial institutions and capital markets. Globally, our partners include (but are not limited to) ACCION International, Women's World Banking, FINCA, the Grameen Foundation, Microfinance Opportunities, the SEEP Network, the Microfinance Information Exchange, the Foundation for Development Cooperation, Integra Ventures, Sanabel, the Russian Microfinance Center, the Asian Institute of Management, the Indian School of Microfinance for Women, the Chinese Academy of Social Sciences and the Abrinq Foundation.

In the United States, Citi Foundation's support of microfinance has been principally targeted at ACCION USA and its affiliates ACCION NY, ACCION TX, ACCION Chicago, ACCION New Mexico and ACCION San Diego. We also provide funding to a number of U.S. organizations that support broader microenterprise development, microcredit, and training, including the ASPEN Institute, the Association for Economic Opportunity (AEO) and the California Association for Microenterprise Opportunity.

The following organizations and programs are representative of Citi Foundation's broad support of the microfinance industry:

ACCION International: Twenty-five years ago, Citi Foundation made its first microfinance grant ever — to an organization called ACCION. ACCION had previously received community development grants from Citi Foundation, dating back as far as 1965, and when ACCION launched its microfinance activities in 1973, Citi Foundation was pleased to support them. To date, the Citi Foundation has made more than 100 grants to ACCION and its affiliates totaling approximately \$9 million. ACCION partners with more than 30 microfinance organizations throughout Latin America, the Caribbean, Asia, Africa and the U.S., and served more than 1.88 million active borrowers in 2005. The Foundation's global support of ACCION's activities includes the development of new microfinance products, technologies, efficiencies, market research, customer service and business development services.

Indian School of Microfinance for Women: As the primary funder of this premier microfinance training institution in India, Citi Foundation is supporting the development of the school's core curriculum and programs. The school expects to reach as many as 2,800 people over five years, training middle and senior managers of MFIs, field staff, policy makers, wholesale lenders, multilateral institutions and new MFI staff.



Sewela Joyce Molele of Mokomene, Limpopo was the overall winner of the 2006 Citigroup Microentrepreneurship Awards in South Africa. Ms. Molele and her husband started a business producing and selling a much needed item—bath tubs.

Microfinance Information Exchange (The MIX): Citi Foundation is one of the founding supporters of The MIX since its launch in 2002. The objective of The MIX is to provide globally accepted benchmarking, monitoring and ratings tools for MFIs, to facilitate exchange and investment flows, promote transparency and improve reporting standards in the microfinance industry.

According to Peter Wall, executive director of the Microfinance Information Exchange, Inc. (MIX): “Microfinance in developing countries, while recognized as an effective means of addressing the basic needs of the poor, at times has faced challenges stemming from a lack of transparency about how it works. Recognizing this concern, Citi Foundation provided seed funding to The MIX in 2002 to encourage the establishment of reporting standards for the industry. Through continued support from Citi Foundation, The MIX is now the world’s leading source of reliable, standardized information on microfinance in developing countries around the world.”



Yi Wenhua of Mongolia received the First Place award for Urban Processing in the 2006 Microentrepreneurship Awards in China. She founded a bakery that specializes in all-natural and home-made food products and features excellent service.

Pro Mujer, a microfinance and women’s development network that combines microfinance with both business training and healthcare services, received a \$100,000 grant from Citi Foundation in 2006. This innovative organization is working to implement an institutional evaluation and accreditation system in order to more effectively manage its growth and outreach to Latin America’s poorest women in Argentina, Bolivia, Mexico, Nicaragua and Peru. Pro Mujer and its members have a unique approach to microfinance delivery. Few MFIs focus on clients as poor as the women served by Pro Mujer affiliates, and even fewer combine microfinance with both business training and healthcare services. Loans average \$164 each.

The objective of the **Citi Microentrepreneurship Awards** program is to illustrate and promote the effective role that microfinance plays in poverty alleviation around the world. In particular, the program seeks to generate recognition for the extraordinary contributions that individual microentrepreneurs have made to the economic sustainability of their families as well as their communities in 23 countries. Specifically, the goals of the Citi Microentrepreneurship Awards program are:

- To raise awareness of microfinance, particularly among microentrepreneurs who could benefit from it; to recognize and celebrate the contributions that microentrepreneurs bring to the world economy; and to highlight best practices in microentrepreneurship.
- To raise awareness and support of microentrepreneurs by highlighting their talents and accomplishments among the investment and donor community throughout the world.
- To create the next generation of microfinance networks, build more inclusive financial sectors and lay the foundation for a flourishing microfinance industry.

Here is the story of Yi Wenhua, First Place Winner in Urban Processing, the Citi Microentrepreneurship Awards in China:

In 1993, Yi Wenhua of Mongolia graduated from technical school and went on to work at the Xinjiang Hejing Food Processing Factory. Although her salary was only RMB 200-300 (US\$24-37) a month, she managed to sustain herself. When the factory went bankrupt in June 1998, Wenhua had to find a new way to earn a living. She tried several different day jobs, but remained unsatisfied with the results and in 2000 she started her own bakery with a loan from her sister. Unfortunately, as she lacked a steady stream of capital, she was forced to shut the bakery down.

In 2002, faced with the need to provide for her mother and young son, Wenhua came across an article in the local newspaper saying that the Labor and Personnel Bureau would be providing microfinance to workers who had lost their jobs. Wenhua approached the Bureau and applied for a micro loan of RMB 20,000 (USD \$2,443) to restart her business. This time, she established Kangyu Food Processing Factory and, in order to ensure the success of her factory, she went to Shanghai to attend a one-month course in food processing. She also learned basic accounting from the Labor and Personnel Bureau. Her efforts paid off as she soon started to gain a good reputation for her all-natural and home-made food products and excellent service.

In 2005, she hired five laid-off workers and applied for another microloan of RMB 20,000 (US\$2,443) to expand her business. With this loan she was able to improve her workshop and increase the size of her production space. Now her factory produces more than 10 different products that are sold in various cities in China, employs five workers, and generates annual revenues of over RMB100,000 (US\$12,216).

Wenhua is very conscientious about helping others, particularly those who have been made redundant from a past job. Not only does she offer her employees a salary that is above the average scale, but she provides them with benefits (insurance, welfare and a bonus) and encourages them to contribute their ideas on product development and quality control as well.

Wenhua is now the owner of her own apartment, which she shares with her mother and son. Her son is studying hard and she hopes he may attend university one day. Looking ahead, Wenhua is eager to standardize her products and ensure that they remain all-natural. Finally, she would like to further expand her factory and open retail stores in nearby cities in order to establish her brand more widely among consumers throughout China.

Microenterprise in the U.S.

In 2006, Citi increased its investment in microfinance domestically by strengthening our partnerships with leading nonprofits and philanthropic institutions in this field. Through Citi Foundation and corporate sponsorship, our 2006 financial investment exceeded \$1,000,000 to support the ongoing research and expansion efforts of microenterprise partners in the U.S. — ACCION, USA, Association for Enterprise Opportunity (AEO) and the ASPEN Institute. Combined, these partners have over 50 years experience in microfinance domestically.

ACCION, USA

ACCION, USA is a pioneer and recognized leader in the domestic microfinance field and is dedicated to improving the lives of LMI individuals by providing credit and other financial services to support the development of sustainable microenterprise businesses. By definition, a sustainable microenterprise business is one that employs five or fewer persons and requires \$35,000 or less in start-up capital. The goal of this partnership is to increase access to credit for Latinos and immigrant populations.

At the end of the three-year grant, ACCION expects to double its active clients and triple its loan portfolio resulting in the disbursement of over \$21 million in more than 3,000 loans.

Association for Enterprise Opportunity (AEO)

In 2004, the Association for Enterprise Opportunity (AEO), Citi Foundation and Women and Company® developed an equity award project now known as the Women and Company® Microenterprise Boost Program. The project was very successful in its first year, providing high-impact equity awards to 72 deserving LMI women microentrepreneurs in the U.S. through eight local microenterprise development organizations. That success led to a second year in which 128 women received equity awards through 15 local organizations. This project has given Citi the opportunity to assist women across the nation who are working hard to create viable small businesses.

In 2006, we provided AEO with \$250,000 to manage, expand and document this program. This investment represented a 127% increase in funding resulting in a 77% increase in the number of women entrepreneurs who received equity awards. In addition, the number of local microenterprise development organizations who participated in this process doubled in number.

ASPEN Institute

In 2006, Citi deepened its partnership with the ASPEN Institute, a prominent research and leadership development institution. We are currently funding two major projects with a \$500,000 grant that will transform the microfinance industry. The first project, the Citi Microenterprise Researchers Project, is designed to establish the next generation of leaders in the community development field; while the second project, the Scale Academy, will provide technical and financial support to high-performing microfinance organizations to take their business models to scale.

The Citi Microenterprise Researchers Program is a summer internship that will provide 25 undergraduate and graduate students with the opportunity to work with a microenterprise nonprofit organization of their choice anywhere in the country. These internships will focus on gathering and analyzing outcome data that will help the microfinance field better document impact on microentrepreneurs and their business growth.

Today, a critical issue facing the microenterprise field is the significant gap between the numbers of microenterprises currently supported (some 300,000) and the estimated market of 10 million entrepreneurs. In order to reach this potential market, the industry must identify and develop cost-effective business models that increase its efficiencies. The Scale Academy is designed to identify current business models that have the greatest potential for achieving scale and to provide them with the financial and technical support needed to achieve their goals.

Quote from ASPEN Institute:
“Citi Foundation has demonstrated its leadership in the United States microenterprise industry with its investments in projects that are innovatively building the capacity of the field to achieve scale, document its effectiveness and use new financial tools to support emerging entrepreneurs. For the ASPEN Institute, the partnership with the Foundation will enable us to deepen our efforts to support the leadership of this important industry as it strives to increase economic opportunity, foster entrepreneurial development and develop vibrant and sustainable communities.”

— Elaine L. Edgcomb, Director, FIELD, The ASPEN Institute



Today we are faced **with a challenge** that calls for a shift in our thinking, so that humanity stops threatening its life-support system. We are called to **assist the Earth to heal her wounds...**

—*Wangari Maathai*
Nobel Peace Laureate 2004

Our Environmental Management Framework

Our Environmental Management Framework (EMF) is the framework Citi uses to evaluate the environmental and social aspects of its operations. The EMF is designed to identify issues and opportunities, gather information from a wide variety of internal and external sources and adopt and implement policy. The EMF has six components that work together to accomplish these goals:

- I. Engagement:** Reach out to stakeholders and partners for dialogue on issues of mutual concern and importance
- II. Policies:** Develop sustainable environmental and social policies and implement them throughout the company
- III. Organization:** Ensure ownership of our sustainability initiatives by the people in our businesses through training, teamwork and communication
- IV. Footprint:** Reduce the impact of our operations on the environment
- V. Sustainability:** Promote sustainable enterprise through our business units
- VI. Evaluation:** Provide a framework for evaluating our activities and accomplishments against our goals, with an eye to improving future performance and promoting better planning and effectiveness in the future

I Stakeholder Engagement and Partnerships >

II Our Policies and Process >

III Organization and People >

IV Our Environmental Footprint >

V Sustainable Enterprise >

VI Evaluation and Future Planning

I. Stakeholder Engagement and Partnerships

Stakeholder engagement is an integral part of Citi’s environmental strategy. We communicate regularly with our stakeholders—clients, shareholders, employees, non-governmental organizations (NGOs), governments, community organizations, competitors and others. Our engagement with many of these stakeholders is discussed in this report; below we focus on our NGO and Socially Responsible Investing (SRI) stakeholders.

Significant stakeholder engagement, including with clients, NGOs and SRIs, was a key part of the 2006 revision of the Equator Principles. Citi partnered with other Equator Principle Financial Institutions (EPFIs) during the updating process by co-leading the drafting of the revised Principles to align with the new International Finance Corporation (IFC) Performance Standards, which had replaced the IFC Safeguard Policies on which the original Principles were based. During the updating process, numerous

group and one-on-one engagements were held with a broad range of stakeholders.

Also, Citi was a founding member and signatory of the United Nations Environment Program Finance Initiative (UNEP FI) in 1995, and we hosted two UNEP FI meetings in 2006. Since 1998, we have had regular and focused consultations with the Shareholder Dialogue Group (SDG), a self-assembled group of SRI firms. Members include representatives from Christian Brothers Investment Services, Ethical Funds, F&C Investments, Missionary Oblates of Mary Immaculate and Trillium Asset Management, as well as the NGO Friends of the Earth. The SDG also gives us feedback on the Citizenship Report via an annual assessment letter (see pages 8–9). In addition, Citi reaches out to other SRI firms, such as Calvert, Innovest and KLD Research & Analytics, to consult on issues of mutual interest.

The table below outlines some of our discussions with NGO and SRI stakeholders in 2006.

Stakeholder Engagement Entity	Topics Discussed	Dates
SmartPower	Renewable energy	February 2006
Partnership for New York City	Carbon reduction and the private sector	March 2006
UNEP-FI	Climate change, biodiversity, project finance, environmental credit risk	April, June, October 2006
CERES	Sustainable governance	April 2006
USCIB Environment and Corporate Responsibility committees	Various	Periodic
World Resources Institute Climate Northeast	Climate change	July 2006
Chatham House	Illegal logging	July 2006
Calvert	SRI	July 2006
Tropical Forest Trust	Forestry	July 2006
Healthy Trees Healthy Forests Network	Sustainable forestry enterprises	July 2006
Innovest Strategic Value Advisors	SRI	July, December 2006
KLD Research & Analytics	SRI	August 2006
Natural Resources Defense Council	Green building initiative	August 2006
Shareholder Dialogue Group	Project finance, climate change	September, December 2006
Rainforest Action Network	Project finance, climate change	September, December 2006
Philanthropy Roundtable	Environmental policy and philanthropy	October 2006
Global Roundtable on Climate Change	Project finance, climate change	Periodic
The Pew Center on Global Climate Change	Project finance, climate change	August 2006
Rainforest Alliance	Partnership on forestry issues, certified coffee/sustainable agriculture	November 2006
China Institute	China’s energy market	December 2006

Engaging with NGOs on complex transactions

Citi believes that listening to a broad set of stakeholders — clients and co-financiers such as Export Credit Agencies, and also NGOs and SRIs — is an important cornerstone in helping to build a sustainable company. Occasionally, these engagements are difficult. Indeed, sometimes discussions focus on transactions that certain advocates oppose for various reasons or wish Citi were not a participant in. However, we believe discussing our approach to environmental and social review of transactions with advocates is an important way to achieve more clarity, openness and transparency.

In 2006, advocates approached us regarding a number of environmentally or socially sensitive transactions that we were financing or were evaluating for potential financing. As a matter of policy Citi does not comment on its clients, and this can make dialogue with advocates regarding specific transactions frustrating for all parties. Nonetheless, we sought to engage with these stakeholders in ways that protected client confidentiality while responding to their concerns. For example, we heard from advocates concerning greenhouse gas (GHG) emitting projects, and we had extensive discussions regarding Citi investments in alternative energy projects and other low-carbon projects, as well as how we are engaging in public policy dialogue on this issue. In another instance, concern regarding a nuclear facility that was seeking financing led to discussions with these stakeholders about the need for any project to adhere fully to our Environmental and Social Risk Management (ESRM) Policy requirements on nuclear-related transactions, including requirements for independent review of these transactions.

Engaging with stakeholders is sometimes challenging, as Citi also believes strongly in and practices utmost client confidentiality. Our goal is to find balance between greater transparency and dialogue with external stakeholders, and protecting confidential business information.

Citi Environmental Awareness Week

Our more than 325,000 employees are also important stakeholders, and an ongoing challenge is to raise awareness internally about Citi's commitment to environmental and social responsibility. In July 2006, in conjunction with the re-launch of the newly revised Equator Principles, Citi held its first-ever Environmental Awareness

Week. This included daily e-mails to staff with stories related to Citi's environmental initiatives, changes to the Equator Principles and our ESRM Policy, our Sustainable Development Investment Program and actions related to reducing our own internal footprint, as well as a memo and video on the importance of sustainability to our business from our CEO.

Grant Partnerships

Citi's Corporate Environmental Affairs Unit teams with Citi Foundation to develop its environmental grant portfolio each year, including identifying promising projects, evaluating applications and

advising on strategic direction. In 2006, almost \$2 million was awarded to 17 individual project grants. These grantee projects generally fall into one or more of three broad categories: Sustainable Development (SD), Forestry and Climate Change.

CITI FOUNDATION'S 2006 ENVIRONMENTAL GRANT PORTFOLIO			
Recipient	Geographic Area	Project	Category
ASPEN Institute	U.S., China	Inclusion of sustainability issues in MBA curricula	SD
Conservation International	South Africa	Sustainable agriculture, tourism and forestry	SD
E & Co.	Latin America	Metrics for evaluating triple-bottom-line results for the small and medium enterprises (SMEs) alternative energy producers it supports	SD, Climate
Ecologic Development Fund	Honduras, Panama	Carbon offsets through reforestation	Climate, Forestry
Ecologic Finance	Latin America, East Africa, South Asia	Development and technical support for sustainable businesses in low-income areas	SD
Finance Alliance for Sustainable Trade	Global	Improved access to credit for sustainable producers in developing countries	SD
Forest Trends	Global	Forestry certification benchmarking analysis	Forestry
Forest Trends	Global, Brazil, South Africa	Development of market tools, metrics and consultations to promote new ecosystem markets	SD
Natural Resources Defense Council	U.S.	Green Buildings Initiative	SD
Rainforest Alliance	Latin America	Community economic development focused on sustainable forestry and tourism	SD/Forestry
Sustainable Northwest	U.S.	Developing network of small forestry stewards and producers	Forestry
The Nature Conservancy	Mexico	Forestry conservation and economic development	SD/Forestry
The Nature Conservancy	Brazil	Reforestation of conservation area while developing alternative income flows for residents	SD/Forestry
World Resources Institute	China, Indonesia, India	Support for sustainable (SMEs) in developing countries	SD
World Resources Institute	Indonesia	Satellite and digital forest mapping	Forestry
World Resources Institute	Global	Study to quantify triple-bottom-line results for sustainable development initiatives in emerging economies	SD
World Wildlife Fund	China, Russia, U.S.	Network utilizing market forces to promote forest conservation	Forestry

Ecologic Development Fund

The Ecologic Development Fund (EDF) was awarded a grant by the Citi Foundation to continue its work in Honduras and Panama to produce community-based carbon offsets via the reforestation of a reserve. This project provides a new model through its combination of forest stewardship, climate change mitigation and economic development. The project was also one of the first of its kind certified for carbon offsets under the Kyoto Protocol's Clean Development Mechanism (CDM). EDF's achievement was a milestone, because the CDM had previously not awarded offsets to reforestation projects due to methodological concerns. The carbon offset revenues will fund the reforestation and stewardship efforts as well as providing an economic engine to help address rural poverty in the area.

“Citi’s support of EcoLogic Finance enables us to provide affordable access to credit and financial education to Small and Medium Enterprises (SMEs) in the developing world, and thereby to have a measurable impact on grassroots enterprise development. For example, one of our Guatemalan clients, to whom we have provided \$1.8 million in credit over five years, has expanded its exports from three containers of organic coffee to 20, and has increased membership by 66 percent. We continue to support this cooperative, composed primarily of members of the Mam ethnic minority group, which has contributed to economic stability in a remote region with a history of extreme poverty, a repressive military presence and a lack of availability of social services. We see similar results among all of our 132 clients, as access to credit not only obviates the pressure to sell to middleman “coyotes” at fire sale prices, but also provides a path for them to plan for the future of their businesses and their communities. Our clients typically work in a range of sustainable ventures — including sustainable agriculture, wild-harvested products, certified fisheries, handcrafts and sustainable tourism — in environmentally sensitive areas of the world. We are a critical vehicle for funneling private capital to these rural SMEs that have a real long-term stake in protecting local habitats. At the same time, by helping define the sustainable SME asset class itself, we are opening the door to new financial products and increased investment for these deserving entrepreneurs in rural areas worldwide.”



William F. Foote

Founding President & Executive Director,
EcoLogic Finance

II. Our Policies and Process

As a shared responsibility between businesses at Citi and independent risk management in the Citi Markets & Banking (CMB) unit, our environmental and social risk management approach covers numerous transaction types for dozens of industries in more than 100 countries. Our market-leading Environmental and Social Risk Management

(ESRM) Policy helps guide thousands of bankers on complex and challenging transactions. In the end, a commitment to excellence and partnership between Citi and our clients ensures robust implementation of these standards on the ground, thereby adding value at the project level. This is good for Citi, for our clients and partners, and for communities affected by these transactions.

Our ESRM Policy: Managing Risk, Creating Opportunities

Citi's ESRM Policy was designed to manage environmental and social risks related to the transactions we finance when we know the use of proceeds. In March 2006, we updated our ESRM Policy to include the following transactions:

ESRM Covered Transactions	
Corporate or Govt Loans	<ul style="list-style-type: none"> • Facility amount > \$50 MM and known use of proceeds
Project Finance	<ul style="list-style-type: none"> • Capital costs > \$10 MM and known use of proceeds • Equator Principles apply
Existing Projects & Refinancings	<ul style="list-style-type: none"> • Expansion or upgrade is planned and capital costs > \$10 MM • Equator Principles apply
Project Finance Advisory Mandates	<ul style="list-style-type: none"> • Capital costs > \$10 MM and known use of proceeds • Equator Principles apply
LCs, Bid Bonds, & Performance Bonds	<ul style="list-style-type: none"> • Aggregate amount > \$50 MM and supports specific investment/project
Debt Securities Placements or Underwritings	<ul style="list-style-type: none"> • Financing amount > \$50 MM and known use of proceeds
Equity Investments or Underwritings	<ul style="list-style-type: none"> • Citi investment > \$5 MM • Underwriting or arranging > \$50 MM in aggregate

ESRM Policy Responsibility

Implementation of CMB's ESRM Policy takes place throughout the life of a transaction and across all levels of the organization. Key roles are as follows:

- **Transactor**
Responsible for initial screening of the transaction to determine applicability of the ESRM Policy and initial categorization determination, as well as compliance with required approvals, analysis and documentation standards.
- **Risk Officer**
Responsible for consistent application of the ESRM Policy, including review and confirmation of the transactor's categorization and analysis
- **ESRM Unit**
The unit, which is led by a director and includes a vice president and analyst, serves as a technical resource and counsel for ESRM Specialists/Approvers and is responsible for review, advice and consultation on new transactions across CMB, internal ESRM training, communications and policy implementation tracking and reporting, and partnering with the Corporate Environmental Affairs Unit on external outreach with NGOs, SRIs, EPFIs, and the media. ESRM Champions in the Europe/Middle East/Africa region and the Asia region were also appointed in 2006 to assist the ESRM Unit and regional ESRM Approvers on internal and external outreach, tracking of projects, etc. Additionally, the ESRM Director now reports to a CMB Chief Risk Officer.
- **ESRM Approver**
Responsible for approving Category A transactions, as well as granting exceptions or justified deviations to the ESRM Policy or Equator Principles, in consultation with the ESRM Director.
- **Commitment Committees**
Responsible for review of bond and equity underwriting transactions with known use of proceeds, in consultation with the ESRM Director.
- **Portfolio Banker**
Responsible for providing oversight to the transaction and monitoring compliance with the ESRM Policy over the life of the loan, in consultation with the ESRM Unit.

We made significant progress in strengthening and expanding our ESRM policy both internally and externally in 2006. We updated our internal ESRM Policy for the third time since it was introduced in 2003, and we played a leadership role in the development and adoption of the new Equator Principles. In recognition of this work, in June 2006 our ESRM team was awarded a *Special Commendation* "for exemplary leadership in integrating best-in-class environmental and social policies across the global operations of the group" by the judges in the inaugural *Financial Times* Sustainable Banking Awards.

In addition, our colleagues in Citi Alternative Investments (CAI) incorporated an Environmental and Social Risk Management framework in their Risk Management Policy and Procedures. This ensures that direct investments in companies that are operating in sensitive industries and/or are likely to engage in activities that have potentially significant adverse environmental or social risks are escalated and receive appropriate review. CMB's ESRM Director now advises CAI informally on such transactions.



Courtney Lowrance, Vice President, Environmental and Social Risk Management; Shawn Miller, Director, Environmental and Social Risk Management, and Susan Kleiman of Citi's ESRM unit

Forestry Policy

Due to the sensitive nature of the forestry sector, in 2006 CMB adopted a new and more robust sustainable forestry policy that expanded upon our existing anti-illegal logging initiative. Forest Products Obligor must meet our broader ESRM policy and our new Sustainable Forestry Policy, which outlines additional risk management actions based on the sensitivity and location of operations. Using a variety of credible sources such as the World Bank and World Wildlife Fund, CMB Risk Management maintains a list of “high risk” countries that have been documented to have a higher rate of illegal logging than other countries. If a company is engaged in harvesting or processing of forest resources in a high-risk country, then it must develop a plan to achieve independent certification by a method acceptable to Citi within a timeframe (e.g., 3-5 years) agreed upon between Citi and the company. **For more information, go to <http://www.Citi.com/Citi/environment/logging.htm>.**

The Sustainable Forestry Policy also requires bankers to conduct a Forest Products Risk Assessment during the annual review process for all customers that are directly involved, as a material business line, in logging or primary processing of timber. The findings are reported to the ESRM Director and posted in the obligor’s credit files.

Nuclear Policy

In an effort to better address sectors with sensitive or unique environmental and social issues, the ESRM Unit developed, and CMB adopted in 2006, a nuclear policy that covers transactions involving new construction of nuclear facilities or the upgrading or expansion of existing facilities. The policy requires that nuclear transactions be evaluated against the Export-Import Bank of the United States’ Guidelines for Nuclear Facilities or the European Bank for Reconstruction and Development (EBRD) Guidelines. Category A nuclear transactions require independent review by a qualified environmental and/or technical consultant acceptable to Citi, and require approval by an ESRM Specialist, in consultation with the ESRM Director.

Equator Principles Update Process: Engaging Stakeholders and Clients

In the spring of 2006, the Equator Principles Financial Institutions (EPFI) network embarked on a process to update the Equator Principles (now often referred to as Equator II). This updating process was necessary because the IFC, the private sector arm of the World Bank Group, had updated its environmental and social safeguard policies, now called Performance Standards and approved by the IFC Board of Directors in February 2006. A key component of the Equator Principles updating process was an unprecedented outreach program aimed at various key stakeholders, including interested NGOs, SRIs, co-financiers such as export credit agencies, and, importantly, key clients and industry groups. As EPFI clients are the entities implementing the Equator Principles standards in their projects on the ground, EPFIs wanted to listen and learn from their implementation experience. EPFIs consulted a variety of clients across many industry sectors and geographies. Citi took a central role in the EP II updating process as principal co-drafter of the new Principles, and also in the subsequent outreach with clients, NGOs, and SRIs. EPFIs considered and, to the extent feasible, incorporated this feedback into the final Equator Principles version that was released in July 2006.

Project Finance Transactions Subject to the Equator Principles

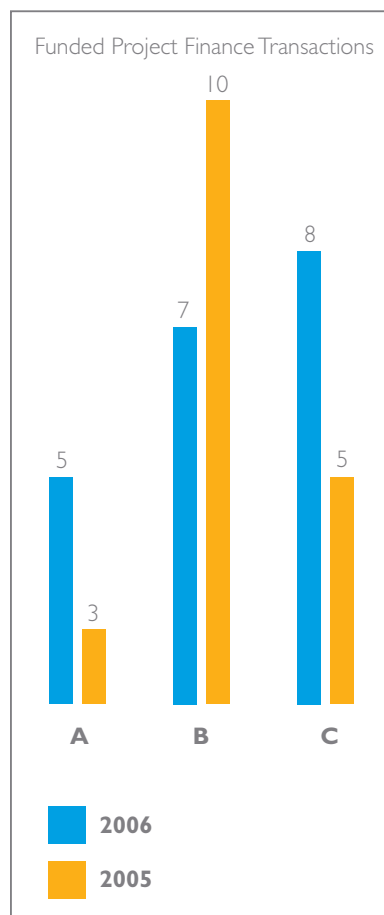
A total of 86 project finance transactions received ESRM review and advice and were subject to the Equator Principles process at the greenlight (or marketing) stage in 2006. Of the 86 project finance

transactions reviewed in 2006, 10 were approved and funded. The 10 other transactions that were funded in 2006 were initiated and reviewed in previous years. In addition, Citi was awarded 12 project finance advisories mandated in 2006.

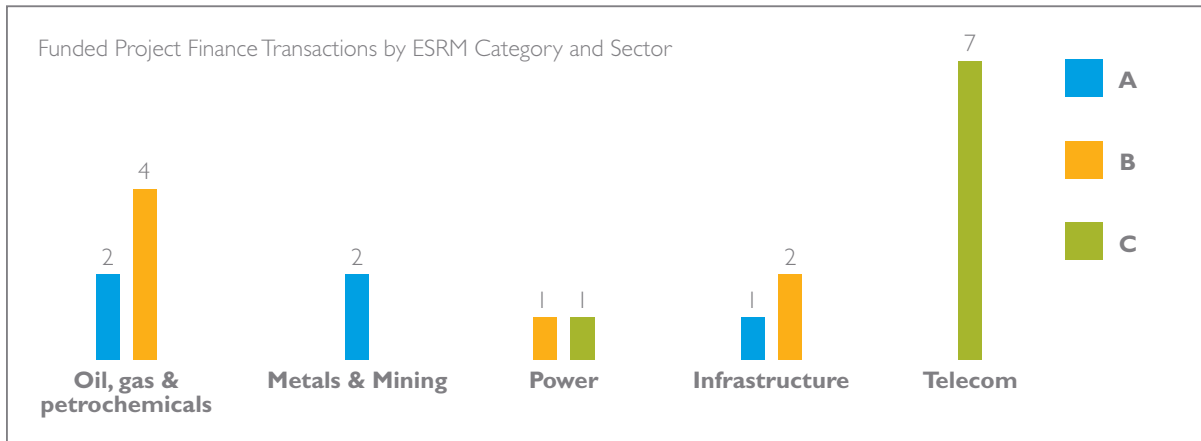
2006 PROJECT FINANCE TRANSACTIONS SUBJECT TO THE EQUATOR PRINCIPLES					
ESRM Category	Project Finance Transactions Reviewed at Greenlight/Marketing Stage	Project Finance Transactions Funded (with Combined Total Project Capital Costs)		Mandated Project Finance Advisories	Exceptions to ESRM Policy Granted
A	20	5	\$16.3 billion	5	2
B	55	7	\$15.0 billion	7	0
C	11	8	\$2.9 billion	0	0
Total	86	20	\$34.2 billion	12	2

Exceptions to the Equator Principles

An exception was granted to a Category A project of a large oil and gas-related complex in Asia because an Environmental Management Plan (EMP) had not been fully prepared at the time of signing of loan documentation. Prior to the signing, the project had been subject to Independent Expert Review by a qualified firm acceptable to Citi. The complex already had an Environmental Management Plan for its existing operations. It was agreed that the Sponsor would prepare both a construction and operational EMP for its expansion plans and would be required to comply fully with the Equator Principles requirements. The exception was reviewed and approved by an ESRM Approver, in consultation with the ESRM Director.



PROJECT FINANCE CATEGORY A TRANSACTIONS MEETING KEY PROCESS REQUIREMENTS				
	EA Undertaken and Disclosed Locally	Public Consultation Undertaken	EMP or Action Plan Prepared and Covenanted	Independent Expert Review
2005 Equator Principles I	3/3	3/3	2/3*	3/3
2006 Equator Principles I (Jan-Jun)	4/4	4/4	4/4	4/4
2006 Equator Principles II(Jul-Dec)	1/1	1/1	1/1	1/1



“The Sohar Aluminum Smelter Project site is without hesitation, from an environmental perspective, a very impressive construction site. It is clear that environmental issues have been taken very seriously and were very effectively implemented.”

—Independent Monitoring Report for Sohar Aluminum Lenders’ Independent Environmental Consultant



* Preparation of and delivery to Citi of the EMP in the 2nd quarter of 2007 is a required covenant under the loan documentation agreement with the client, non-delivery of the EMP would constitute an event of default.

One of the biggest challenges of EPFIs is demonstrating that compliance with the Equator Principles leads to improved environmental and social outcomes. Citi has consequently reviewed its project finance portfolio for examples of how its environmental and social due diligence led to improved outcomes.

**Independent Environmental Review:
An Independent Consultant's
Perspective on Adding Value for a
Category A Project**

ENVIRON, an international environmental consultancy, was retained by Citi to act as the Independent Environmental and Social Consultant to assist Citi in its objective of understanding and managing the environmental and social risks of a West Africa-based Category A project in the cement sector. Such impacts ranged from land acquisition and resettlement to biodiversity conservation and protection. Neil Daetwyler, Principal in ENVIRON's London, U.K. office, managed the process and explains the role:

“In assisting Citi to confirm compliance with the Equator Principles, ENVIRON reviewed existing environmental and social documentation and performed a gap analysis against international standards (principally the Equator Principles, including the IFC Safeguard Policies and World Bank Pollution Prevention and Abatement guidelines). We assisted the project sponsor in preparing a robust environmental and social action plan detailing the actions required to ensure compliance with international standards, and assisted the project sponsor in developing an Environmental and Social Management Plan (ESMP). Over a period of more than six months, ENVIRON conducted extensive environmental and social investigations of the project. These investigations involved fieldwork at the project site, assisting the company in commissioning supplementary social and environmental investigations (performed by specialists from local universities and consulting organizations) and drafting the ESMP. Following completion of the ESMP and the subsequent successful financing of the project, ENVIRON is now providing long-term monitoring of the project's compliance with the ESMP.”

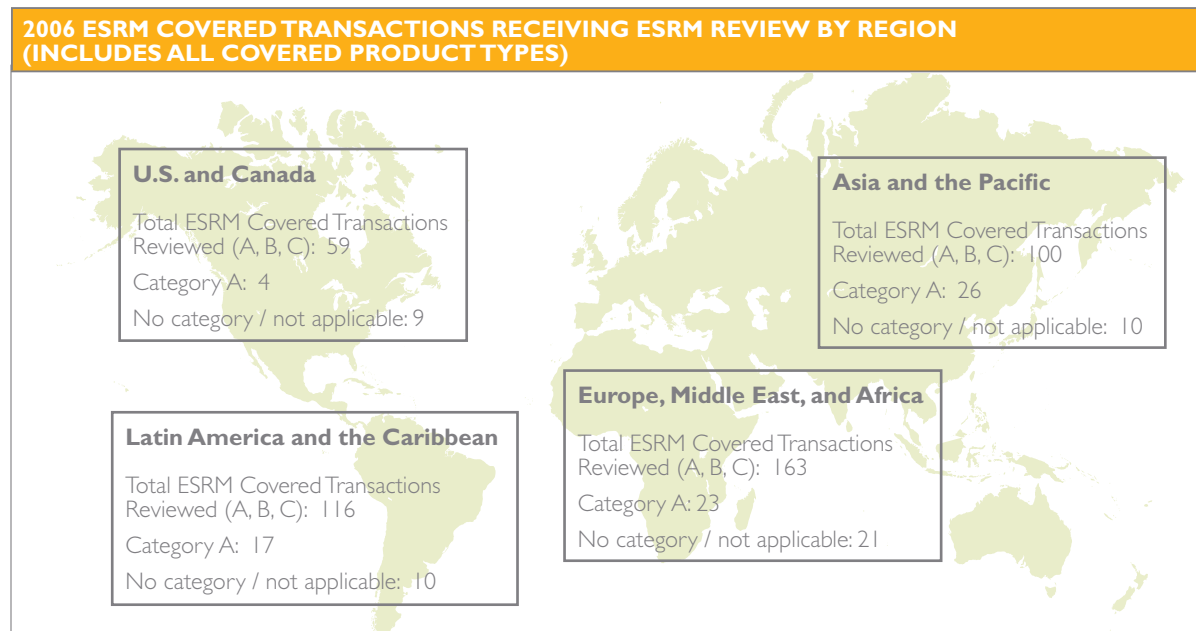
**Independent Environmental Review:
Modifying Project Design to Protect
Sensitive Biodiversity**

The original Environmental Impact Assessment (EIA) for an oil and gas development project identified moderate impacts to coral reefs as part of the development. Subsequently, lenders requested that the project sponsors hire a coral reef expert to delineate the coral reef communities and quantify the magnitude of the proposed impact. The expert's findings suggested that the impacts would be more severe than previously reported, and the EIA was modified to reflect these findings. The project design was amended to incorporate recommendations from the coral reef expert to minimize the impacts to coral reefs.

ESRM Reporting

In 2006, the ESRM unit created a new database to track all ESRM-covered transactions, not just project finance transactions covered by the Equator Principles. The ESRM database allows the unit to track the details of a transaction as well as all ESRM decisions and advice. Transactions are added into the database at the marketing stage, regardless of whether Citi ultimately receives the mandate for the transaction.

2006 TRANSACTIONS RECEIVING ESRM REVIEW		
	Total	Category A
Project Finance (subject to the Equator Principles)	86	20
Project Finance Advisories	39	17
Corporate and Government Loans	208	26
Acquisition Finance, Bond Underwriting, Equity Underwriting, Letters of Credit, and Refinancings	105	7
Total	438	70



Citi declines funding of a high-risk transaction

A project in the hydro-electric power sector in Latin America approached CMB for financing. The project had received in-country environmental regulatory approval, and had undertaken an environmental assessment that appeared to comply with local and national law. An initial analysis by CMB's ESRM Director found that the project's environmental and social impacts warranted Category A treatment, including requiring Independent Review and covenanting of an Environmental Management Plan (EMP) consistent with the Equator Principles requirements. In due diligence discussions with the client, it became clear that the client was uncomfortable with the additional level of effort required to comply with Citi's environmental and social standards, including independent review requirements. As such, Citi did not participate in the project's eventual funding.



Laborers of a Citi-financed gold mine in Latin America demonstrate adherence to health and safety norms. Ensuring robust health, safety and labor standards was a key component of the new IFC Performance Standards and revised Equator Principles.

Engaging Clients

Citi's direct engagement with client on the ground leads to better social outcomes

In 2006, we received positive feedback from an existing client regarding our commitment to financing sustainable projects. The client told us that this was one of the reasons why the company had approached Citi to serve as the sole arranger for a large infrastructure project in India. This project was especially complex because it involved land acquisition and resettlement of people, including vulnerable groups such as scheduled tribes and castes and female-headed households. Planning for the resettlement, and review of the project, was further challenging as the resettlement was the direct responsibility of the government and not Citi's private sector client. Our project finance team worked with CMB's ESRM unit to select a qualified and independent expert experienced in Indian resettlement issues under these circumstances. Within two weeks of being mandated, our project finance team, ESRM VP, and the contracted expert met the client on-site to conduct a site reconnaissance of the infrastructure project's route, and to identify any gaps between the government's resettlement process and the IFC Performance Standard on Land Acquisition and Involuntary Resettlement. After this site visit, Citi worked with the client and the independent expert to compile a comprehensive action plan that would meet these Equator Principles requirements. Citi eventually funded the transaction, and continues to monitor the ongoing implementation of its environmental and social commitments.

Citi Engages Chinese Financial Sector on Environmental Responsibility

China's well-documented and rapid economic growth presents significant opportunities as well as challenges. The Chinese government has signaled that achieving a balance between sustained growth and environmentally responsible development is a key goal moving forward.

Citi's strong commitment to China and its burgeoning economy included reaching out to the Chinese financial sector in order to learn and share experiences. Building on already strong relationships built by CMB relationship managers and bankers, in July 2006 CMB's ESRM Director met with a number of Chinese financial institutions to discuss Citi's approach to environmental responsibility across its global operations. This included a discussion of the Equator Principles for project financing. Discussions were held with influential and respected Chinese policy banks, such as China Development Bank, and other private commercial banks. In 2006, ESRM Policy training sessions were also held in Hong Kong, Shanghai and Beijing to raise awareness among CMB bankers. Citi China's President, Richard Stanley, continues to support strongly our efforts in environmental responsibility in the financial sector. Building relationships over the long term is key to these ongoing and successful partnerships between Citi and its banking counterparts in China.

“China is actively working to address the environmental challenges it faces and to combine continued economic growth with environmental responsibility. China's commitment to sustainable development is reflected in its 11th Five-Year Plan for National and Social Economic Development (covering 2006 to 2011), and in a wide range of ongoing initiatives it continues to pursue, such as signing the UN Framework Convention on Climate Change. Citi, as a company with a long history and presence in China that today continues to expand rapidly, is intent on supporting these efforts. We are privileged to be doing business in China, and we are committed to promoting economic growth that is compatible with the natural environment.”



—**Richard Stanley**
*Chief Executive Officer
Citi China*

ESRM Training and Communications:

With the issuance of Citi’s refined ESRM Policy in March 2006, the release of the new IFC Performance Standards and our adoption of the revised Equator Principles in July 2006, we expanded and accelerated our training efforts beyond project finance staff to include bankers, relationship managers, industry specialists and legal staff. We added new training sessions to allow interested participants to progress from Awareness, to Intermediate, to Practitioner level. These sessions included a combination of lecture, video, case studies and interactive group exercises that simulate application of the ESRM Policy in credit review.

In addition to these training sessions, we developed a web-based learning module with the assistance of Sustainable Finance Ltd, a U.K.-based consulting firm that specializes in environmental and social risk management and training for financial institutions. The web-based learning module will be launched in 2007, and will be available to all CMB bankers globally.

Region	ESRM Training Level	Affected Business Groups*	Number of participants
Latin America	Awareness	• Latin America Training & Development Center in Ft. Lauderdale, Florida	130
		• Lima, Peru	35
India (Mumbai)	Awareness	EMCB, MAC	51
China (Beijing and Shanghai)	Awareness	GPM, GTS, EMCB	50
Hong Kong	Intermediate	EAF, EMCB, GPM, GRB, IEF	25
London	Awareness	Analyst and Associates Training Programs	41
	Intermediate	GRB	10
	Practitioner	EAF, GPM, IEF	37
New York	Awareness	Analyst and Associates Training Programs	103
	Practitioner	EAF, GPM, IEF, Legal	74
2006 ESRM Training Totals			556

* Business Groups: EAF – Export and Agency Finance; EMCB – Emerging Markets Corporate Bank; GPM – Global Portfolio Management; GRB – Global Relationship Bank; GTS - Global Transaction Services; IEF – Infrastructure and Energy Finance; MAC – Mumbai Analyst Center

Tracking Climate Change: Carbon Dioxide Emissions from Citi-Financed Power Projects

As one of the original respondents to the Carbon Disclosure Project, we recognize that tracking greenhouse gas (GHG) emissions lays the foundation for managing climate risk and identifying opportunities. In addition to our own footprint, Citi is committed to report annually on the aggregate CO₂ emissions from power plants that we finance in our CMB Infrastructure and Energy Finance business.

Our annual assessment includes emissions data on Citi project financing of new capacity only, including expansions of existing plants. It does not include data on refinancings or on deals that have not closed. Using a 30- to 60-year lifetime range, project-specific emissions are derived from the plant's capacity and heat rate, the carbon content of the fuel (a publicly available figure), and projected capacity utilization. We allocate to Citi the percentage of total emissions that is equivalent to the percentage of the debt that Citi provided.

Only two project finance investments to support new capacity have been made in the power sector during the past three years. In 2004, Citi's share of GHG emissions totaled 2.5 to 5.0 million metric tons. In 2006, our share of GHG emissions ranged from 10.6 million to 21.3 million metric tons.

Climate Change

Climate change has emerged as a paramount global environmental, economic and political issue. Citi acknowledges the scientific consensus around causes associated with human activity, and the rapidity and severity of change. We also recognize the need for climate policies that utilize and bring uniformity and certainty to markets.

In 2006 Citi continued to engage with internal and external stakeholders to help us to further understand the issue and to determine an appropriate position for Citi that reflects the interests and concerns of the clients and communities we serve. In February 2007, Citi released its position statement on climate change. The statement calls for the creation and implementation of national and global approaches to reducing GHG emissions that not only help address global warming but also support economic growth, technological advancement, energy security and reasonable energy prices for consumers.

Citi's current engagement on climate builds on efforts started in 2002 including the measurement of our own energy consumption and GHG footprint. Our business units have also taken significant steps to help address climate change. Some of these initiatives, which are discussed in other sections of this report, include:

- Private equity investments in wind, solar and biofuels through Citi Alternative Investments' Sustainable Development Investment Program;
- Commitment to reduce footprint GHG emissions by 10 percent from 2005 levels by 2011;
- Climate-related equity research within Global Wealth Management's Equity Investment Research group;
- Facility energy efficiency financing at CitiCapital; and
- Forestry carbon offset programs supported by Citi Foundation.

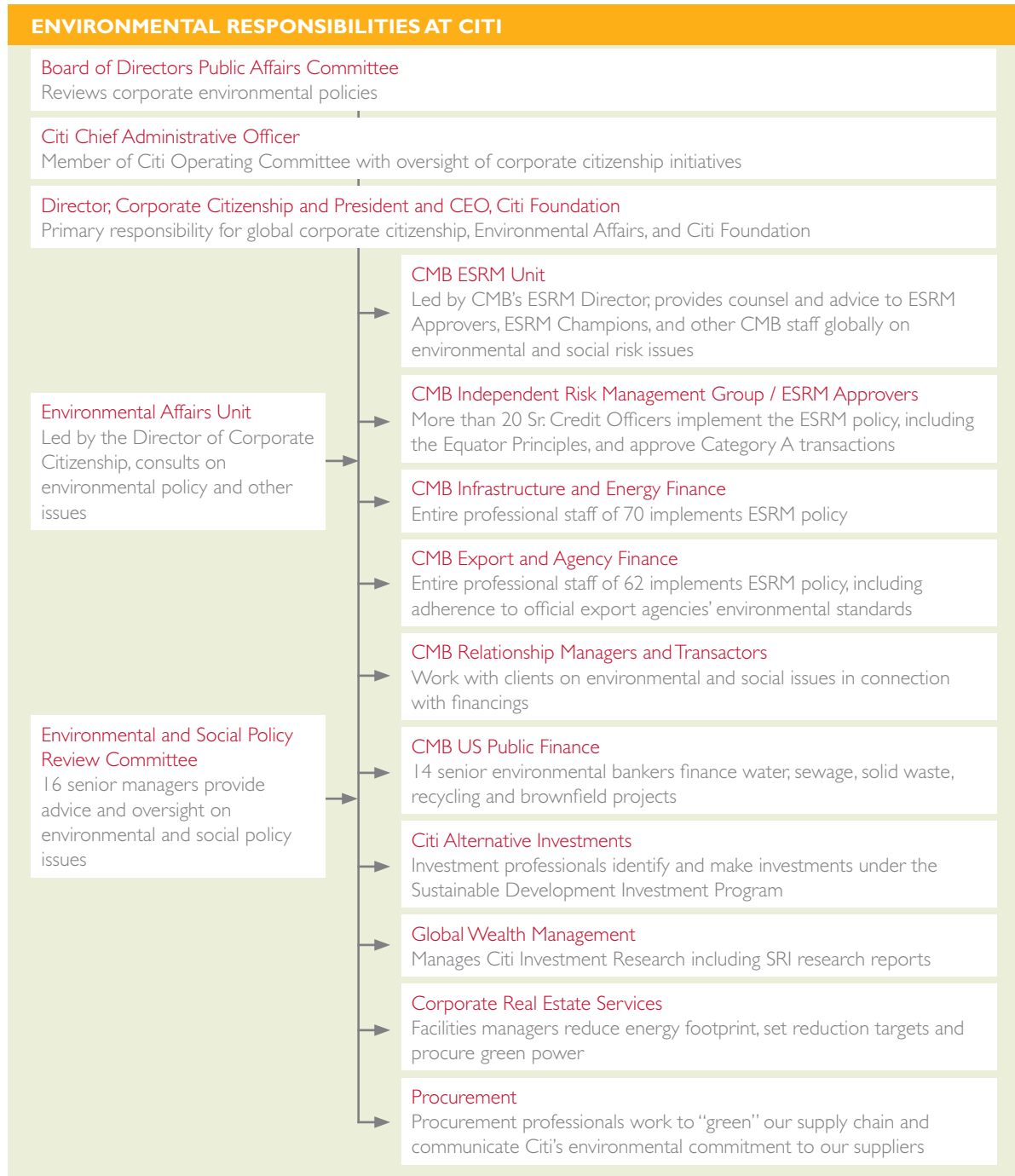
Through these and other initiatives, Citi is leveraging a broad range of financial products, services and expertise to improve understanding and promote climate solutions.

III. Organization and People

Below is a chart that outlines the many units and people within Citi that have environmental responsibilities as part of their mandate.



(from left) Bruce Schlein, Valerie Smith, and Christopher Quirk of Citi's Environmental Affairs Unit



IV. Our Environmental Footprint

In 2006, Citi made significant strides in building a corporate culture that embeds the principles of environmental responsibility and sustainable growth into our everyday business practices, globally. This approach encompasses our real estate portfolio, procurement, energy usage and many other initiatives. As an important part of that effort, employees are being engaged to modify their habits on the job, in order to reduce energy consumption, increase recycling and, in other ways, lessen the impact that Citi has on the environment. The long-term goal is that targeted programs and initiatives will be embraced as new ways of doing business will be adopted as the Citi way.

New Initiatives

Early in the year, Citi committed to reducing greenhouse gas emissions by 10 percent of our 2005 baseline by 2011. This ambitious announcement was followed by some concrete actions to ensure our goal would be reached.

Citi looked at ways to improve its methods for measuring and reporting on energy usage and greenhouse gas emissions, recognizing that valid measurements are crucial to attaining this commitment. We increased training for the hundreds of employees who input this data and also began collecting data through third-party, bill-paying services in parts of the United States and Europe. We believe this will ensure the utmost accuracy of our data and enable us to identify opportunities to improve efficiency as we move forward with more aggressive conservation programs that can be measured for their effectiveness.

The Citi Global Energy Council was established to implement clear business rules for the collection and reporting of data and to share best practices from around the world. The Council is in the process of agreeing on energy management goals that can be applied globally. This will include energy purchasing practices to lower costs; inclusion of “green” energy to reduce carbon emissions; and ways to maximize the use of the environmental database to set and track reduction targets. In addition, the Council will define reports that are needed to better manage

energy consumption and to provide regular updates to senior management and regulators.

We also purchased 52,283 MWh of green power. The largest concentration was in the United States, where 37,083 MWh of green power was purchased for both 2006 and 2007. This level qualified Citi for recognition as a U.S. Environmental Protection Agency “Green Power Partner.” In Italy, all of the 10,218 MWhs used were from renewable sources. In Switzerland, 4,982 MWh were generated by a combination of solar, biomass and wind sources.

Cradle-to-Cradle Procurement

As a financial services firm, Citi’s largest direct environmental impact is in its buildings. That’s why the partnership between Citi Procurement Services and Citi Realty Services (CRS) – the unit charged with managing our facilities worldwide – is critical to making our facility construction and management practices more environmentally friendly. Procurement for our facilities involves a full array of products including energy, construction materials, fabrics, carpet, furniture and building services. As an integrated team, the two units began working together in 2006 on a cradle-to-cradle approach to procurement, considering the impact of products from their manufacture to recycling or disposal.

An example of the cradle-to-cradle approach to product design is embodied in the Shaw Contract Group carpet found in our facility in West Sacramento, California. Carpet trimmings and other post-industrial content are used in the creation of the carpet’s first life cycle. When the carpet has reached the end of its useful life, it will be recycled back into new fiber and backing. Deconstructing a finished product and recycling the components back into themselves for reuse is the definition of cradle-to-cradle design. This carpet will be recycled into more carpet endlessly and will never be sent to a landfill.

Citi is also developing a cradle-to-cradle approach for our procurement of materials for facilities. As part of our global expansion of the retail branch network, we are identifying a “cradle-to-cradle” disposition of every component used in the branch. The goal will be to minimize the amount of material that winds up in landfills.

Building for Tomorrow

As Citi's employee population and footprint continues to grow, we are focusing on implementing green building practices in new facilities, as well as retrofitting old sites to be more energy efficient. This year in the United States, for example, data for 89 of our largest office buildings was entered into the U.S. EPA's "Energy Star" energy database. This was the first step in determining how to most efficiently achieve LEED status for our existing buildings. Citi is taking a leadership position in helping the U.S. Green Building Council define a user-friendly process for corporations seeking to assess their real-estate portfolios. The hope is that other large companies will be encouraged to adhere to LEED operating principles.

Meanwhile, new facilities are being designed to achieve LEED status. In Dallas, Texas, Citi constructed a new multi-building office park to house some 6,500 employees. The new site reduces our occupancy in the Dallas metro area by approximately 500,000 square feet. This new facility is in the process of being certified as a LEED building and will be significantly more efficient to operate. Design of this building was initiated before we made the commitment to target LEED Silver as a minimum standard for new construction of office buildings and operations centers. The development team was nonetheless able to make mid-course adjustments that aligned this facility with basic LEED Certified standards.

In New York City, a new 525,000-square-foot office tower is being erected that will attain LEED Silver status. The building has a storm-water recycling program, high-efficiency fixtures and workstations designed so that 90 percent of employees will enjoy outside views.

In planning and building its new data centers, Citi is consciously taking whatever steps are possible to reduce energy consumption and minimize any negative impact on the environment. At the same time, older data centers are being retrofitted with energy-efficient technologies and other upgrades. A data center under construction in the United States uses high-efficiency equipment and other modifications. Precast concrete material was purchased from a supplier that was located closer to the job site to minimize the environmental impact of transporting the goods, despite the fact that they

were not the low bidder. Construction waste is being minimized and recycled where possible. Extra trees were planted at the perimeter to sequester carbon and provide an appealing visual barrier. Site lighting was designed to limit light pollution.

Even more impressive is a data center to be built in Europe that is being designed to attain LEED Silver status. The building will have free cooling, heat recovery and a green roof and walls. The roof is covered with soil and organic materials to reduce heat and save electricity. Construction will start in April 2007 and the facility is to be delivered for commissioning in February 2008.

Throughout the world, there are other examples of how Citi is adapting its portfolio. In Brazil, the head office building, which is occupied by approximately 3,000 staff members, will adapt all of its hydraulic installations to include water recycling that will reduce water consumption by 60 percent. The building will be retrofitted, so that it can collect rainwater and water from its well and air-conditioning cooling towers. This water will be recycled and used to flush toilets, water plants and gardens, and clean the building's facade. In the second phase of the project, a water and sewage treatment center will be installed to collect waste water from restrooms and send it for treatment to be recycled as nonpotable gray water.

At our main headquarters in the Makati district of Manila, Citi made a decision to change its water operating systems to minimize deep-well water usage. We recognized that while the economic cost of operating a deep well is lower, the environmental impact of damaging the aquifer is incalculable and irreversible. The Manila Department of the Environment and Natural Resources named Citibank a "Guardian of the Environment" for this initiative.

Our London headquarters at Canary Wharf was certified as an ISO 14001 building through a program conducted by an independent agency that examines the environmental soundness of all processes used to operate the building. The certification was undertaken as a pilot. Going forward, these experiences are being disseminated to other locations throughout Europe, with the goal of making the sites more environmentally friendly.

Employee Engagement

While our buildings are being transformed, so are the everyday work habits of our people.

Asia was the site of a friendly competition called “Project Candlelight,” which encouraged energy conservation across all buildings in the portfolio. Recognition was provided each quarter to the building operators and employees who made the most progress in reducing their consumption of electricity. Through this program, our facilities in Asia are on track to meet a target of reducing energy usage by 5 percent this year in the larger facilities.

Working with Global Action Plan, a charitable organization, a campaign was launched to “Switch Off” small appliances, lights and PCs as well as to increase recycling and waste reduction at our Riverdale House facility in London.

In the United Arab Emirates, employees created a “Go Green” program with a wide range of initiatives. Using posters and e-mails, and with the endorsement of the Citi Country Officer in the UAE, they promoted switching off equipment whenever feasible, reducing printing, reusing paper and envelopes, and buying environmentally friendly products such as recycled paper and paper cups. They also launched a recycling program for cans, plastic bottles and ink cartridges. CRS installed light sensors and air-conditioning timers to further conserve energy and reduce carbon emissions. Tap sensors were added to sinks, and a water consumption awareness campaign was started.

Future Initiatives

A study has been initiated to determine if a software program that lowers the energy use of idle PCs is compatible with our equipment and networks. If successful, this program will enable us to achieve a reduction from 82 watts to 4 watts in PCs that are not being used. In addition, the software will provide our technology administrators the ability to update software and return PCs to dormant status from remote locations, yielding further operating efficiencies. The IT Group and CRS personnel have formed an effective partnership in identifying opportunities to use the software and in thinking creatively to overcome obstacles as they arise. A pilot is being planned for the first half of 2007. If that pilot is successful we will deploy the software more broadly.

Leading the Way

Citi’s goal is to become the most respected and profitable global financial services company, and we view our environmental commitments and activities as an integral part of that achievement. We believe that it is important to share our knowledge with others and to collect best practices from other companies and organizations that are considered to be role models so that we can continuously improve. Citi is an active supporter of the Business Roundtable (BRT) “Climate Resolve” initiative and is a member of the BRT S.E.E. Change program, which encourages companies to set goals for Social, Environmental and Economic performance.

We have been an active member of the World Resources Institute (WRI) Climate Northeast work group. Citi is in the process of testing WRI’s “carbon calculator,” which enables companies to build the value of carbon into financial models and determine the potential impact of having to offset GHG remediation costs in the event that mandatory federal or state regulations are put in place that would affect the financial sector directly or indirectly.

Citi 2006 Environmental Impact Report

		ABSOLUTE VALUE	
		2006	2005
Seats		410,384	378,512
Occupants		400,000	374,000
Surface area monitored in millions*		86.7 SF	82.7 SF
Absolute Indicators		2006	2005
Total Energy Consumed (GWh)		2,705	2,552
Electricity		2,361	2,195
District heating (steam & chilled water)		101	101
Energy Purchased (GWh)		2,462	2,296
Natural gas		186	202
Fuel oil		57	54
Energy Produced/Consumed (GWh)		244	256
Total Waste (metric tons)		103,481	96,340
Recycled office paper		22,694	20,318
Refuse and other		80,787	76,022
Total Water Consumption (m³)		7,467,308	7,316,338
Total CO₂ (GHG Scope 1 & 2) (metric tons)		1,387,413	1,294,351
Direct CO ₂ (GHG Scope 1)		48,507	50,551
Indirect CO ₂ (GHG Scope 2)		1,338,905	1,243,800
Green power offsets CO ₂		(33,573)	(7,611)
Net CO ₂		1,353,840	1,286,740
Indicators	Unit		
Total Energy Consumed	KWh/Occupant	6,763	6,823
	KWh/SF	31	31
Total CO₂	Metric Tons/Occupant	3.5	3.5
	Metric Tons/SF	0.0160	0.0157

LEGEND:

GWh = gigawatt hour; KWh = kilowatt hour; m³ = cubic meters; sf = square feet

* Excludes sublet space where utilities are consumed and funded by non Citi tenants

Data Analysis:

The actions taken internally to measure our environmental footprint continued to improve during 2006. The GHG inventory protocols published by Global Reporting Initiative (GRI); World Resources Institute (WRI) and World Business Council for Sustainable Development (WBCSD); and the U.S. Environmental Protection Agency (EPA) were examined in detail. While we aspire to meet all of the GRI and WRI/WBCSD recommendations, there are some changes that need to be made to our systems and processes that were beyond our scope in 2006. We did submit our GHG Inventory Management Process to consultants designated by the EPA Climate Leaders program for an independent review, and they made several suggestions that would involve expanded reporting. We are in the process of determining the feasibility of compiling data for the new categories (N₂O and CH₄). By applying the conversion factors supplied by the EPA, we have determined that 20 net tons of N₂O and 36 net tons of CH₄ were associated with our electrical consumption in 2006. Additional analysis will be conducted in 2007.

One change that was adopted immediately was the use of Climate Leaders conversion factors. In past years Citi had used the conversion factors published by UNEP. The new factors were applied to both 2005 and 2006 data in this report to assure consistency.

Accounting for changes to the portfolio made during the year continues to be a challenge. In this year's reporting we have decided to publish the absolute amounts for each year as well as intensity expressed in terms of consumption and emissions per occupant and per square foot. An average measure of occupied space and number of occupants was created to better reflect the level of usage during the year. Adjustments were made to database functionality during 2006 that will enable monthly tracking of portfolio changes (square footage, number of seats and number of occupants) at the building level. In the absence of monthly data from 2005, a straight average was used. In the event of a large acquisition in 2007, we will determine if adjustments should be made to the base year to reflect an estimate of consumption prior to the

acquisition. No such adjustments were made in 2006 as most of the growth was organic.

During 2006, there was a company emphasis on organic growth of the retail network for both Citibank branches and CitiFinancial locations. In addition, the global data center consolidation program was in progress. While the ultimate goal is to move data processing into geographically diverse, more efficient locations, there is a period of transition when both the outgoing and new centers must operate. This was the case in 2006 and will continue in varying degrees through 2010. It should be noted that the processing and storage capacity available in our global data centers will continue to grow while the number of square feet and number of buildings dedicated to this function will shrink. The new facilities will be geographically dispersed to better manage proximity risk and will operate more efficiently than the existing configuration. This bodes well for the long-term efficiency that will be gained when the strategy is fully implemented.

During 2006 the overall portfolio size measured in square feet grew by 6 percent and number of building occupants expanded by 7 percent. The overall energy consumption increased by 6.6 percent. By putting conservation programs in place and expanding the use of "green power", the increase in CO₂ emissions was limited to 5.2 percent.

BUSINESS AIR TRAVEL:		
	2006	2005
CO ₂ emissions from commercial business air travel (GHG Protocol Scope 3)	195,071 metric tons	177,656 metric tons

Performance against 2006 energy goals:

ITEM	2006 ACTUAL	2006 GOAL	2005
Energy consumption per occupant (note 1)	24.3 GJ/occupant	23.8 GJ/occupant	24.5 GJ/occupant
CO ₂ emissions per occupant (note 1)	3,350 kg/occupant	3,303 kg/occupant	3,406 kg/occupant
Green power purchased	52,283 MWh	30,000 MWh	10,498 MWh
Number of countries in which green power is included in discretionary energy purchase	3	5	3

Note 1: An adjustment was made to the data for the 2005 reporting year (both the 2005 data and the 2006 goals) as a result of our switch to conversion factors supplied by the EPA Climate Leaders Program. There were also some minor adjustments made to correct errors noted in the 2005 data.

As noted above, the organic growth in both areas of data centers and retail branches offset actions taken to reduce consumption and resulted in slightly higher consumption and CO₂ emissions in 2006. During 2006, Citi continued to improve the occupancy ratios for office buildings and call centers; however, the expansion of data centers and retail outlets negatively impacted the density ratio of occupant/square foot. As a result, we achieved a slight reduction in the energy consumption per occupant, but did not meet our 3 percent reduction target. By applying green power offsets we were able to reduce our CO₂ emissions per occupant by 1.6 percent against a 3 percent goal.

During the course of the year, a decision was made to concentrate the purchase of green power in three countries as opposed to expanding the effort into five countries, and we far exceeded our target (175 percent) for purchasing green energy. We will continue to monitor markets for green power in other countries and look for opportunities to use our influence to contribute to the development of local sources of power from renewable sources.

Efficient Use of Resources

In last year's Citizenship Report we noted that if Citi were to use space to house office and operations centers at the same rate as the industry average for financial institutions with branch networks, Citi would need an additional 70 million square feet of space. In 2006 we took a different view of the data and compared the occupancy density across all building types to the data contained in the most recent (2004) Real Estate Executive Board survey for Financial Institutions having branch networks. Citi occupied 217 Rentable Square Feet (RSF) per person while the industry average was reported at 490 RSF/ft. In spite of organic growth in retail and data center space, both of which are typically low-density usages, Citi improved from 221 RSF/occupant level in 2005. Citi's vacancy rate of 2.0 percent also compares favorably to the industry average of 4.0 percent

To help determine where our energy consumption per occupant ranked, data was extracted from Environmental/Citizenship Reports published by 23 financial institutions. The average across all of the 23 companies was 8.7 MWh/occupant compared to Citi's 6.75 MWh/occupant. While there are many variables that would need to be standardized to provide a statistically significant result, it is one more indication that the programs being put in place are having a positive effect.

Environmental footprint goals for 2007

While we are proud of the progress that was made during 2006, we realize that the "heavy lifting" required to achieve our objective of a 10 percent reduction of greenhouse gases by 2011 still lies ahead. We will look at transformational technologies while also continuing implementation of sound operating processes designed to lower consumption. There will be a greater emphasis placed on education of our staff to broaden the already wide-reaching awareness efforts that were initiated in 2006. Our 2007 goals related to these efforts are included in the Evaluation and Future Planning section on pages 73-74.

Supply Chain Management

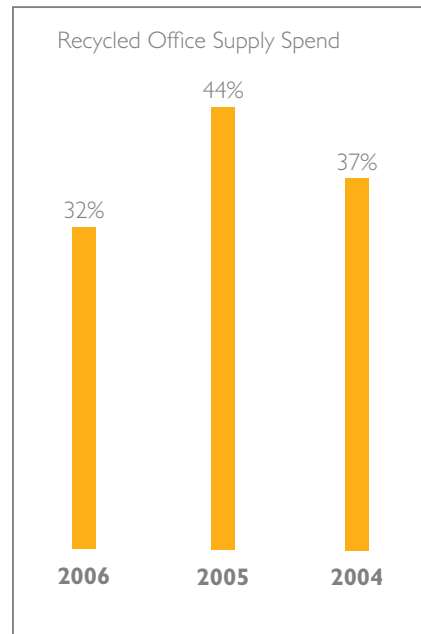
A number of goals set by Citi Procurement Services in 2006 centered on improving and standardizing processes to create greater operational efficiencies. In support of these goals, Procurement deployed a global sourcing application in September. The system enables Procurement to better understand and use the data submitted to Citi by its suppliers, including the results of our Corporate Social Responsibility Questionnaire, which was first implemented in 2006 in North America as part of our RFP process. With the rollout of the system, these questions are now a part of our RFP process globally and will be applied as appropriate for each country.

Office Products and Services

Procurement is working to reduce our environmental impact through the deployment of multi-functional devices — office equipment that supports a number of functions such as printing, copying, and scanning. By reducing the number of devices in use, we reduce energy consumption as well as the number of devices to dispose of when they have reached their end of life. The newer digital devices use less energy, require less frequent service, and use less toner. We estimate that the initiative, which will target 47,000 employees in North America and is planned for rollout in 2007, will reduce the number of devices we use by over 10,000.

In North America, our online office supply procurement system now offers more than 1,100 recycled products ranging from copy paper to calendars. This program gives our businesses a choice by making more environmentally friendly options available alongside regular office products at comparable prices. In some cases, only the recycled option is made available, as is the case with recycled copy paper. Building on our 2003 Recycled Copy Paper Project with Environmental Defense, in 2006, 91 percent of the copy paper purchased (totaling 8,186 metric tons) for our U.S. operations was 30 percent post-consumer recycled.

In 2006, 32 percent of the amount spent for office supplies in North America went toward recycled products, in contrast to an industry average of less than 10 percent. In 2006 we had set a goal to increase our percentage total spent on recycled office supplies from an already high level of 44 percent to 45 percent. We did not meet this goal for several reasons, one of which was a change in business usage patterns. Previously, most of the toner cartridges purchased by Citi businesses were recycled black cartridges for monochrome printers. In 2006, however, business demand for color printer cartridges increased, and the recycled version of that product is not yet widely available. In 2007, attention will be focused on the required testing to ensure that the recycled color cartridges are usable in our systems.



FSC-Certified Paper

In 2006 we significantly increased our procurement of Forest Stewardship Council (FSC) certified paper products, taking advantage of a trend towards greater availability and variety. As a result, 15 percent (557 metric tons) of collateral paper (paper used for special publications and marketing) used by the Citi Markets & Banking unit in 2006 was FSC certified, an increase of over 200 percent from 2005. In part as a result of Citi's interest in purchasing FSC paper, a number of paper mills used by Citi announced new FSC product offerings in 2006, and three of our print vendors also achieved FSC certification. One of our primary suppliers, Central Lewmar, achieved FSC chain-of-custody certification in 2005 and has helped us to source FSC-certified paper for the Citizenship Report since 2004. These activities will increase our ability to use FSC-certified products for more of the specialized print projects that are required by our businesses, including the 2006 Annual Report, for which 285 metric tons of FSC paper was purchased in early 2007.

V. Sustainable Enterprise

Citi's environmental focus is transforming from a risk-based approach to one that also capitalizes on opportunities that make sense from both an environmental and a business standpoint. We believe that in addition to our corporate responsibility programs and employee giving, Citi's primary contributions to sustainable development will come from our business units.

Below are examples of some of these initiatives, projects, and financings:

Global Consumer Group:

Sharp Solar: In the summer of 2006, Sharp Electronics Corporation and CitiMortgage signed a joint marketing agreement to offer a financing program that provides homeowners with a convenient, easily accessible financing option to purchase and install solar electric systems. The idea for this unique program surfaced during conversations between CMB's senior banker for Sharp Electronics, Masazumi Nakayama, and senior managers at CitiMortgage in 2004. The installation cost is approximately \$31,500, and the CitiMortgage program enables customers to take out a home equity loan or line of credit to finance the home solar electric system, rather than having to dip into their savings or take out a general loan. It is hoped that this program, which was rolled out in September 2006, will help drive consumer adoption of Sharp's home solar electric systems, which began as a boutique product line for the company and is now one of its largest growth businesses.

CitiCapital: CitiCapital is a leader among financial institutions with more than 20 years experience in underwriting facility energy efficiency upgrades, and thereby helping clients to realize cost savings, improve lighting and indoor air quality for students and other users, and reduce overall emissions of carbon and other pollutants. CitiCapital, a unit of Citi's Global Consumer Bank, works with energy service companies to analyze and identify potential energy savings and then replace equipment with more efficient, cleaner technology. This innovative financing model amortizes the cost savings generated by the improved technology over a 15- to 20-year period allowing clients to pursue upgrades.

without capital outlays. Given the key role played by energy efficiency initiatives in addressing climate change through the reduction of greenhouse gases, CitiCapital's portfolio of over US\$1 billion in financing is making a significant contribution.

Energy Efficient Mortgage: In 2004, Citi began offering the Energy Efficient Mortgage, a product developed by Fannie Mae and targeted to lower- and middle-income consumers. The product is structured so electricity savings from energy efficiency are counted as income for the purpose of the borrower's qualifying ratio. Although there is growing consumer demand for energy efficient housing, there has not been broad consumer demand for this product. CitiMortgage will continue to provide this offering and also has the opportunity to add further enhancements or increase distribution outlets if an increase in consumer demand is realized. Additionally, we hope development of new products, such as the Sharp solar financing product described above, will enable us to continue to participate in the energy efficiency and renewable energy markets at the consumer level.

Citi Markets & Banking:

Alternative Energy Task Force: In July 2006, CMB created an Alternative Energy Task Force composed of 27 professionals spanning a range of industry, product, and geographical lines. The group is headed by Hal Clark, Chairman of the bank's North American Power Group. In the last couple of years, CMB has completed an increasing number of transactions in solar, wind, biomass, and fuel cells. With this growing business segment in mind, the task force was created to ensure dissemination of information and ideas about alternative energy across the various groups, so that the bank is better positioned to act on these opportunities and serve clients in these areas.

Public Finance Group: In 2006, Citi's U.S. Public Finance Group financed 115 environmentally beneficial projects totaling over \$10.5 billion, including facilities for pollution control, water and sewerage, recycling and solid waste disposal. Citi was again a leading underwriter in this category with 22 percent

market share. In water and sewerage, the largest environmental finance subcategory, Citi was also a leading underwriter with over \$8.0 billion in water and sewer projects financed (27.9 percent of total industry volume).

Citi completed the South Florida Water Management District's inaugural issuance of certificates of participation to begin construction of Everglades restoration projects — part of the estimated \$10.5 billion Comprehensive Everglades Restoration Program (CERP) between the U.S. Army Corps of Engineers, the District, and the State of Florida. Citi lead managed the \$546 million transaction using an innovative structure typically used to finance Florida school improvements. The transaction allows the District to achieve environmental benefits years sooner than envisioned.

With the population growing and water supplies shrinking, California's Inland Empire Utility Agency is aggressively managing its natural resources. On behalf of the Inland Empire, Citi implemented a \$75 million tax-exempt commercial paper program to fund a recycled water system, groundwater recharge projects, and organics management projects.

Citi's Public Finance Group also provided \$670 million in direct loans for substantial environmental compliance programs at a major water and sewer utility, reversing years of technical and economic deterioration.

Biodiesel IPO: Citi was the underwriter of Brasil Ecodiesel's US\$177 million IPO in the Brazilian and international markets in 2006. The company was established in 2003 and is now the largest producer of biodiesel in Brazil. Brasil Ecodiesel's raw material supply chain is based on three pillars: (i) acquisition of vegetable oils in the market through contracts with large suppliers and partnerships with smaller companies; (ii) intensive agriculture focused on cultures like castor oil plant, jatropha, soy, cotton, and sunflower; and (iii) extensive agriculture through family-based agricultural centers. Currently,

27,800 families contribute product to Brasil Ecodiesel, a number that is expected to reach 130,000 by 2007.

Biodiesel can be produced with any vegetable oil such as soy, sunflower, and castor plant, as well as animal fat. It is a truly renewable and alternative fuel, substituting mineral diesel fuel without the need of any adaptation in regular diesel engines, and reducing up to 78 percent of carbon emissions, making it potentially eligible for the carbon credit market.

“We are extremely pleased to have Citi as a partner in obtaining the necessary resources for the expansion of our project, which has social and environmental values as its basic guiding principles. Biodiesel is already a renewable fuel that drastically reduces emissions of pollutants responsible for global warming. When produced in a responsible way, Biodiesel has an enormous potential to transform lives, bringing economic, social, and environmental benefits to communities. The Brasil Ecodiesel project, in addition to promoting social inclusion and income generation for thousands of small farmers all over the country, is also dedicated to producing oilseeds in a sustainable manner, ensuring the conservation of the soil and the environment through technical assistance and training of small farmers. We are confident that this is a vehicle of true social transformation.”



—*Nelson Silveira*
CEO
Brasil Ecodiesel

Promotora Ambiental IPO: Citi was the joint lead arranger for the US\$115 million IPO of Promotora Ambiental (PASA) in the Mexican and international markets at the end of 2005. PASA carries out services and develops new technologies for the complete waste management cycle, from pickup to disposal at waste treatment sites. PASA is playing an important role in professionalizing Mexico's waste management industry, which in the past has been characterized by inefficient services and a failure to comply with environmental regulations.

Citi Alternative Investments:

Sustainable Development Investment

Program (SDIP): Citi makes private equity investments in renewable energy, waste and water management, sustainable forestry, energy efficiency/clean technologies, and GHG emission reduction credit markets through its Sustainable Development Investment Program (SDIP). SDIP is part of Citi Venture Capital International (CVCI), a unit of Citi Alternative Investments, and makes investments in both the developed and developing world.

Since the inception of SDIP in 2004, Citi has invested or committed approximately \$150 million in companies within the SDIP scope. In 2006, Citi invested through various funds approximately \$75 million in SDIP classified investments in the biofuels, solar, and clean technology markets.

In June 2006, CVCI funded an investment in Permolex International L.P., a leading North American ethanol producer with existing operations Alberta, Canada, and a large-scale ethanol facility under construction in upstate New York. When completed at the end of 2007, Permolex's New York facility, Northeast Biofuels, will be the first "destination" ethanol plant in the northeast United States serving the important markets of the tristate area. The construction of the Northeast Biofuels facility in Oswego County is bringing much needed employment to the region.

Also in 2006, CVC International made an equity investment in Jiangsu Linyang Solarfun Co., Ltd., a leading Chinese manufacturer of photovoltaic

solar cells and modules. The investment was used to fund Solarfun's growth prior to its successful IPO in December 2006.

Finally, in June 2006, SDIP made a material commitment to the Chrysalix Clean Energy Fund, based in Vancouver, British Columbia. Chrysalix is an early stage investor in companies that develop promising new technologies to generate renewable and alternative energy.

In early 2007 an investment was made in a greenhouse gas emission reduction credits project developer called Sindicatum Carbon Capital (SCC). SCC focuses on reducing GHG emissions from nitric acid plants, coal mines and landfills primarily in the emerging markets. As a result of these emission reductions, SCC generates carbon credits under the Kyoto Protocol.

Citi Property Investors (CPI), a unit of Citi Alternative Investments, makes equity investments in real estate projects globally. Its three flagship strategies invest capital on behalf of institutional and high-net-worth clients, as well as Citi's own proprietary capital. In 2006, CPI made its first sustainable development investment — \$50 million of convertible debt in the Loreto Bay Company, effectively providing CPI with a 50 percent ownership interest. The company is developing the Villages of Loreto Bay in Baja California, Mexico. With 6,000 homes planned, the project is the largest sustainable resort community under development in North America. Loreto Bay seeks to become an international model for sustainable resort development, and the resort has been planned to incorporate environmental and social components across all facets of development. Among the many sustainable features are the use of compressed earth blocks made from local adobe-like material; construction of a 20 MW wind farm to supply electricity to the resort; implementation of a Regional Affordable Housing Strategy to ensure that people who work at Loreto Bay can afford to live in the area; and a focus on "regenerative design," which looks beyond minimizing negative impacts from the resort to seek ways the resort can enhance the community.

Global Wealth Management:

Financial Advisors and Socially Responsible Investing: Increasingly, investors want their equity holdings to reflect their social values. They wish to avoid companies that profit from activities they oppose, and support companies that behave in ways they consider to be responsible. Most of these investors are also looking to earn a reasonable return on their portfolios. Socially responsible investing (SRI) seeks to reconcile these two objectives by helping investors create diversified portfolios designed to deliver an acceptable level of performance while at the same time screening companies to ensure they meet certain ethical standards. Recently, the term Environmental, Social and Governance (ESG) performance has become widely used to refer to overall corporate performance on “extra-financial” issues. Rather than debating a moral issue, this approach simply elucidates the risks and opportunities of ESG performance and the associated material impacts on equity pricing.

As the issue of sustainability gains in importance and visibility, Smith Barney Financial Advisors are including SRI as part of their discussions with clients. Financial Advisors work with individual and institutional investors as well as corporations and governments to help them meet their financial goals while also achieving their social goals and evaluating the ESG risks in the portfolios.

Smith Barney Financial Advisors implement SRI using the following platforms:

- 1) A mutual fund advisory program, which includes leading SRI mutual funds;
- 2) Separately managed account programs; and
- 3) Individual portfolio management programs, which are essentially “green” portfolios tailored by the Financial Advisors.

“Having spent 20 years in the environmental field and the last eight years in the investment arena, I am thrilled to be helping Citi lead the financial sector in the transition to sustainability. Through our investment platform and research, we are able to take advantage of the opportunities of enhanced corporate Environmental, Social and Governance performance, as well as manage the investment risks of poor performance in this area. Our responsible investing practice is showing just what Citi research predicted: There are substantial opportunities to add value for our clients, our company, and our planet.”



—**Bruce Kahn**
Financial Advisor
Smith Barney

Smith Barney paperless campaign: As part of Citi's effort to reduce its direct environmental footprint, Smith Barney introduced a campaign in 2006 to transition its clients from paper to electronic statements. The campaign, implemented in partnership with the National Arbor Day Foundation, planted a tree for each

of the more than 116,500 clients that opted to participate. This initiative resulted not only in trees planted and paper saved, but also in cost savings for the business — an argument that has encouraged other Citi business units to consider replicating this successful initiative.

Citi Investment Research

Interest in SRI is spreading beyond European markets, and reports by Citi Investment Research are shedding light on its impact on clients' portfolios. This year Citi Investment Research issued SRI reports on topics such as sustainable mining, climate change, carbon limits, and ethanol that are global in scope, a departure from previous years' Euro-focus.

Citi Investment Research's report on mining entitled *Towards Sustainable Mining* earned the Farsight Award, which honors the research report that best integrates traditional financial analysis with social issues. In examining how the five factors of sustainable development—commodity exposure; country exposure; mine development; health, safety and environment (HSE) in operations; and sustainability governance—have the ability to add or destroy value for companies globally, the research team developed a proprietary tool, the Citi Sustainability Mining Index, to evaluate which companies are creating or destroying value.

Likewise, in a trio of well-received and timely reports, our analysts looked at ethanol as an antidote for America's oil addiction, the advent of carbon limits, and investing in climate change. A report on climate change—the first of its kind issued in Australia—focused on the industries that are most likely to prosper or suffer, and listed alternative energy providers, sustainable builders, and recycling enterprises as some of the potential winners.

While SRI has become a watchword for socially conscious investors, Citi Investment Research works to guide clients by identifying what investing in these companies really means in terms of market share, revenues, R&D, capital spending, return on advertising investment, and potential liabilities—in short, how the investor is to be rewarded from a financial point of view. Citi Investment Research analyzes SRI using a stringent analytic framework to add investment insights to determine what is currently discounted by the market and to divine the impact SRI issues have on earnings, balance sheets, and cash flows.

VI. Evaluation/Future Planning

At the beginning of 2006 we set a range of goals, both quantitative and qualitative, for our environmental and social performance. It was our first year of publishing goals for many of these areas, and we are pleased with our progress in meeting most of them. There were some goals, however, that we failed to meet. In some cases we realized over the course of the year that these were the wrong goals or metrics; in other cases, we had set “reach goals” that we did not meet but will continue to work on in 2007. Below is an outline of our progress to date and our goals for 2007.

2006 AND 2007 QUANTITATIVE GOALS					
Indicator	2006 Goal	2006 Actual	Comments	Scorecard	2007 Goal
Energy consumption/occupant	23.8 GJ/occupant	24.3 GJ/occupant	Organic growth in data centers and retail branches offset energy efficiency measures	X	Lower energy consumption in core buildings (those with 24 months of consecutive data) by 4%
CO ₂ emissions/occupant	3,417 kg/occupant	3,350 kg/occupant	By applying green power offsets, we were able to reduce emissions per occupant	√	
Green power procurement	30,000 MWh	52,283 MWh	We saw greatly expanded green power opportunities in three countries	√	54,897 MWh (5% increase)
Green power procurement (# countries)	5	3	Green power purchasing was concentrated in three countries rather than expanded to five	X	5
Recycled office supplies procurement	45% of spend	32% of spend	Decreased business use of black toner cartridges, which were a significant proportion of our recycled spend, was a major factor in this decrease	X	
Stakeholder dialogues					Convene 1-2 dialogues
Sustainable Development Investment Program					Close at least 3-4 new investments

ENVIRONMENT

2006 QUALITATIVE GOALS		
2006 goal	2006 results	
Expand financial institution participation in the EPs	45 banks have adopted the revised Equator Principles (EP 2) as of April 2007, compared with 41 banks who had adopted the original EPs a year ago. This is an important accomplishment, as all of the original EP banks had to readopt the revised EPs.	√
Work with other EPFIs to revise the EPs	Citi played a principal role as co-drafter of EP 2 and in the subsequent outreach to clients, NGOs, and SRIs.	√
Expand and renew ESRM training program	A total of 556 employees received ESRM training in 2006. The training was expanded to many additional employees beyond the project finance sector, and new training sessions were developed for varying levels of expertise.	√
Greater communication of ESRM Policy	Policy was communicated through broader training and outreach efforts to affected business units and geographies. Communication of this policy internally will continue to be a challenge and goal.	√
More SDIP investments	Citi made three significant investments under SDIP in 2006, up from one investment in 2005.	√
LEED Silver for new construction of owned office buildings	Although no new buildings have been completed since this goal was set, a major office building is currently being constructed in NYC that will be LEED Silver; a data center in Europe is also being built to the LEED Silver standard.	√
Expand communications to employees on sustainability initiatives	We launched Citi Environmental Awareness Week in 2006 to educate employees on Citi's environmental initiatives. However, many of our 325,000 employees remain unaware of Citi's environmental work, and better communication of these efforts continues to be an important goal.	√
Continue to stay apprised of emerging environmental and social issues pertaining to the financial sector	We continued to engage with a range of NGOs and SRIs, which is one important way we stay informed on emerging sustainability topics. As an example, we recognized that human rights is emerging as a key sustainability issue for banks, and in 2006 we were the first major U.S. bank to develop a human rights statement.	√

2007 QUALITATIVE GOALS
Engage clients on social and environmental risk issues, including climate change
Partner with a reputable organization to improve implementation of and provide guidance to our bankers regarding our Sustainable Forestry Policy
Develop sector-specific guidance notes for implementing our ESRM Policy
Integrate CMB ESRM training into existing risk training programs globally
Develop and disclose a public version of the CMB ESRM Policy
Implement human rights statement by incorporating it into employee trainings, ESRM training sessions, and engaging with suppliers and clients on human rights issues
Continue to expand internal communication to employees on sustainability issues
Conduct training across Citi Realty Services employees to raise awareness of the impact of energy consumption on the environment
Include footprint calculations for N ₂ O and CH ₄ gases in accordance with the EPA Climate Leaders program
Establish and communicate a comprehensive building design and energy conservation program that will support the sustainable growth of Citi

AWARDS AND RECOGNITION

Sustainable Deal of the Year: Financial Times Sustainable Banking Awards —

United Kingdom Citi, Banamex & Financiera Compartamos

The Habitat for Humanity International 2006 Partner Award —

United States
“More than Houses” campaign

Most Generous Local NeighborWorks Contributors for FY2005 —

Citi, Citi Foundation

Green Enterprise of the Year: Certificate of Merit —

Hong Kong
Federation of Hong Kong Industries

Certificate of Recognition: GO Direct Partnership, U.S. Department of the Treasury —

United States
Citibank for providing financial education

The President’s Volunteer Service Awards —

United States
Gold level recognition for more than 15,000 hours of employee volunteer service

Human Rights Campaign Corporate Equality Index —

United States
Scored 100%

Working Mother magazine —

United States
List of 100 Best Companies

Inclusive Company Award —

Mexico
Awarded to Banamex for hiring people with disabilities as well as mature adults

Family Responsive Company Award —

Mexico
Awarded to Banamex for having best practices in gender equality

Black Enterprise —

United States
Best companies for diversity

Opportunity Now — City Focus for Commitment to Female Talent —

Europe
Citigroup Corporate Investment
Banking Office of Diversity

Star of Africa Award (Health Category) —

South Africa
Silver level: Save the Children

Star of Africa Award (Education Category) —

South Africa
Silver level: Junior Achievement
(Banks in Action Programme)

Big Tick Award —

United Kingdom
Edutainer project: South Africa and Tanzania

BITC Awards 2006 —

United Kingdom
Re-awarded Junior Achievement-European engagement

Best Company with Equal Opportunities for Women and Men —

Czech Republic
Third place award recognizes the harmonization of employees’ business and private lives

AWARDS AND RECOGNITION

10 Most Outstanding Deals of 2006:

CFO Asia magazine

BRAC's \$180 million securitization

BRAC: The Asset Triple-A House and Deal Awards 2006

BRAC: Securitization

Deal of the Year 2006 — IFR

Best Employers in Latin America,

Latin Trade and Mexico

(Category: Customer Focus: Latin America)

(Category: Motivation: Banamex)

Banking Technology Awards 2006: Best use of IT in Retail Banking — India Citibank, N.V.

Congressional Black Caucus Foundation —

United States

For Continued Support of CBCF's With

Ownership, Wealth (WOW) Homeownership

Program.

Indonesia's Most Admired Company —

Indonesia

Most Sustainable Corporate Image Award 2006

Equal Opportunity for Women in the Workplace Agency (EOWA) —

Australia

Employer of Choice for Women

Economic Times —

India

Corporate Citizen of the Year 2005-2006:

Certificate of Recognition

CommonWealth Magazine —

Taiwan

2006 Most Admired Company

100% Corporate Equality Index company —

United States

Respect Award —

United States

Gay, Lesbian, Straight Education Network

40 Best Companies For Diversity —

United States

Black Enterprise Magazine

GRI CONTENT INDEX >>>

Citi developed the 2006 Citizenship Report with reference to the guidelines developed by the Global Reporting Initiative. We have reported on the G3 Sustainability Reporting Guidelines as well as the Financial Services Sector Supplements for Social Performance and Environmental Performance.

In addition to the Citizenship Report, other reports referenced in the GRI Reporting Guide include:

AR = Annual Report (<http://www.citigroup.com/citigroup/corporategovernance/ar.htm>)

Proxy = 2007 Proxy Statement (<http://www.citigroup.com/citigroup/corporategovernance/ar.htm>)

DR = Diversity Report (<http://www.citigroup.com/citigroup/citizen/diversity/annualreport.htm>)

FR = Foundation Report (<http://www.citigroupfoundation.com/citigroup/corporate/foundation/annual.htm>)

PR = Partially reported

Sustainability Reporting Guidelines

Strategy and Analysis

1.1	Relevance of sustainability to the organization and its strategy	pgs. 4-7 AR pgs. 4&5
1.2	Description of key impacts, risks, and opportunities	PR pgs. 6-7

Organizational Profile

2.1	Name of the organization	Cover
2.2	Primary brands, products, and/or services	pg. 13
2.3	Operational structure of the organization	AR pg. 22
2.4	Location of organization's headquarters	AR pg. 22
2.5	Number of countries where the organization operates	AR pg. 22
2.6	Nature of ownership and legal form	AR pg. 22
2.7	Markets served	AR pgs. 22, 37
2.8	Scale of the reporting organization	AR pgs. 22-23
2.9	Significant changes during the reporting period regarding size, structure, or ownership	AR pgs. 28-29
2.10	Awards received in the reporting period	pgs. 86-87

Report Parameters

3.1	Reporting period	Cover
3.4	Contact point for questions regarding the report or its contents	pg. 90

Report Scope and Boundary

3.8	Basis for reporting on joint ventures, subsidiaries, leases facilities, etc.	pg. 75
3.9	Data measurement techniques and the basis of calculations	pg. 75
3.10	Explanation of the effect of any re-statements of information in earlier reports	pg. 75

GRI Content Index

3.12	Table identifying the location of the Standard Disclosures in the report	pg. 88
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Governance

4.1	Governance structure of the organization, including committees under the highest governance body responsible for specific tasks	AR pg. 116 Proxy pgs. 4-6
4.2	Indicate whether the Chair of the highest governance body is also an executive officer	PR Proxy pg. 24
4.3	For organizations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members	Proxy pg. 8
4.4	Mechanisms for shareholders and employees to provide recommendations or directions to the highest governance body	Proxy pg. 80

4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives, and the organization's performance	Proxy pgs. 35-42
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided	Proxy pg. 4
4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation	pgs. 13, 54

Commitments to External Initiatives

4.11	Precautionary approach	pgs. 59-69, 71-76
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses	pgs. 55, 61-64, Proxy pg. 41
4.13	Memberships in associations and/or national/international advocacy organizations in which the organization has positions in governance bodies	Proxy pg. 41

GRI CONTENT INDEX

Stakeholder Engagement

4.14	List of stakeholder groups engaged by the organization	pg. 55 Proxy pg. 41
4.15	Basis for identification and selection of stakeholders with whom to engage	pg. 55
4.16	Approaches to stakeholder engagement	pgs. 55-56 Proxy pgs. 6-7, 41
4.17	Key topics and concerns raised through stakeholder engagement	pgs. 56, 61 Proxy pgs. 6-7

Environmental Performance Indicators

Materials

EN2	Percentage of materials used that are recycled input materials	pgs. 77-78
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Energy

EN3	Direct energy consumption by primary energy source	pg. 74
EN4	Indirect energy consumption by primary source	pg. 74
EN5	Energy saved due to conservation and efficiency improvements	pg. 75
EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and reduction in energy requirements as a result of these initiatives	PR pg. 78-81
EN7	Initiatives to reduce indirect energy consumption and reductions achieved	pgs. 71-76

Water

EN8	Total water withdrawal by source	PR pg. 74
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Emissions, Effluents, and Waste

EN16	Total direct and indirect greenhouse gas emissions by weight	pg. 74
EN17	Other relevant indirect greenhouse gas emissions by weight	pgs. 69, 75
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved	pgs. 71-76

Products and Services

EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation	pgs. 59-69
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Social Performance: Diversity and Equal Opportunity

LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity	DR pgs. 5-12, 36
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Social Performance: Public Policy

S06	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country	PR pg. 15
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Financial Services Sector Supplement: Social Performance

Management System

CSR1	CSR policy	pgs. 54, 59-69
CSR2	CSR organization	pg. 70

Sensitive Issues

CSR4	Management of sensitive issues	pgs. 59-69
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Participation

CSR6	Stakeholder dialogue	pgs. 55-56, 61
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Internal Social Performance

INT1	Internal CSR policy	PR DR pgs. 5-18
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Employment and Social Protection

INT3	Employee satisfaction	pg. 39
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Compensation

INT4	Senior management remuneration	Proxy pgs. 35-44
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Equal Opportunity

INT7	Employee profile	PR DR pg. 36
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Performance to Society

SOC1	Charitable contributions	FR pgs. 33-56
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Suppliers

SUP1	Screening of major suppliers	PR DR pg. 27
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Retail Banking

RB1	Retail banking policy (socially relevant elements)	pgs. 18-21, 23-25, 29
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Fostering Social Capital

RB3	Lending with high social benefit	PR pgs. 18-21
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Investment Banking

IB1	Investment policy (socially relevant elements)	pgs. 59-69
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Financial Services Sector Supplement: Environmental Performance

F1	Description of environmental policies applied to core business lines	pgs. 59-69
F2	Description of process(es) for assessing and screening environmental risks in core business lines	pgs. 59-69
F3	State the threshold(s) at which environmental risk assessment procedures are applied to each core business line	pg. 59
F4	Description of processes for monitoring clients' implementation of and compliance with environmental aspects raised in risk assessment process(es)	pgs. 59-69
F5	Description of process(es) for improving staff competency in addressing environmental risks and opportunities	pg. 68
F7	Description of interaction with clients/investee companies/business partners regarding environmental risks and opportunities	pgs. 64, 66-67, 78-83
F12	Total monetary value of specific environmental products and services broken down according to the core business lines	PR pgs. 78-83

For more information on citizenship initiatives described in this report,
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