BULKY DOCUMENTS

(Exceeds 100 pages)

Filed: 10/10/2012

Title: Opposer NOR Ex. *557*

Part 10 of 13

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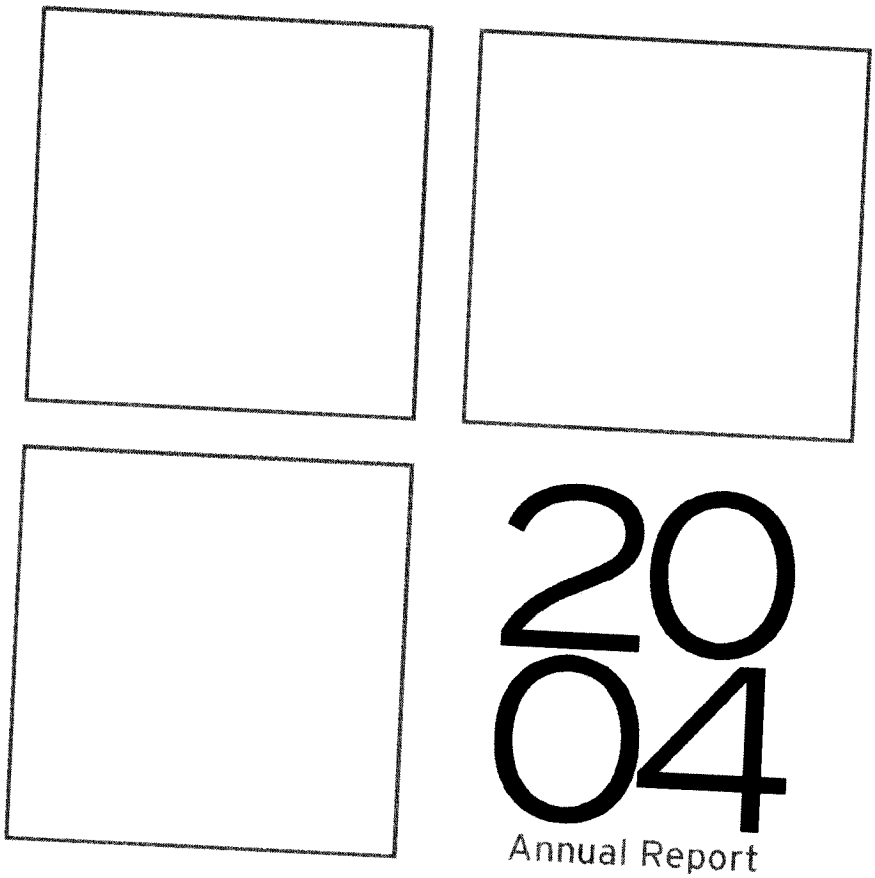


2004 Annual Report

Citigroup Inc. v. Citiair, LLC
Opp. No. 91201920
Opposer NOR Ex. 557

citigroup

>> Our Shared Responsibilities

Citigroup's goal is to be the most respected global financial services company. As a great institution with a unique and proud history, we play an important role in the global economy. Each member of the Citigroup family has three Shared Responsibilities: >>

WE HAVE A RESPONSIBILITY TO OUR CLIENTS

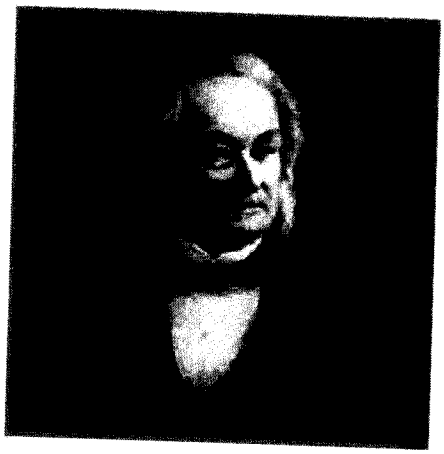
We must put our clients first, provide superior advice, products and services, and always act with the highest level of integrity.

WE HAVE A RESPONSIBILITY TO EACH OTHER

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

WE HAVE A RESPONSIBILITY TO OUR FRANCHISE

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



We take pride in our legacy of leadership. >>

Clockwise from upper left: >> Merchant-turned-financier Moses Taylor, who transformed our legacy company, City Bank, into a model financial institution in the mid-1800s **>>** Jay Cooke, American banker whose banking house, Jay Cooke & Co., the predecessor firm to our Smith Barney, was a leading supporter of U.S. railroad construction in the mid-1800s and a financial supporter of the Union during the American Civil War **>>** Arthur, Herbert, and Percy Salomon (l to r) in 1910 founded a money brokerage firm, Salomon Brothers, which started doing business from this tiny office near Wall Street

Chuck Prince

DEAR SHAREHOLDERS,

In 2004, many things went very well but a few things went badly.

On the positive side, 2004 was a year of remarkable financial results. Citigroup generated revenues of $86.2 billion, which produced net income of $17 billion. Our equity base increased 13 percent to $115.5 billion (including Trust Preferred Securities) and our balance sheet reached $1.5 trillion. We also increased our quarterly dividend by 14 percent, our 19th consecutive year of common dividend increases.

Where things went badly, we were held up to significant criticism. We experienced reputational problems in Japan, the U.K., and Europe. These failures do not reflect the kind of company we are or want to be. Nor do they accurately reflect the attitude of our employees, who are honest, hard-working people dedicated to serving their clients with great integrity.

We learned again that our franchise strength brings with it responsibilities that are as important to our success as is our extraordinary financial performance. We apologized to our regulators for these matters and we also apologize to you, our owners.

THE COMPANY WE WANT TO BE

Our goal is for Citigroup to be the most respected global financial services company; and to achieve that, the company has embarked on a multiyear, global effort to reinforce our values and take the next step in the evolution of our culture.

Starting in late 2004, Bob and I met with our employees in Citigroup offices around the world. We wanted to begin a series of direct conversations, continued by our Management Committee and other senior managers, about our values and our future. We reached more than 35,000 of our employees "live" and thousands of others through rebroadcasts.

We talked about the great history created by our predecessors and the importance of living up to that legacy. We discussed the need to focus on the long-term success of the franchise and not sacrifice our future for short-term profits. And we set forth the responsibilities we all share as employees of Citigroup—to our clients, to each other, and to our franchise *(see inside front cover)*.

Employees were candid with their suggestions and questions. We took their ideas to our senior management team and developed a comprehensive Five Point Plan designed to ensure that we all remain focused on the responsibilities we share and foster a greater appreciation of our company's history. The success Citigroup has enjoyed over the years is due, in large measure, to a very precious commodity—trust. We are already the most profitable and the largest financial institution in the world, with the most capital. We believe that when we add "most respected" to that resume, there is no limit to what we will accomplish.

The plan addresses cultural and behavioral issues and focuses on training, communications, talent development, performance appraisal/compensation, and controls. Each initiative has clearly defined objectives as well as a series of specific steps with timelines for implementation.

OPP006796

Bob Willumstad

We aim to make sure that every employee explicitly recognizes the long-term nature of our business and the long-term value of our reputation and brand—in other words, that every employee explicitly recognizes what has always been implicit in our great performance-based culture.

2004 BUSINESS OVERVIEW

Although we were impacted by reputational issues, the financial performance of the company in 2004 was strong. Thanks to the efforts of our 300,000 employees around the world, 2004 was another year marked by record returns in many of our key product lines.

The Global Consumer Group again generated strong and consistent results. Net income was up 24 percent (up 20 percent excluding the after-tax gain on the sale of our equity investment in Samba) to $11.8 billion, representing 69 percent of Citigroup's earnings.

Corporate and Investment Banking, grappling with difficult capital markets and the WorldCom and Litigation Reserve Charge, saw net income decrease 62 percent. Excluding the after-tax gain on the sale of Samba and the WorldCom and Litigation Reserve Charge, net income was up 23 percent. We ranked number one in 12 of the 25 major categories of the League Tables, which measure underwriting and advisory results.

Net income for our newly formed Global Wealth Management segment was down 11 percent (up 7 percent excluding the Japan Private Bank charge) in 2004 at $1.2 billion, while Global Investment Management net income was up 17 percent to $1.3 billion. Asset Management had a mixed year though Life Insurance & Annuities generated a record $1.1 billion in net income.

Internationally, our net income grew 43 percent over 2003, outpacing our U.S. businesses, and we anticipate significant growth in the years to come. It is important to remember that, as big as Citigroup is, we are still small relative to the international opportunity: First, the market for financial services is highly fragmented among many firms and, in many cases, even the lead firm has only a very small market share. Second, some two-thirds of the global economy is outside the United States, and no company has an international platform that rivals ours.

When 2004 began, we talked about the company's shift away from transformational deals to smaller, more strategic deals that would fill gaps where necessary. We talked about better managing our capital and freeing up resources by divesting noncore businesses. During the year, we continued our focus on organic growth, added some highly targeted acquisitions, and divested some noncore businesses. Following are some highlights:

- In our consumer business, we acquired Principal Residential Mortgage, one of the largest independent mortgage servicers in the United States, and we agreed to purchase First American Bank in Texas, pending regulatory approval. We also successfully completed the integration of several previous acquisitions, including Washington Mutual Finance Corp. and the Sears and The Home Depot credit card portfolios.

- In our capital markets business, we strengthened our existing capabilities by acquiring Knight Trading Group's derivatives business, which will add growth and scale in our U.S. equities derivatives franchise, and Lava Trading, which will catapult us to a leading market position in electronic trading execution.

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■ We entered into an agreement to sell Travelers Life & Annuity and substantially all of Citigroup's international insurance businesses to MetLife for $11.5 billion; we intend to use the proceeds for higher-return, higher-growth opportunities.

■ We introduced a Risk Capital Allocation Model to better allocate our capital and ensure that our growth and returns are balanced.

■ We divested businesses that no longer fit strategically into our business model; for example, CitiCapital's Transportation Finance business in North America, Citicorp Electronic Financial Services Inc., and our stake in Samba.

■ We generated record revenue in eight of our nine key product lines (see "9 Key Product Lines," page 23), further testament to our ability to deliver an array of products and services that meet client needs.

■ We continued to lead the world in credit cards and consumer finance, and ended the year with our 13th consecutive quarter ranked number one in global debt and equity underwriting.

■ Internationally, we acquired KorAm Bank in Korea, Citigroup's largest investment ever in Asia, and we strengthened our strategic position in the enormous China market when Citibank and Shanghai Pudong Development Bank launched that country's first credit card.

We have said it many times before, but it bears repeating: Our results consistently demonstrate the benefits of Citigroup's business platform. Our size and global scope bring us growth opportunities and cost savings that no competitor can match. Our diversity helps offset downturns and sluggish cycles in one part of the company with robust activity in another; and it allows us to share technology, infrastructure, and back offices to cut costs and help our businesses develop new products to serve clients more effectively.

To become the most respected global financial services company, we must continue to advance our strategic goals—to expand our international franchise, to continue to grow our consumer business, and to ensure that our corporate and investment banking business is best in class.

THE COMMUNITY

A key component in our effort to be the most respected global financial services company is making a difference in the community.

In April, Citigroup and the Citigroup Foundation announced a 10-year, $200 million global commitment to financial education and established an Office of Financial Education. The office is working with businesses across Citigroup to better enable people to make sound financial decisions to improve their lives.

Once again, we were proud to be named to the Dow Jones Sustainability World Index and the FTSE4Good Index, which recognize companies that lead in setting standards in sustainable growth and in demonstrating superior environmental, social, and economic performance.

One of our largest grant-supported partners is Habitat for Humanity International, for which we served, along with Banamex, as a lead sponsor of the Jimmy Carter Work Project 2004 in Mexico. We were proud to lead a team of some 40 employees who helped build 75 homes for deserving families in Puebla.

Finally, following the tsunami that devastated coastal areas of South Asia in late December 2004, Citigroup and our employees pledged more than $10 million (as of February 2005) to support disaster relief efforts. And hundreds of our employees have volunteered their time to support the effort as well.

(For more on our community activities, please read our "Global Community" section, page 21.)

OPP006798

OUR PEOPLE

When we talked to our employees about their company and what we all needed to do to be the most respected global financial services company, we were struck by their passion and dedication and excited to hear their many thoughtful suggestions. They clearly care and are prepared to do what is right to keep this company on course for the long term.

The fact that we meet the needs of our clients, shareholders, and franchise so consistently is due, in no small part, to our talented and diverse employees, who are determined to succeed and hold themselves accountable. They value teamwork, take pride in what they do, and perform their jobs with integrity. This is what we value in our people and what we look for when we bring talent into the organization.

Our efforts to make Citigroup an attractive place to work are reflected in the many workplace awards Citigroup receives every year. In 2004, among our hundreds of honors, we were proud to be named to *Working Mother* magazine's list of "Top 100 Companies" for working mothers. We were also ranked number two in *Fortune* magazine's ratings of where MBAs prefer to work and number two in *DiversityInc* magazine's "Top 50 Companies for Diversity."

THE FUTURE

Our underlying business is strong, our brand is powerful, our reach is unparalleled. We feel tremendous pride in our company's past achievements, we are passionate about our present efforts to be worthy of that legacy, and we are confident in a great future for our company.

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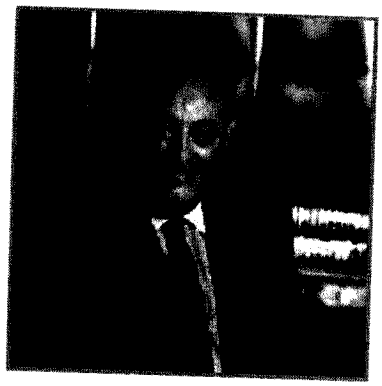


Sandy Weill

DEAR SHAREHOLDERS,

The commitment and dedication the Board demonstrated to Citigroup and our shareholders in 2004 helped position the company for the future and raised the bar even further than we did a few years ago when we set new governance standards for our industry.

In April, the Board officially designated the chair of its Nomination and Governance Committee as lead director. The lead director provides even greater balance to our Board governance structure.

The Board also continued to ensure that Citigroup's nonmanagement directors meet in executive session at every Board meeting. These sessions strengthen the Board's ability to review the company's performance independently and to freely determine if changes are in order. The members also confirmed their intention to have at least two-thirds of the Board qualify as independent. Today, some 70 percent of our Board members are independent and we are actively seeking new independent directors who meet our standards of excellence.

Our Board is directly engaged with the corporation at many different levels, particularly when it comes to reviewing Citigroup's strategic, operational, audit, and compliance responsibilities. This has set an important tone, signaling to employees that our Board is following major developments closely and will take the necessary actions.

Finally, we were proud to learn that Institutional Shareholder Services (as of February 2005) rated Citigroup's governance practices as outperforming 77 percent of all companies in the S&P 500 and 95 percent of all companies in the diversified financial sector.

In 2004, we welcomed two members to the Board: Anne Mulcahy, Chairman and CEO of Xerox Corporation, and Dr. Judith Rodin, President Emerita of the University of Pennsylvania and President-elect of the Rockefeller Foundation. Their talents are equaled only by their dedication to the highest standards of business conduct and I have every confidence they will be tremendous assets to our company.

As we welcome Anne and Judith to the Board, we must also bid goodbye to two very dedicated and hardworking members. I'd like to thank Arthur Zankel, who retired from our Board in 2004 after an outstanding record of achievement. Arthur is a wise and courageous leader and our company will miss his counsel. Let me also offer my gratitude to Andrall Pearson, who generously agreed to remain on the Board past retirement age to complete the work of the Succession Committee and other major projects for which he had assumed responsibility. Andy will retire in April at the Annual Meeting. Both Andy and Arthur have made enormous contributions to Citigroup and their impact will be felt for years to come.

We enter 2005 with a new prospective director, subject to your approval: Klaus Kleinfeld, CEO of Siemens. Klaus is a leader of a global company with great stature and we are excited about his potential contribution.

Let me close with a few observations about our industry. During the 1980s and 1990s, it seemed to many of us that the model for the future of financial services was one that combined the manufacturing of financial products with their distribution. With the emergence and growth of the concept of "open architecture" since then, it is becoming obvious that for a large global company like Citigroup, distribution is the more powerful asset, with potentially higher returns at times than manufacturing.

For this reason, the global model for the industry is changing to one that favors distribution. That led us to spin off Travelers Property Casualty in 2002 and agree to sell Travelers Life & Annuity early in 2005 to reinvest capital in higher-growth, higher-return opportunities. Others in our industry are now reaching similar conclusions. The fact is, there is not and will never be a timeless business model for this or any other industry—models are always subject to change, and no company can afford to keep its head in the sand. We should not only face the fact of change—we should embrace it as a new opportunity for leadership.

We have a great and unique company, one of the most successful in the world. I have deep confidence in our management team and am very optimistic about our future—serving our hundreds of millions of clients globally, providing value for our shareholders, and attracting the best talent possible as we continue to grow our business.

OPP006800

Robert E. Rubin

DEAR SHAREHOLDERS,

Citigroup, as the largest financial institution in the world, plays a critically important role in meeting the needs of the global and U.S. economies. That imposes a great responsibility on all who are involved with Citigroup, especially at a time when the economic outlook for the United States and for the global economy is, in my view, extraordinarily complex and uncertain.

We currently face substantial financial imbalances in the United States and globally, hugely consequential geopolitical issues, the historic change that is developing in the economic weight of the various regions of the world—largely because of the growth of China, India and non-Japan Asia—as well as continued rapid technological development and much else.

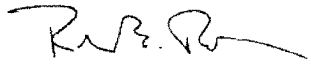
All of this creates great opportunities, but also poses great challenges that must be met by both public sector policymakers and the private sector. In this context, an absolute requisite to economic success in any country and for the global economy is an effective financial system, to intermediate between savers who create capital and those who use capital, to allocate savings efficiently, to enable savers to meet their return and risk objectives, and to provide consumers with effective means of meeting their needs. And serving these purposes has become ever more complicated because of truly globalized capital markets, huge daily trading flows within countries and across borders, and immense financing needs around the world.

One result of all this within the financial services industry is that many client needs can be best met with the capital, the global networks, the combination of many products, and the advanced technology and wide expertise of large global financial institutions. As a consequence, there has been ongoing consolidation in the financial services industry, an intense focus in countries around the world on modernizing and reforming their financial systems, and a view in quite a number of countries that the strong presence of global financial institutions can contribute greatly to meeting local needs and attracting foreign capital and commerce.

This environment of dynamic change poses many challenges to Citigroup, but also creates great opportunities to serve our customers, to provide exciting careers for our employees, and to do well for our shareholders. Citigroup has a long and storied history in its constituent parts, including pioneering in international banking at Schroders and Citibank, leading the way in many areas of trading, asset management, and investment banking at Salomon Brothers, bringing modern banking to entire nations through Banamex and Bank Handlowy, and offering thoughtful advice in wealth management to clients through Smith Barney and Citigroup's Private Bank. Certainly, one of the great lessons from the history of this franchise is the importance of long-run focus and acting today to be effectively positioned for the years ahead.

I believe that Citigroup is well equipped to meet its challenges, fulfill its responsibilities, and realize its opportunities, now and over time. But with all that has been accomplished, every day is a new day and those challenges must be met anew. Clearly, Citigroup must meet its regulatory responsibilities in full. In any institution, however, problems will occur from time to time, and the key then is to respond quickly and effectively and take steps to minimize the incidence of such problems in the future. In all these regards, great time, energy, and thought have been devoted to having Citigroup on the right track.

To sum up, I believe this institution has a bright future. Our opportunity is, in effect, to realize the cumulative potential of the history of this franchise. That, in turn, will take a dedicated commitment on the part of all the men and women of Citigroup to the principles, culture, values, responsibilities, and opportunities embedded in that history. Meeting these challenges will not be easy, but I believe that Citigroup is moving thoughtfully and effectively to realize its great potential.



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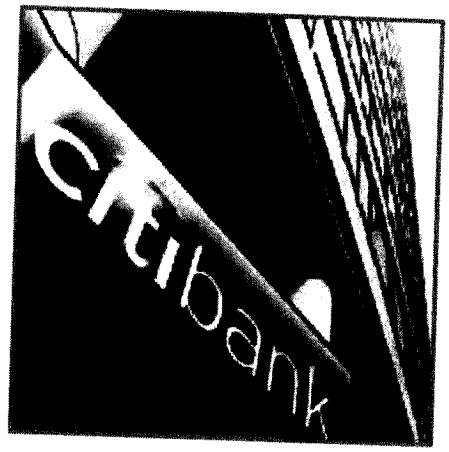

We've provided capital, protected families, grown assets...for nearly two centuries. >>

Clockwise from upper left: >> This chromo was produced in 1870 of a barefoot boy holding an umbrella as a symbol of protection and reading *The Travelers Record*, with the headline "American Adventure Insured" >> A modern-day Citibank branch logo >> The red umbrella, the symbol of the most successful company in the history of financial services

>> Global Consumer Group

At the Global Consumer Group (GCG), we care about our customers. We listen to them and think about them every day. By focusing on our customers and providing them with all the products and services they need, we build strong, deep relationships. And through our unrivaled distribution network and dedicated workforce, we met the needs of 200 million customer accounts last year, providing financial solutions around the globe and across the financial spectrum.

Whatever our customers want, wherever they are, the GCG has a financial solution and a way to reach them. Whether providing recent U.S. immigrants with their first checking account through our Access Account product, launching a credit card in China with Shanghai Pudong Development Bank or opening our first branch in St. Petersburg, Russia, the GCG continued to build its world-class franchise to deliver results now and into the future.

As a result, our consumer business has continued to deliver sustained growth and record earnings year after year, across economic cycles. In 2004, revenue increased 15 percent, net income rose 24 percent and volumes grew across the board. This performance is a credit to our brand, global footprint, customer-focused culture, innovative products and services, and long history.

CONTINUOUS GROWTH, TODAY AND TOMORROW

Organic growth—focusing on new customers, reaching into new geographies, increasing revenue—is one of the keys to our success. With that in mind, we made a major effort to improve and grow our channels of distribution, expanding to more markets in 2004 to reach the customer.

Our Consumer Finance business offers a great example. In 2004, we increased or opened branches in a number of countries, including India, Poland, and Brazil. In the Europe, Middle East, and Africa region, we opened 65 branches and added 70,000 customers, while in Mexico, Canada, and the United States, we added more than 300 branches. The business also expanded its distribution network by 30 percent in Latin America and launched businesses in Australia, Indonesia, and Thailand.

This growth in our distribution platform is critical. As the world's population continues to grow and move into the middle class, Citigroup is uniquely positioned to serve its needs. No financial company can match our international platform. And because the financial services industry is fragmented—our share of the non-U.S. market is roughly two percent—we see an unparalleled opportunity to take advantage of these demographic trends and gain share. As a result, we are expanding our footprint in places like Poland, Russia, India, China, Brazil, and Mexico.

For example, in Brazil all three of our businesses—Cards, Retail Banking, and Consumer Finance—are growing. The Consumer Finance business opened 19 branches while Citibank opened eight. We also increased our ownership stake to 50 percent in Brazil's Credicard Group. And while two years ago we had little presence in Russia, today our businesses are making major inroads. After launching in November 2003, Cards grew accounts twelvefold in Russia last year, while Retail Banking boosted customer accounts from just above 70,000 to some 500,000.

The GCG also continued to build the business through smart, strategic acquisitions. We purchased Principal Residential Mortgage, one of the largest independent mortgage servicers in the United States, and KorAm Bank, our largest-ever Asian investment with 223 branches in Korea.

OPP006803

>> We also agreed to purchase—subject to regulatory approval—First American Bank, a $3.5 billion asset bank with a strong commercial presence and more than 100 branches in Texas. In addition, we completed the integration of Washington Mutual Finance Corp. and continued integrating the Sears and The Home Depot Credit Card portfolios.

THE BRAND

Our brand is our contract with the customer, and we are building and communicating it consistently around the world. In 2004, our branding effort resonated with consumers, leading *Interbrand* to rank Citibank as the world's leading brand in financial services and #13 among all companies. In addition, one of our Citi Identity Theft Solutions spots won an Emmy award for outstanding television commercial in the United States.

With our brand success comes opportunity: We are the world's largest card provider, the world's largest community-based lender and, in fact, the world's largest consumer company—bar none. Citibank remained Asia's #1 financial services brand and the leading credit card provider and wealth manager to affluent clients. Citibank is also the leading credit card provider in Hungary, Pakistan, United Arab Emirates, Egypt, and Poland, where the bank issued its 500,000th credit card in May 2004.

WORLD-CLASS PRODUCTS AND SERVICES

We strive to be the provider of choice, which means listening to our customers and giving them the products and services they want and need.

Our Citipro financial analysis tool allows us to customize our financial solutions for each customer, while our award-winning online banking and bill payment service gives customers the freedom and flexibility to bank the way they want, when they want. And, through groundbreaking products such as the Access Account, Citibank brought thousands of lower-income consumers into the financial mainstream in 2004.

Our Cards business introduced several innovative products in the United States in 2004, including Citi PremierPass card, which offers easy ways to acquire points and redeem them; a new CitiBusiness card to help growing businesses; and the ThankYou Redemptions Network, through which cardholders redeem accumulated points for meaningful rewards. In Asia, we introduced new cards such as Citibank Ultima at the top end of the market and the region's first dedicated cash back card.

In North America, our Consumer Finance business, led by a host of new, innovative products and industry-leading lending practices, boosted earnings and increased customers. In Japan, we opened more automated loan machines and enhanced our Internet and phone sales channels to make it easier for clients to reach us.

OPP006804

In the Asia Pacific region, our Consumer Finance business gained more than one million customers in 2004, while CitiGold Wealth Management acquired more customers in 2004 than the previous two years combined.

HISTORY

At Citigroup, we are proud of our rich history, which dates back to 1812. In 2004, we celebrated 100 years in Panama, 90 years in Argentina, and 75 years in Colombia.

Our past gives us vision and strength, expectations and opportunity. It also gives us a tremendous advantage in one of the world's most competitive industries. We must keep our business moving forward by continuing to offer customers the best and most innovative products and services, and maintaining our unmatched worldwide distribution system.

MAKING OUR COMMUNITIES BETTER

In communities where our employees and customers live and work, we provide solutions and benefits to help make life better. We strive to make a positive difference through community development, mortgage lending, financial education, and a range of products and services that help our customers take a healthy approach to money.

For example, the first year of our $200 billion, decade-long commitment to affordable housing got off to a great start. By the end of 2004, we had lent $67 billion of this commitment. We also announced an agreement with the Association of Community Organizations for Reform Now (ACORN) to provide affordable lending and financial education to its members, which was similar to our agreements with the Neighborhood Assistance Corporation of America and the National Training and Information Center. In addition, Citibank Community Development closed more than $1.5 billion in lending in the United States last year, helping create some 10,000 affordable housing units for low- to moderate-income families. These funds also benefited nearly 50 retail businesses and communities.

Overall, our business model helps us deliver results on a consistent basis and achieve our growth objectives. We are the best in the industry in managing and growing a Cards business, a Consumer Finance business, and a Retail Banking franchise, all on a global stage. We are building the GCG for the future, for the franchise, and it's being done customer by customer, all over the globe.

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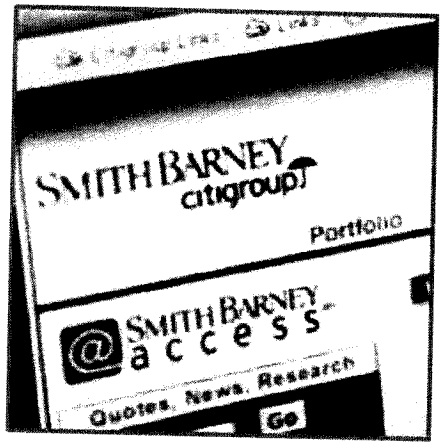

We've been there from the beginning: On the ground. In the air. Online. >>

Clockwise from upper left: >> Our Harbin branch in northern China in the 1920s >> This 1957 painting, titled "Jet Aviation" by Robert Hallock, and published in *Fortune* magazine, was part of an ad campaign recognizing our financial support for developing faster and safer air travel, including the jet engine >> Smith Barney access: our award-winning Private Client web site

>> Corporate and Investment Banking

Our Corporate and Investment Banking (CIB) business achieves the extraordinary for our clients around the world. No financial institution is more committed to advancing client goals—our diverse and talented staff in approximately 100 countries advises companies, governments, and institutions on the best way to realize their strategic objectives. We know our clients and their markets—we've been in many countries for 100 years and have helped to shape, develop, and grow the economies and infrastructures in many of the locations where we have a presence.

No capital markets and investment banking franchise has a broader global reach or is more innovative: We create solutions for and provide the broadest possible capital market access to thousands of issuers and investor clients. And no institution better executes the increasingly complex payment and cash management solutions required in today's global economy.

ALIGNMENT WITH CLIENT NEEDS

In 2004, we continued to hone our ability to provide clients with best-in-class products, services, and execution. To support this objective, we reorganized our business into three groups: Global Banking, Global Capital Markets, and Global Transaction Services. This new structure created a more adaptable, client-focused organization—one that is better able to leverage our product breadth and geographic scope, and more disciplined in aligning resources with our clients' needs.

Over the last several years, clients have embraced the advantages of working with a truly unified corporate and investment bank. This new structure has enhanced our ability to respond to our clients' needs and enables us to provide them with even more comprehensive solutions based on a complete global understanding and appreciation of their unique circumstances.

INVESTING IN THE BUSINESS

In 2004, we invested further in our business to better meet client objectives, expand our product capabilities, and grow our market share. Our acquisition of KorAm Bank, the sixth-largest commercial bank in Korea, strengthened our ability to serve domestic and international corporate clients. The combined businesses of Citigroup and KorAm now constitute the fifth-largest financial business in Korea—based on revenues—and added 30,000 corporate clients to our corporate banking business there.

In equities, we continued to strengthen our execution and product capabilities by acquiring Lava Trading, the leader in electronic execution and sell-side order management systems. With Lava Trading, we now offer institutional clients the benefits of the most sophisticated and robust electronic trading system in the market, with technology that complements and enhances our existing platforms and product suites.

We also acquired the derivative markets business of Knight Trading Group, the second-largest provider of options execution and a specialist in approximately 500 option classes. The acquisition expands our derivatives capabilities, adds significant scale to our U.S. equities business, and provides us with top-tier market-making and order-routing capabilities, helping us meet our clients' growing demand for derivative products and execution.

OPP006807

>> Our Global Transaction Services (GTS) business announced the acquisition of ABN Amro's domestic custody and clearing and fund services businesses in eight European and Asian markets, including its award-winning Dutch custody businesses. GTS, a leader in domestic and cross-border transaction services, was the top-ranked global custodian by *Institutional Investor* for the third straight year and increased assets under custody and trust from $6.4 trillion to $7.9 trillion. GTS's new product line, Fund Services, was recognized as best in class for Mutual Fund Administration and Hedge Fund Administration in Bermuda, one of the world's key hubs for offshore hedge funds.

DELIVERING FOR CLIENTS

Our leading market position reflects one of our most enduring strengths: We deliver solutions to clients in all market environments. Over the last four years, client needs have shifted in the face of changing market realities and economic trends. In 2000 and 2001, we provided a number of innovative solutions for clients facing capital constraints and credit issues. And as growth has returned over the last year and a half, we advised on and executed some of the most significant transactions of 2004.

A few highlights include:

In 2004, Citigroup advised Cemex, one of Mexico's leading companies, on its cross-border acquisition of RMC in the United Kingdom and served as joint bookrunner in structuring its $5.3 billion global multicurrency facility. The largest acquisition facility ever structured in Latin America, the transaction enabled Cemex to enhance its position across the cement industry value chain, reduce its cost of capital, and create opportunity through cost cutting and efficiency gains related to the implementation of its best practices.

We advised on the proposals to unify Royal Dutch Petroleum and Shell Transport and Trading under one new parent company, creating a single $190 billion listed global oil major, Royal Dutch Shell plc. Implementation of these proposals is set to simplify the management and governance to the benefit of both Royal Dutch and Shell shareholders.

In Asia, we advised the Westfield Group of Australia on the merger of three global property trusts valued at A$34 billion; acted as lead arranger and bookrunner on a US$2.25 billion bridge facility and a US$4 billion multicurrency merger facility; and served as bookrunner on the inaugural US$2.6 billion bond offering, the largest U.S. dollar borrowing for an Australian corporation. These transactions increased the company's access to capital by tapping the U.S. bond market and reduced the cost of funding by accessing lower-cost capital in the United States.

OPP006808

Our reputation for creating unique solutions was a key factor when British Petroleum and the government of Azerbaijan selected GTS to advise them during the construction of a transnational pipeline. We enabled automated payments to vendors and suppliers across the globe, in local currencies, without requiring the development of a new, complex banking infrastructure.

The Republic of Colombia selected Citigroup as the sole lead manager for its March 2010 Colombian peso currency bond offering, the first major sovereign issuance of local currency securities in the international marketplace. This transaction allowed Colombia to reduce the foreign exchange risk of its international borrowing program, broaden its investor base, and create price tension in its domestic securities market, resulting in a sharp reduction in its domestic interest rates.

LEADING THE PACK

The results of our efforts are indisputable, both in terms of our income and rankings. We earned $2.04 billion in net income in 2004 (including a $378 million after-tax gain on the sale of Samba and the $4.95 billion after-tax WorldCom and Litigation Reserve Charge), down from $5.37 billion a year ago. We increased revenues by nine percent during 2004. In the 4th quarter of 2004, we ranked #1 in every major global product category in which we compete: investment-grade debt, high-yield debt, equities, and announced mergers and acquisitions.

For the full year, we ranked #1 in combined debt and equity underwriting; #1 in investment-grade debt; #1 in high-yield debt; #2 in loans; #3 in equities; and #3 in announced mergers and acquisitions. We ranked #1 in 12 out of 25 categories, a result that underscores our expertise in the products and services we offer our clients. Our Capital Markets and Banking businesses grew net income to $5.40 billion in 2004, from $4.64 billion in 2003.

Additionally, over the last year, our Global Transaction Services business increased net income by 40 percent to $1.04 billion, increased revenue by 13 percent in the last year to more than $4 billion, and was recognized as having the top-ranked cash management bank globally and the best corporate/institutional Internet bank for the third straight year.

We thank our employees for their continued dedication to our business and for making 2004 so successful. We enter 2005 firmly focused on our strategic objectives and the long-term interests of our clients.

OPP006809

We've always focused on the needs of our clients. >>

Clockwise from upper left: >> Not even the firebombing of our offices at Old Broad Street in 1940 could deter our bankers from serving their clients during the London blitzkrieg **>>** Florence Spencer, an assistant Chief Clerk at National City Bank, organized the women at our main branch in New York City to take over the duties of their male colleagues who were drafted during World War I **>>** An Asset Management portfolio manager at work

>> Global Wealth Management

The Global Wealth Management segment was formed in 2004. Comprised of Smith Barney Global Equity Research, Smith Barney Global Private Client Group, and the Citigroup Private Bank, it is a key part of the Citigroup family and a powerful force in global wealth management.

By combining the strengths of these three highly respected businesses, we have created an even stronger industry competitor able to build on its scale, strength, and experience to maximize Citigroup's ability to meet the complex wealth management needs of a diverse client base.

SMITH BARNEY GLOBAL EQUITY RESEARCH

In product and practice, Global Equity Research made great strides in 2004. Building on the strengthening of our culture in 2003 to emphasize quality, proprietary research, accuracy of stock picks, and superior client service, Research continued to raise the bar in 2004.

On the product front, Research focused on expanding global investment advice with a number of new products and services, especially a new flagship publication called the *Global Portfolio Strategist*, which focuses on our most actionable investment ideas while putting regional analysis in a cross-border or international context. Research also launched a central repository for historical and forecasted financial statements for its coverage universe, which provides clients with richer financial data in a user-friendly, standardized format.

With a continuing focus on independence, we expanded coverage to include 2,600 stocks, representing approximately 90 percent of the market capitalization of major global indices. Coverage of the Dow Jones Global Titans 50 increased to 90 percent. The business selectively recruited a number of respected analysts around the world to support the broadened coverage.

Global Equity Research again had strong stock-picking performance. The U.S. Top Picks list outpaced its benchmarks for the second consecutive year, advancing nearly 19 percent on a total return basis, compared with an 8.87 percent gain for the S&P 500 and 9.76 percent for the Russell 3000 for the same period.

SMITH BARNEY GLOBAL PRIVATE CLIENT GROUP

In 2004, Smith Barney deepened its focus on the lifestyle needs and financial goals of clients, realizing that, as wealth grows, these issues become increasingly intertwined. To add value, the Private Client Group introduced a broad range of innovative investment strategies, while leveraging the breadth of resources across Citigroup to enhance the service experience of its growing client base.

The Private Client Group continued to support its Financial Consultants in developing wealth management teams that work together to deliver a broad range of advice and services. More robust credit and lending programs were integrated into its wealth management platform and Smith Barney continued to invest in its people via advanced professional programs. To support a growing high-net-worth client base, Smith Barney also introduced additional Financial Planning Centers across the United States, which provide a range of wealth management services, including estate planning, trust, and philanthropic services.

In 2005, we will continue to strengthen our client service culture with the introduction of Smith Barney Accel, a client recognition program with many features, one of which is to provide clients with greater access to funds in their Financial Management Accounts at Citibank branches across the country. Further leveraging the Citigroup platform, Smith Barney will introduce clients to the Citigroup Chairman Card, a high-end credit card offering with impressive features and benefits for the most discerning card users.

The Private Client Group continued to lead the industry with a 22 percent pretax profit margin, and reported $6.47 billion in total revenues. Fee-based revenues increased to $3.42 billion, and assets under fee-based management rose 15 percent over the previous year to $240 billion. This strong growth was underscored by an increase in total client assets, which grew to a record high of nearly $1.2 trillion.

THE CITIGROUP PRIVATE BANK

The Citigroup Private Bank (CPB) is one of the largest private banking businesses in the world, providing personalized wealth management services to some of the world's most influential entrepreneurs and families.

In 2004, the CPB offered a full range of portfolio management and investment advisory services as well as an array of structured lending and banking services. The business provided its clients with access to the global product and service capabilities of Citigroup, while maintaining an open architecture in its product offerings. Private Bankers served as trusted advisors creating individual solutions for unique client needs.

The CPB also offers a unique proprietary asset allocation system that provides a greater depth of portfolio analysis with high-quality allocation strategies and specialized access to institutional capital markets and investment opportunities worldwide.

Not all the news was good. The CPB was sanctioned by the Japanese regulatory agency, the FSA, for improper conduct. As a result of that sanction, the Japan Private Bank was ordered to discontinue operations by the end of September 2005. This event has had a major impact on how the CPB operates its business globally and management changes were immediately made. The CPB is working closely with Japanese regulators to resolve outstanding issues. The CPB is committed to serving its clients with the highest levels of professional integrity and fully respecting the rules and regulations of the countries in which we serve those clients.

As part of the newly formed Global Wealth Management segment, the CPB now has greater access to the breadth of products and expertise available through the Smith Barney Private Client Group and Smith Barney Equity Research. This access will add enormous value to client offerings, further enabling the CPB to provide clients with top-tier solutions to their unique financial needs.

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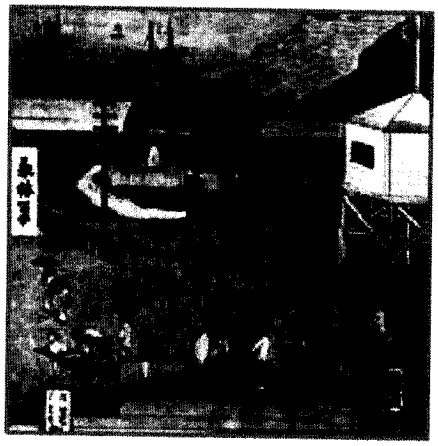

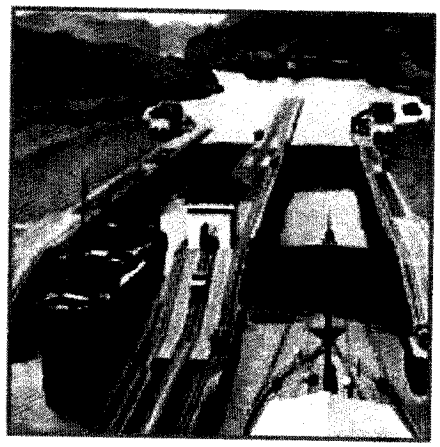

We've moved economies. Linked oceans. Given of ourselves. >>

Clockwise from upper left: >> Artist's illustration of the opening in 1872 of the Yokohama-Shinbashi railroad, a project financed by Schroders, which helped begin the modernization of Japan **>>** In 1915, our International Banking Corporation served as the first depository of official funds for the Panama Canal. The Canal is depicted in this 1946 painting by Charles Sheeler **>>** Citigroup volunteers, including Marge Magner, our Global Consumer Group Chairman & CEO, and Maura Markus, President, Citibanking, Retail Distribution Group, worked in Puebla, Mexico in 2004 building homes for the poor through the Habitat for Humanity Jimmy Carter Work Project

>> Global Investment Management

Global Investment Management (GIM) is a leading provider of life insurance and asset management products and services to institutional, high-net-worth, and retail clients around the world.

Note: As the year 2005 began, we announced an agreement for the sale of Citigroup's Travelers Life & Annuity, and substantially all of Citigroup's international insurance businesses, to MetLife for $11.5 billion, subject to closing adjustments.

ASSET MANAGEMENT

As financial markets posted decent gains in 2004, our asset management business generated $10 billion in net flows, offset by the transfer of the $36 billion Travelers Property and Casualty contract to St. Paul Travelers. We ended 2004 with $514 billion in assets under management, essentially flat to 2003.

Our net income in 2004 was $238 million, down 27 percent from 2003. This included $151 million in settlement expenses. Excluding these charges, net income was $389 million, up 20 percent. Much of this improvement was due to the equity markets, strong cumulative net flows, and reduced losses in our Retirement Services business in Argentina.

Citigroup Asset Management's (CAM) performance in 2004 across a range of investment disciplines was strong. As of December 2004, a total of 33 Smith Barney and Salomon Brothers funds earned four- and five-star overall ratings from Morningstar, a leading independent fund-rating agency.

Our U.S. Retail and High-Net-Worth business grew assets under management in 2004 to $199 billion, capturing nearly $9 billion in long-term net flows. CAM remained the dominant firm in the separately managed accounts industry (Cerulli Associates, Sept. 2004), and a top-ten manager of U.S. mutual funds based on assets under management (Simfund, Jan. 2005). In addition, we increased our retail and variable annuity/subadvisory third-party business with flows of $3.7 billion and captured more than $2 billion in flows from the Citigroup Private Bank.

In the CAM Institutional business, total assets under management increased to $185 billion in 2004, driven by strong inflows into liquidity products. The business experienced continued strength in fixed-income products, including subadvising the largest mutual fund in Japan. On the other hand, the contributions were offset by some client departures following Citigroup's decision to close Cititrust Japan's operations.

Our Banamex Asset Management businesses hold leading positions in Mexico with a combined market share of 20 percent and $19 billion in assets under management. Banamex Afore provides investment management services to more than 5.8 million participants.

CitiStreet, a 50/50 joint venture of Citigroup and State Street, is one of the largest global benefits delivery firms, serving more than nine million benefit plan participants. The business ended 2004 with $209 billion in assets in the U.S. and with $9 billion in assets overseas. Our Retirement Services businesses continued to position themselves to capitalize on opportunities presented as the baby-boom generation nears retirement.

LIFE INSURANCE & ANNUITIES

Life Insurance & Annuities (LI&A) generated record, double-digit volume growth across all product lines in 2004, reaching a milestone—we surpassed $1 billion in net income for the first time.

Domestically, Travelers Life & Annuity (TL&A) established several records. Our retail annuities account balances grew 12 percent to a record $38 billion. Individual life insurance also had a record-setting year as policyholder account balances increased 27 percent to $6 billion, with net life written premiums reaching a record level of $1.58 billion. Institutional annuities account balances grew 11 percent to $28 billion.

TL&A's success was due largely to increased sales penetration within Citigroup's distribution platforms, as well as our continued success in adding selling relationships with major firms outside Citigroup. TL&A experienced strong market share gains in all our key product lines. The individual life insurance business, primarily focused on sales to the upscale market, ranked #1 in total universal life insurance premiums, according to the most recent data from LIMRA, an independent insurance research organization.

Internationally, LI&A continued to make significant gains in developing our International Insurance Manufacturing (IIM) business, Citigroup's non-U.S. life insurance and annuities platform. In 2004, IIM annuity account balances doubled to $10 billion while life volume also doubled to $1.4 billion.

The Japanese joint venture with Mitsui Sumitomo Insurance achieved a record $4.2 billion in variable annuity sales in 2004, a 59 percent increase over the prior year. IIM's Seguros Banamex became one of the top individual life insurance companies in Mexico. In 2004, Banamex's variable universal life sales totaled $512.5 million, more than double those of 2003.

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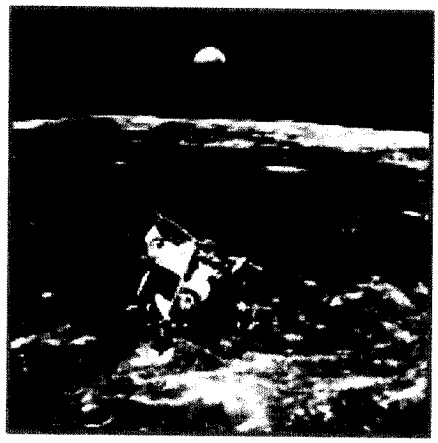


We've served clients from the Far East to the vast reaches of outer space. >>

Clockwise from upper left: >> Our International Banking Corporation office staff in Rangoon, circa 1920 >> A basket-weaving business in Vietnam begins with a Citigroup-supported microfinance loan >> The Apollo 11 spaceship, whose astronauts were insured by Travelers

>> Global Community

For more than 100 years and in more than 100 countries, Citigroup has played an important role in helping people achieve their goals and lead productive lives.

We believe we lived up to that commitment in 2004. Citigroup was reaffirmed as a component of the Dow Jones Sustainability World Index for 2005, which recognizes companies in the top 10 percent in terms of environmental, social, and economic performance. We also were included once again on the FTSE4Good Index for having met specific criteria relating to environmental sustainability, corporate citizenship, shareholder returns, and support of human rights.

MICROFINANCE

For nearly 40 years, Citigroup has been a leading advocate of microfinance by providing access to credit to poor individuals and families. This aligns perfectly with our goal to expand access to financial resources. In 2004, we formed Global Microfinance, a business group focused on developing financial products and services for microfinance institutions (MFIs). Among Global Microfinance's first transactions was a bond issue by Citigroup/Banamex that will enable Financiera Compartamos, a leading Mexican MFI, to serve one million clients by 2008.

The Citigroup Foundation targets its grantmaking to microfinance programs focused on developing human resources and helping MFIs expand their reach. It is also a major supporter of the United Nations' Year of Microcredit 2005 initiative, which recognizes microfinance's contribution to alleviating global poverty.

BUSINESS INITIATIVES

In 2004, our total U.S. community investment exceeded $28 billion. To help ensure that money is available to low- and moderate-income families in the U.S. who want to purchase a home, in 2003 Citigroup committed to making $200 billion available for affordable mortgage lending through 2010. To date, we have already lent $67 billion of the total commitment. Also in 2004, Citigroup underwrote 168 environmentally beneficial projects in the U.S. totaling more than $12.9 billion.

In addition, Citigroup Venture Capital International made a $23 million investment in Suzlon, a wind energy converter global manufacturing firm in India. This was our first investment made through Citigroup's new Sustainable Development Investment Program.

Citigroup in 2004 marked the first anniversary of the Equator Principles—voluntary guidelines based on World Bank and International Finance Corporation policies to evaluate environmental and social risks related to projects we finance. To ensure implementation of these principles and our enhanced Environmental and Social Risk Management (ESRM) Policy, we revised our risk policies, incorporated environmental and social risks into our standard risk training, and hired a new ESRM Director to lead our efforts.

FINANCIAL EDUCATION

Citigroup and the Citigroup Foundation made a 10-year, $200 million global commitment to support financial education and established an Office of Financial Education. The Office works with our businesses to support and implement initiatives that help individuals, families, and institutions make sound financial decisions. In 2004, more than $22 million was invested in financial education programs.

One of our broadest financial education initiatives was developed in partnership with Junior Achievement (JA). In 2004, the Citigroup Foundation made grants totaling more than $2.4 million to support JA programs in 46 countries, including the U.S., where we made 33 grants in 19 states.

Among Citigroup's many U.S. programs is "Get Smart About Credit," developed with the American Bankers Association. This year more than 200 of our employees taught credit management lessons to 5,000 teens and young adults in 40 U.S. cities.

EDUCATING THE NEXT GENERATION

In 2004, the Citigroup Foundation provided $21.6 million in grants in 42 countries and territories to prepare the next generation for personal and professional success. Funded programs encourage early literacy, develop quality teachers, build skills of low-performing students, enhance student creativity, and increase access to higher education for underrepresented populations.

PHILANTHROPIC GIVING AND VOLUNTEERISM

Total philanthropic giving in 2004 from the Citigroup Foundation and our businesses combined exceeded $111 million. One of our largest grant-supported partners is Habitat for Humanity International, for which Citigroup and Banamex served as lead sponsors of the Jimmy Carter Work Project for 2004. Citigroup President and Chief Operating Officer Bob Willumstad led more than 40 employees in building homes for families in Puebla, Mexico.

In 2004, we also introduced a new program giving employees a paid day off to volunteer at an eligible nonprofit organization of their choice. Citigroup employees have a long tradition of volunteerism and it is our intention to continue to strengthen and support that.

OPP006815

>> Recognition

In 2004, Citigroup was again recognized by independent organizations, the media, and investors as the best in the industry. Following is a sampling of this recognition:

ACADEMY OF TELEVISION ARTS AND SCIENCES (EMMY)
Outstanding commerical, Citi Identity Theft Solutions "Outfit"

ASIAMONEY
Best Overall Corporate FX Bank
Best Commodities Derivatives Structured Product Bank
Best Cross-Border Cash Management Bank in Asia
Best Cash Management and Trade Finance House in Japan

ASIA RISK
Forex Derivatives House of the Year 2004

THE ASSET
Best Bank
Best Debt House
Best Bond House
Best Loan House
Best Depository Receipt Bank in Asia
Best Cash Management Bank in Asia
Best Cash Management Specialist–Corporate

THE BANKER
Best Securitisation House
Project Finance House of the Year

BUSINESS BARRONS
Best Foreign Bank in India

CHINA MONEY
Best International Bank

CORPORATE INSIGHT INC.
Citibank.com Online Banking, Four Gold Medals

CORPORATE FINANCE
Best FX Bank

DALBAR
Smith Barney Fund Family Ranked #1 in Quality of Communications and Excellent in Investment Management
Travelers Life & Annuity Awarded DALBAR Seal of Excellence for Its Variable Life and Variable Annuity Quarterly Statements

EUROWEEK
MTN Issuing and Paying Agent of the Year

EUROMONEY
Best Private Bank in U.S.
Best Bank in Asia, Mexico
Best Bank for International Cash Management
Best Cash Management Bank in Asia, Latin America, Emerging Europe
Best Provider of Structured Products (Citigroup Private Bank)
Best Provider for FX (Citigroup Private Bank)
Best Overall in Capital Raising
Best Loan House in Emerging Europe
Best M&A House in Emerging Europe
Key Relationship FX Bank
Most Innovative Approach to FX Business
Best Investor Services in Asia
Most Preferred International Bank, China CFO Survey
Best Issuing and Paying Agent
Best Website for Cash Management
Best Payments Bank in Asia, Latin America, and Emerging Europe
Best Transaction Services Bank in Latin America, Asia, and Emerging Europe
Best at Risk Management in Emerging Europe
Best Bond House in U.S.
Best Debt House in Latin America
Best Equities House in Mexico

FINANCE ASIA
Best Bank in Asia
Best Cash Management in Asia

FORBES.COM
Best of the Web in Financial Services Category B2B Directory

GLOBAL CUSTODIAN
Best Prime Broker in Class in Client Service (Clients With More Than $1 Billion)
Best in Class for Mutual Fund Administration
Best in Class for Hedge Fund Administration in Bermuda

GLOBAL FINANCE
Best Investment Bank
Best Equity Bank
Best Debt Bank
Best Overall Bank for Cash Management
Best Corporate/Institutional Internet Bank
Best Corporate/Institutional Internet Bank Latin America, North America
Best Industrials/Chemicals Investment Bank
Best Telecom Investment Bank
Best Technology Investment Bank
Best Western Europe, Latin America, Asia, Middle East/Africa, Central and Eastern Europe Investment Bank
Best North America and Latin America Debt Bank
Best Latin America Equity Bank
Best Online Cash Management Bank in Asia, Latin America and EMEA
Best Middle East/Africa M&A Bank
Best Equity Derivatives Provider
Best Corporate/Institutional Integrated Website
Best FX Derivatives Provider
Best Bank for Cross-Border Pooling and Netting in Asia, Latin America, and Middle East/Africa
Best Trade Finance Bank
Best Overall Bank for Cash Management in Latin America
Best Bank for Liquidity/Working Capital Management in Latin America
Best Provider of Outsourced Treasury Solutions
Best Foreign Exchange Bank in Latin America
Best Provider of Money Market Funds
Best Trade Finance Bank in the Americas, Mexico

GLOBAL INVESTOR
Best Global Custodian in Asia (unweighted)

IFR
Global Bond House
European Securitisation House
U.S. High-Yield Bond House
Emerging Market, EEMEA & Latin America Bond House
EEMEA Emerging Market Loan House

IFR ASIA
Bank of the Year
Best Bond House
Best Loan House

IMONEYNET
Citigroup Asset Management Named #1 Money Fund Manager for Sterling and Joint #1 for the Euro

INSTITUTIONAL INVESTOR
World's Largest Global Custodian
#1 Municipal Securities Trading & Sales by Volume
Best U.S. Cash Equity Execution Trading & Sales by Volume

JANE'S TRANSPORT FINANCE
Shipping House of the Year

LATIN FINANCE
Six Deals of the Year

PROFIT AND LOSS
Best Digital FX

PUBLIC RELATIONS SOCIETY OF AMERICA
Citi Cards Received 2004 Bronze Anvil for Media Relations

TREASURY MANAGEMENT INTERNATIONAL
Best Global Bank
Best e-Commerce Bank
Best Cash Management Bank in North America

TREASURY & RISK MANAGEMENT
Best International Cash Management

USA TODAY
Smith Barney Fund Was Named as One of 2004 All-Star Funds in Multicap Growth Category

WATCHFIRE GÓMEZPRO
#1 Full-Service Brokerage Website (Smith Barney)

WORKING MOTHER
100 Best Companies for Working Mothers

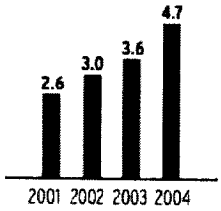
>> 9 Key Product Lines

Citigroup focuses on nine distinct product lines operating within four business groups—Global Consumer Group, Global Wealth Management, Corporate and Investment Banking, and Global Investment Management. For a breakdown of our revenues by region, see page 28. Below you will find financial results for each of the nine product lines—net income and a key indicator of the health of that business—along with highlights.

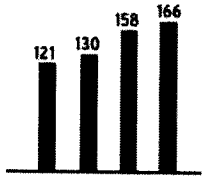
GLOBAL CONSUMER GROUP

CARDS

Net Income ($B)



End of Period Managed Loans ($B)

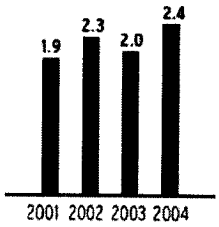


HIGHLIGHTS

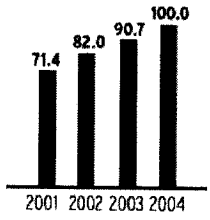
- Citi Cards North America introduced the ThankYou Redemptions Network℠ enabling members to earn and redeem points for meaningful rewards.
- Diners Club and MasterCard agreed to provide enhanced global acceptance to Diners Club North America cardmembers and enhanced U.S. and Canadian acceptance to Diners Club International cardmembers.
- Cards in Asia launched the region's first dedicated cash back card.

CONSUMER FINANCE

Net Income ($B)



Average Loans ($B)

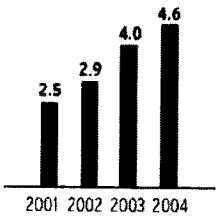


HIGHLIGHTS

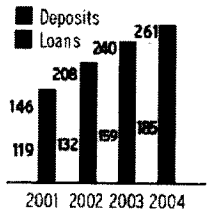
- Launched a major branding and marketing campaign, agreeing to associate-sponsorship deals with two NASCAR Nextel Cup cars.
- Announced a landmark agreement with the Association of Community Organizations for Reform Now (ACORN) to promote homeownership, increase the availability of affordable credit, and expand financial education.
- Completed acquisition of Washington Mutual Finance Corp., adding more than 400 branches and $4 billion in assets.

RETAIL BANKING

Net Income ($B)



Retail Banking ($B)



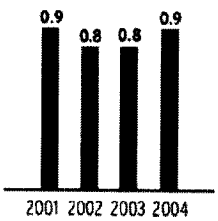
HIGHLIGHTS

- Citibank completed the acquisition of KorAm Bank in South Korea, adding 223 branches and $16 billion in assets ($37 billion across all businesses).
- Citibank continued to build on the highly successful financial needs check-up, Citipro, performing 235,000 check-ups in 2004, an increase of 18 percent over 2003.
- CitiCapital divested its North American Transportation Finance business in the United States and Vendor Finance business in Western Europe to focus resources on business lines with stronger growth potential.

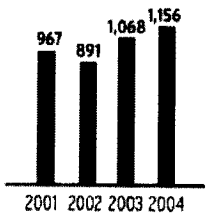
GLOBAL WEALTH MANAGEMENT

SMITH BARNEY

Net Income ($B)



Total Client Assets ($B)



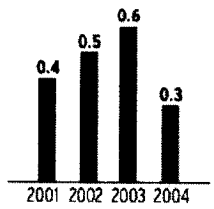
HIGHLIGHTS

- Reached a record of nearly $1.2 trillion in client assets.
- Industry-leading 22 percent pretax profit margin.
- Realized total revenues of $6.47 billion, an 11 percent increase over 2003.

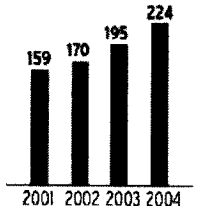
GLOBAL WEALTH MANAGEMENT

PRIVATE BANK

Net Income ($B)



Client Business Volumes ($B)



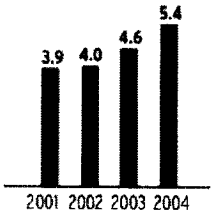
HIGHLIGHTS

- Client business volumes rose 15 percent to $224 billion, led by 26 percent growth in proprietary managed assets.
- Conducted global survey of ultra-affluent investors to gain a greater understanding of their unique financial needs to guide future product and service developments.
- Established partnership with Harvard, Stanford, and London School of Economics business schools to help develop the strategic and leadership skills of our employees.

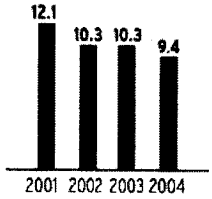
CORPORATE AND INVESTMENT BANKING

CAPITAL MARKETS & BANKING

Net Income ($B)



Global Underwriting Debt & Equity Market Share (%)

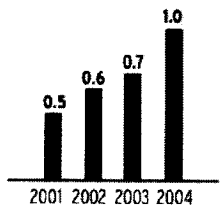


HIGHLIGHTS

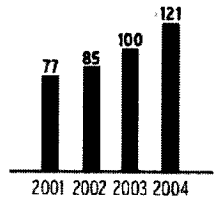
- First financial institution to end a quarter (4Q '04) with #1 rankings in all four major product categories: investment-grade debt, high-yield debt, equities, and announced mergers and acquisitions.
- Leading market share in every major product and #1 global underwriter by volume and fees.
- Announced global mergers and acquisitions volume up more than 110 percent year-over-year, nearly three times the market leader.

TRANSACTION SERVICES

Net Income ($B)



Liability Balances (average in billions)



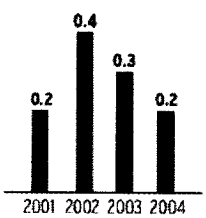
HIGHLIGHTS

- CitiDirect® Online Banking, the award-winning corporate banking platform available in 90 countries, processed more than 39 million transactions around the world.
- Announced the acquisition of ABN AMRO's custody and clearing and fund services businesses in eight European and Asian markets, including the Netherlands.
- Recognized as the world's largest global custodian by *Institutional Investor*.

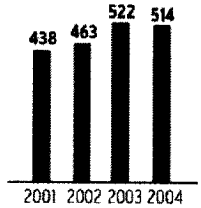
GLOBAL INVESTMENT MANAGEMENT

ASSET MANAGEMENT

Net Income ($B)



Assets Under Management ($B)

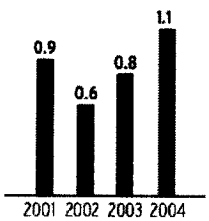


HIGHLIGHTS

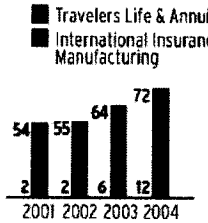
- Earned four- and five-star overall ratings from Morningstar (as of Dec. 2004) for 33 Smith Barney and Salomon Brothers funds.
- Captured $10 billion in net flows across our Retail, Institutional, and Private Bank clients. Maintained dominant, market-leading position in U.S. separately managed accounts (Cerulli Associates, Sept. 2004).
- Gained increasing penetration of non-Citigroup distribution channels, increasing assets under management in retail and variable annuity/subadvisory third-party channels by 29 percent.

LIFE INSURANCE & ANNUITIES

Net Income ($B)



Business Volumes ($B)



HIGHLIGHTS

- Reached $1 billion in net income for the first time.
- Record, double-digit volume growth in all five businesses, with market share growth domestically and increasing penetration internationally.
- Reached $4 billion in variable annuity sales in Japan, a 59 percent increase over 2003.

Citigroup today is the world's largest and most successful financial institution. We date back to 1812 and our history is in many ways the history of financial services from those early years to today. This year's Annual Report captures some of our legacy of achievement, innovation, and success. >>

We've built a global family over the years. >>

Clockwise from upper left: >> Bank Handlowy celebrates its 125th year of providing financial services to Poland >> One of our 223 KorAm branches in Korea >> Banamex brings ATM service to Mexico in the early 1980s

>> The Legacy of Citigroup

In 1812, our earliest ancestor—the City Bank of New York—was a small, conservative company struggling to earn its place in the financial world as a kind of credit union for its merchant-owners.

The bank almost immediately became involved in government financing. After a few missteps in the early years, it found its bearings and played a critical role in the overall development of banking.

Many of the companies that became part of Citigroup started in the 1800s. Schroders and the Farmers' Loan and Trust opened in 1818 and 1822, respectively. Travelers, Smith Barney, Bank Handlowy, Banamex, and Golden State Bancorp's predecessors were born late in the 19th century. The International Banking Corporation (IBC), Salomon Brothers, and The Associates sprang up in the early years of the 20th century.

OUR LEADERS

Citigroup's legacy companies prospered when steered by visionary leaders who took the long view. James Batterson of Travelers Insurance dreamed of bringing casualty coverage to North America. At Citibank, James Stillman envisioned a great domestic bank and Frank Vanderlip strove to take it international with a branch in every major port of call. Arthur, Percy, and Herbert Salomon began as money brokers who called on their clients every day. Walter Wriston and John Reed of Citicorp revolutionized consumer banking and made the ATM as basic a necessity as the telephone. And Sandy Weill brought it all together to create a new model for global financial services.

In the early days, as today, Citigroup's employees were often pioneers in their fields. At the IBC, Red Reed, legendary foreign-exchange trader, kept telephones everywhere, even conducting trades from his bathtub in Shanghai. Led by Florence Spencer, the women of National City Bank organized during World War I to fill the vacancies left by their drafted male colleagues.

In 1920s New York, National City Bank's Roger Steffan started the Personal Loan department to squelch loan sharking. Juan Sanchez's experience nursing loans at National City Bank during the Great Depression helped him save Colombian enterprises after the 1948 revolution. Similar to their IBC predecessors, returning World War II veterans would take only a suitcase and a general ledger and start a business for the bank anywhere in the world.

More recently, at Shearson Hayden Stone, Isabel Benham, railroad analyst, helped save entire companies when Penn Central went bankrupt. Salomon's Louis Ranieri was the world's mortgage-market pioneer, and John Meriwether helped create the derivatives market. Shearson's Murray Stephani created the first equity research department on Wall Street.

OUR FIRSTS

Product innovation and distribution have been hallmarks of Citigroup's legacy companies. Travelers pioneered auto, aircraft, group life, and "double indemnity" life insurance, and was the first to insure American astronauts. The Associates originated loans for Model T Fords, the first mass-market automobile. A Golden State Bancorp predecessor made the first GI Bill home loan to a World War II veteran. EAB predecessors pioneered Saturday banking hours and were the first to offer junior savings accounts. Banamex introduced ATMs, savings accounts, and personal lines of credit in Mexico.

Besides innovation, Citigroup has a history of expanding boundaries. Schroders was one of the first foreign banks in Japan and one of the first to finance the building of railroads there. Bank Handlowy was one of the few banks to support trade with pre-Soviet Russia and Western Europe. National City Bank was the first nationally chartered American bank to open branches overseas and to run a foreign exchange department. The merger of Chas. D. Barney & Co.'s brokerage house with Edward B. Smith Co.'s underwriting business in 1938 created an early full-service investment firm.

Citibank was the first U.S. bank to offer travelers checks, mutual funds, and negotiable certificates of deposit. And, of course, the merger of Travelers and Citicorp changed the landscape of the financial services industry forever.

National City Bank helped finance the first transatlantic cable in 1866 and the expansion of U.S. railroads. We eased trade, underwrote roadways, and electronically sped funds from one corner of the globe to another. We made the earliest foreign loans by financing railroads in Mexico, Central and South America, and Japan, and we helped launch fleets of jets and supertankers. We lent our funds and expertise to communities large and small. In the 1970s, we helped resolve New York's near-bankruptcy, provided trade financing to Korea during its oil crisis, and acted as a lifeline to Indonesia during its debt crisis.

Citigroup has a 200-year-old legacy of innovation and achievement. During those years, we have succeeded because we have taken the long view of our business. We expect to follow the same approach for centuries to come.

OPP006821

>> Citigroup at a Glance

Citigroup has unique strengths that set it apart from the competition and enable the company to grow even during difficult economic conditions.

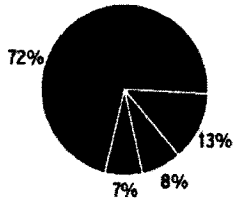
RECORD RESULTS >> continued focus on growth

	2004	2003
Net Income	$17.0 billion	$17.9 billion
Assets	$1.5 trillion	$1.3 trillion
Return on Common Equity	17.0%	19.8%
Stockholders' Equity[1]	$115.5 billion	$104.1 billion

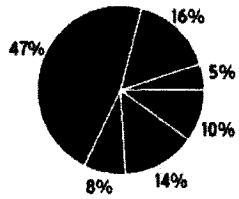
[1]and Trust Preferred Securities

Net Income	2004	2003
Global Consumer Group	$11.8 billion	$9.5 billion
Corporate and Investment Banking	$2.0 billion	$5.4 billion
Global Wealth Management	$1.2 billion	$1.3 billion
Global Investment Management	$1.3 billion	$1.1 billion

DIVERSIFICATION OF INCOME >> highly diversified base of earnings that enables Citigroup to thrive in difficult market conditions



% By Product*	
Global Consumer Group	72%
Corporate and Investment Banking	13%
Global Wealth Management	7%
Global Investment Management	8%

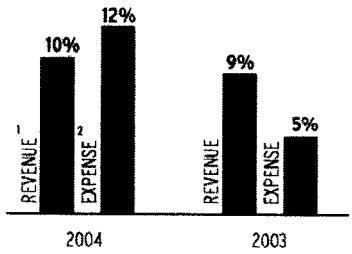


% By Region*	
North America	47%
Asia	16%
Japan	5%
Mexico	10%
EMEA	14%
Latin America	8%

*Excludes Proprietary Investment Activities and Corporate/Other

EXPENSE DISCIPLINE >> we spend money like it's our own

Revenue and Operating Expense Growth



[1]Excludes gain on sale of Samba
[2]Excludes WorldCom and Litigation Reserve Charge

CAPITAL STRENGTH >> Citigroup's equity strength[1] of $115.5 billion is a key to our ratings

	Moody's	S&P	Fitch
Citigroup	Aa1	AA-	AA+
Citibank	Aa1	AA	AA+
Citigroup Global Markets Holdings Inc.	Aa1	AA-	AA+
Travelers Insurance Company	Aa2	AA	AA

Ratings as of 1/31/05
[1]and Trust Preferred Securities

UNPARALLELED DISTRIBUTION >> largest distribution capacity of any financial services firm in the world; we serve 200 million customer accounts and do business in more than 100 countries through multiple channels:

citibank · Banamex · Smith Barney citigroup · citi

citifinancial · PRIMERICA A member of citigroup · citistreet A State Street and Citigroup Company · citigroup private bank

>> Financial Highlights

CITIGROUP NET INCOME—PRODUCT VIEW

In millions of dollars, except percentages and per-share amounts

	2004	2003	% Change
	SEGMENT INCOME		
GLOBAL CONSUMER GROUP			
Cards	$4,700	$3,590	31%
Consumer Finance	2,388	1,979	21
Retail Banking	4,628	4,046	14
Other[1]	95	(124)	NM
TOTAL GLOBAL CONSUMER GROUP	**11,811**	**9,491**	**24**
CORPORATE AND INVESTMENT BANKING			
Capital Markets & Banking	5,395	4,642	16
Transaction Services	1,041	745	40
Other[2]	(4,398)	(16)	NM
TOTAL CORPORATE AND INVESTMENT BANKING	**2,038**	**5,371**	**(62)**
GLOBAL WEALTH MANAGEMENT			
Smith Barney	881	792	11
Private Bank[3]	318	551	(42)
TOTAL GLOBAL WEALTH MANAGEMENT	**1,199**	**1,343**	**(11)**
GLOBAL INVESTMENT MANAGEMENT			
Life Insurance & Annuities	1,073	792	35
Asset Management	238	324	(27)
TOTAL GLOBAL INVESTMENT MANAGEMENT	**1,311**	**1,116**	**17**
PROPRIETARY INVESTMENT ACTIVITIES	743	366	NM
CORPORATE/OTHER	(56)	166	NM
NET INCOME	$17,046	$17,853	(5%)
DILUTED EPS	$3.26	$3.42	(5%)
NET REVENUE	$86,190	$77,442	11%
RETURN ON AVERAGE COMMON EQUITY	17.0%	19.8%	

[1] 2004 includes a $378 million after-tax gain related to the sale of Samba.

[2] 2004 includes a $378 million after-tax gain related to the sale of Samba and a $4.95 billion after-tax charge related to the WorldCom and Litigation Reserve Charge.

[3] 2004 includes a $244 million after-tax charge related to the exit plan implementation for the company's Private Bank operations in Japan.

NM—Not Meaningful

>> Leadership

BOARD OF DIRECTORS

C. Michael Armstrong
Retired Chairman, Hughes, AT&T and Comcast Corporation

Alain J.P. Belda
Chairman & CEO, Alcoa Inc.

George David
Chairman & CEO, United Technologies Corporation

Kenneth T. Derr
Chairman, Retired, Chevron Texaco Corporation

John M. Deutch
Institute Professor, Massachusetts Institute of Technology

Roberto Hernández Ramírez
Chairman, Banco Nacional de Mexico

Ann Dibble Jordan
Consultant

Dudley C. Mecum
Managing Director, Capricorn Holdings, LLC

Anne Mulcahy
Chairman & CEO, Xerox Corporation

Richard D. Parsons
Chairman & CEO, Time Warner Inc.

Andrall E. Pearson
Founding Chairman YUM!Brands, Inc.

Charles Prince*
CEO, Citigroup Inc.

Judith Rodin
President-Elect, Rockefeller Foundation

Robert E. Rubin*
Chairman, Executive Committee; Member, Office of the Chairman Citigroup Inc.

Franklin A. Thomas
Consultant, TFF Study Group

Sanford I. Weill
Chairman, Citigroup Inc.

Robert B. Willumstad*+
President & COO, Citigroup Inc.

HONORARY DIRECTOR
The Honorable Gerald R. Ford
Former President of the United States

CITIGROUP INTERNATIONAL ADVISORY BOARD

Mukesh D. Ambani
Chairman & Managing Director Reliance Industries Limited

Sir Peter Bonfield CBE FREng
Senior Non-Executive Director AstraZeneca PLC
Former Chief Executive British Telecommunications plc

Thierry Breton
Chairman & CEO
France Telecom

Michael A. Carpenter
Chairman & CEO
Citigroup Global Investments

John L. Clendenin
Former Chairman & CEO
BellSouth Corporation

Luca Cordero di Montezemolo
Chairman
Fiat S.p.A.

Valentin Diez
Former Vice Chairman
CEO, Sales and Marketing
Grupo Modelo, S.A. de C.V.

Robert Druskin*
President & CEO
Corporate and Investment Banking
Citigroup Inc.

John V. Faraci
Chairman & CEO
International Paper

Dr. Victor K. Fung
Chairman
Li & Fung Group

Richard J. Harrington
President & CEO
The Thomson Corporation

Andrea Jung
Chairman & CEO
Avon Products, Inc.

James M. Kilts
Chairman, President & CEO
The Gillette Company

Ralph S. Larsen
Former Chairman & CEO
Johnson & Johnson

Göran Lindahl
Chairman
Sony Group Europe

Henry A. McKinnell, Jr., Ph.D.
Chairman & CEO
Pfizer Inc.

Sir John Parker FREng
Chairman
National Grid Transco plc

Charles Prince*
CEO, Citigroup Inc.

Dr. Wolfgang H. Reitzle
CEO, President of the Executive Board, Linde AG

William R. Rhodes*+
Senior Vice Chairman
Citigroup Inc.
Chairman, Citicorp/Citibank, N.A.

Robert E. Rubin*
Chairman, Executive Committee; Member, Office of the Chairman
Citigroup Inc.

H. Onno Ruding
Retired Vice Chairman
Citibank, N.A.
Former Minister of Finance
The Netherlands

Prof. Dr. Ekkehard Schulz
Chairman of the Executive Board
ThyssenKrupp AG

Morris Tabaksblat KBE
Chairman, Reed Elsevier
Former Chairman & CEO
Unilever NV

Sanford I. Weill
Chairman, Citigroup Inc.

Robert B. Willumstad*+
President & COO, Citigroup Inc.

Lorenzo H. Zambrano
Chairman & CEO
CEMEX, S.A. de C.V.

GLOBAL CONSUMER PLANNING GROUP

Marge Magner*+
Chairman & CEO

Guillermo Acedo
CEO, LATAM

Ellen Alemany*
EVP, Commercial Business Group
President & CEO, CitiCapital

Ajay Banga*
President, Retail Banking North America

Lisa Caputo
Senior Managing Director

Michael R. Dunn*
CFO

Steven J. Freiberg*
Chairman & CEO, Citi Cards North America

Kevin M. Kessinger*
EVP, President, Consumer Finance North America

Harvey Koeppel
CIO

Dave Lowman*
President & CEO, CitiFinancial International

Anne MacDonald
Chief Marketing Officer

Faith Massingale*
EVP, International Cards

Manuel Medina-Mora*
Chairman & CEO, LATAM & Mexico

Stephanie B. Mudick*
EVP, Head of Customer Operations, CAO

Frederik "Frits" F. Seegers*
CEO, Europe, Middle East & Africa

Ashok Vaswani*
CEO, Asia Pacific

Simon Williams*
EVP, Chief Risk Officer

David W. Young
Treasurer

CORPORATE AND INVESTMENT BANKING PLANNING GROUP

Robert Druskin*
President & CEO

Hideo Abe
Nikko Citigroup

Suneel Bakhshi*
EM Corporate Banking

Randy Barker*
Global Fixed Income

Frank Bisignano*
CEO, Global Transaction Services

Geoffrey Coley*
Global Fixed Income

Michael Corbat*
Global Relationship Bank

John Donnelly
Human Resources & Communications

James Forese*
Global Equities

* Member of Citigroup Management Committee + Member of Citicorp/Citibank, N.A. Board of Directors

Edward Greene
General Counsel

Michael Klein*
CEO, Global Banking

Marisa Lago
Compliance & Business Practices

Alan MacDonald*+
Global Banking

Tom Maheras*
CEO, Global Capital Markets

Gustavo Marin
CEO, Latin America

William Mills*
CEO, Europe, Middle East & Africa

Hans Morris*
CFO & Head of Finance, Operations & Technology

Robert Morse*
CEO, Asia Pacific

Jessica Palmer
Risk Management

Fernando Quiroz
Mexico

Alberto Verme*
Investment Bank

Stephen Volk*
Global Banking

Paco Ybarra*
EM Sales & Trading

GLOBAL INVESTMENT MANAGEMENT PLANNING GROUP

Robert B. Willumstad*+
Chairman & CEO

CITIGROUP ASSET MANAGEMENT

Michael Even,* Stephen Hopkins*
Co-Heads

Dan Bukowski
CIO Systematic Equity Platform

Peter Cleszko
Head, U.S. Retail and High Net Worth

Hersh Cohen
CIO Active Equity Platform

Michael Even*
CIO

Stephen Hopkins*
President & Chief Operating Officer

Evan Merberg*
Head, Institutional and International

Peter Wilby
CIO North American Fixed Income, High Yield & Emerging Markets

LIFE INSURANCE & ANNUITIES

George Kokulis*
Chairman, President & CEO

Glenn Lammey
CFO

David Marks
CIO

Marla Lewitus
General Counsel

Winifred Grimaldi
SVP, Human Resources & Development

William Krivoshik
Chief Information & Operations Officer

TRAVELERS LIFE & ANNUITY

Edward Cassidy
Division President, Life Insurance
Chairman & CEO, Tower Square Securities

Brendan Lynch
Division President, Institutional Annuities

Kathleen Preston
Division President, Retail Annuities

INTERNATIONAL INSURANCE MANUFACTURING

Michael Froman
President & CEO, CitiInsurance

GLOBAL WEALTH MANAGEMENT PLANNING GROUP

Todd S. Thomson*+
Chairman & CEO

Sally Cates
Co-Head, Communications

Steve Cone
Head, Advertising & Branding

Miriam Esteve
Head, Operations and Technology

Paul Guidone
Chief Investment Officer

Charles D. Johnston*
CEO & President, Global Private Client Group

Mark Joiner
CFO and Head of Strategy and M&A

William Kennedy*
Director, Global Equity Research

Damian Kozlowski
President, CPB U.S. Region

Robin Leopold
Head, Human Resources

John Leto
CPB, CAO and Head of Professional Development and Organizational Effectiveness

Tom Schwartz
Head, Risk Management

Frances Sevilla-Sacasa
President, CPB Latin America and Europe Regions

Deepak Sharma
President, CEO Asia Pacific/Middle East Region

Michael Sharp
General Counsel

Susan Thomson
Co-Head, Communications

CITIGROUP ALTERNATIVE INVESTMENTS

Michael A. Carpenter*
Chairman & CEO

William Comfort
Citigroup Venture Capital

CITIGROUP SENIOR CORPORATE OFFICERS

Eric Aboaf
Capital Allocation

Sir Winfried F.W. Bischoff*
Chairman, Citigroup Europe

Nicholas Calio*
SVP, Global Government Affairs

Pamela P. Flaherty
SVP, Global Community Relations

John Gerspach*
Controller & CAO

Michael S. Helfer*
General Counsel & Corporate Secretary

Deborah Hopkins*
Chief Operations & Technology Officer

Bonnie Howard*
Chief Auditor

Sallie Krawcheck*+
CFO

Stephen Long*+
President, International Operations

Douglas L. Peterson*
CEO, Citigroup Japan

Charles Prince*
CEO, Citigroup Inc.

Ray Quinlan*
Head of M&A Execution

Arthur Tildesley*
Director, Investor Relations

William R. Rhodes*+
Senior Vice Chairman; Chairman, Citicorp/Citibank, N.A.

Saul Rosen*
Chief Tax Officer

Robert E. Rubin*
Chairman, Executive Committee; Member, Office of the Chairman Citigroup Inc.

Michael Schlein*
SVP, Global Corporate Affairs, Human Resources & Business Practices

Zion Shohet*
Strategy & Business Development

Stephen Volk*
Vice Chairman

Guy Whittaker*
Treasurer

Robert B. Willumstad*+
President & COO; Chairman & CEO, Global Investment Management; President & CEO, Citicorp/Citibank, N.A.

CITIGROUP INDEPENDENT RISK & COMPLIANCE

David C. Bushnell*+
Senior Risk Officer

James M. Garnett, Jr.
Risk Architecture

Peter Nathanial
Risk Management/Citigroup Alternative Investments, Asset Management, Travelers Life & Annuity

Jessica Palmer
Risk Management/Corporate and Investment Banking

Thomas F. Rollauer
Compliance Policy

Tom Schwartz
Risk Management/Global Wealth Management

Simon Williams*
Risk Management/Global Consumer Group

Martin Wong*
Global Compliance

* Member of Citigroup Management Committee + Member of Citicorp/Citibank, N.A. Board of Directors

This group photo was taken at a gathering of Citigroup Country Officers in New York in January 2005.

CITIGROUP COUNTRY OFFICERS

Algeria
Kamal B. Driss

Argentina
Juan Bruchou

Aruba
See Venezuela

Australia
Les Matheson

Austria
Helmut Gottlieb

Bahamas
M. Carmen Butler

Bahrain
Mohammed E. Al-Shroogi

Bangladesh
Mamun Rashid

Barbados
See Trinidad

Belgium
José de Peñaranda de Franchimont

Bermuda
See Trinidad

Bolivia
Agustin Davalos

Brazil
Gustavo Marin

Brunei
Glen R. Rase

Bulgaria
Amin Manekia

Cameroon
Asif Zaidi

Canada
Ken Quinn

Cayman Islands
See Bahamas

Channel Islands (Jersey)
Clive S. Jones

Chile
Joao Miranda

China
Richard Stanley

Colombia
Franco Moccia

Congo
Michel Losembe

Costa Rica
Victor Manuel Balcazar

Czech Republic
Asif Bajwa

Denmark
See Netherlands

Dominican Republic
Ignacio Jasminoy

Ecuador
Francisco Aristeguieta

Egypt
Michel Accad

El Salvador
Gijs Bert Veltman

Finland
Kari Laukkanen

France
Jean Claude Gruffat

Gabon
Funmi Ade-Ajayi

Germany
Sue Harnett

Ghana
Saviour Chibiya

Greece
Christos Sorotos

Guam
Ajay Kashyap

Guatemala
Juan A. Miro

Haiti
Gladys M. Coupet

Honduras
Maximo Vidal

Hong Kong
T.C. Chan

Hungary
Sunil Sreenivasan

India
Sanjay Nayar

Indonesia
Peter Eliot

Ireland
Aidan M. Brady

Israel
A.J. (Gus) Felix

Italy
Luca Ionutti

Ivory Coast (Cote D'Ivoire)
Charles Kie

Jamaica
Peter H. Moses

Japan
Douglas Peterson

Jordan
Suhair Al-Ali

Kazakhstan
Daniel J. Connelly

Kenya
Srinivasan Sridhar

Korea (South)
Y.K. Ha

Lebanon
Elia S. Samaha

Luxembourg
Marc Pecquet

Macau
See Hong Kong

Malaysia
Piyush Gupta

Mexico
Manuel Medina-Mora

Monaco
To be announced

Morocco
Nuhad K. Saliba

Netherlands
Christopher I. Devries

New Zealand
Gary Newman

Nigeria
Emeka Emuwa

Norway
Mai Ibsen

Pakistan
Zubyr Soomro

Panama
Francisco Conto

Paraguay
Ignacio Morello

Peru
Constantino Gotsis

Philippines
Jim Hunt

Poland
Slawomir Sikora

Portugal
Paulo Gray

Puerto Rico
Alvaro Jaramillo

Romania
Witold Zielinski

Russia
Mark Robinson

Senegal
Gabriel Lopes

Singapore
Cathy Weir

Slovakia
Igor M. Tham

South Africa
Zdenek Turek

Spain
Sergio de Horna

Sri Lanka
Kapila Jayawardene

Sweden
Jan Belfrage

Switzerland
Per Ethelm

Taiwan
To be announced

Tanzania
Mayank Malik

Thailand
Terence (Tab) Cuddyre

Trinidad/Tobago
Dennis P. Evans

Tunisia
To be announced

Turkey
Steve Bideshi

Uganda
Nadeem Lodhi

Ukraine
Nadir Shaikh

UAE
Sajjad Razvi

United Kingdom
Michael Kirkwood

Uruguay
Daniel Varese

Venezuela
Henry Comber

Vietnam
Charly Madan

Virgin Islands
See Puerto Rico

Zambia
Rajaram Venkatraman

Note: Countries and territories where Citigroup does business, but has no designated Citigroup Country Officer, are not reflected in the above list.

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IN MEMORIAM

Walter Wriston, 1919-2005

Citicorp Chairman, 1970-1984

On June 29, 1946, Walter Wriston reported for work as a junior inspector in the Comptrollers division at 55 Wall Street. A man of acerbic wit, he later noted that he "came to Citibank by accident and stayed through inertia."

Walt proved to be a champion of risk-taking and creativity. He oversaw the introduction of major financial innovations—shipping and airline loans, the negotiable certificate of deposit, the floating rate note, currency swaps, and the one-bank holding company, to name just a few. He committed major resources, despite heavy initial losses, to developing consumer banking because "that's where the money is," he noted astutely, installing ATMs ahead of the competition and establishing a strong credit card business in South Dakota.

Walt guided the company through five major financial crises—Penn Central (1970), Franklin National Bank (1973), Bank Herstatt (1974), New York City's near bankruptcy (1975), and the initial phase of the Latin American debt crisis (1982-84). He never stopped fighting restrictive banking laws, seeking only a "level playing field" with his competitors.

He would later be called "the most influential banker of his generation." According to his biographer, Phillip L. Zweig, Walt "transformed Citicorp from a genteel utility where golf scores counted for more than I.Q., into a tough...corporate meritocracy that dragged the rest of the industry out of the era of quill-pen banking." He was honored last year with the U.S. Presidential Medal of Freedom.

Walt recognized early that the basis for wealth had evolved from land to labor to information. He once told *Wired* magazine: "Today, the value of money is hooked to nothing other than the information that flows through it. If your currency becomes worthless, the world knows about it very quickly. If your economic policies are lousy, the market will punish you instantly. I'm in favor of this kind of economic democracy. There's nothing you can do to change it, except do right."

For more than 38 years at Citicorp, Walt did right. We will miss him.

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THE COMPANY

Citigroup Inc. (Citigroup and, together with its subsidiaries, the Company) is a diversified global financial services holding company whose businesses provide a broad range of financial services to consumer and corporate customers with more than 200 million customer accounts doing business in more than 100 countries. Citigroup was incorporated in 1988 under the laws of the State of Delaware.

The Company's activities are conducted through the Global Consumer, Global Corporate and Investment Bank (GCIB), Global Wealth Management, Global Investment Management (GIM) and Proprietary Investment Activities business segments.

The Company has completed certain strategic business acquisitions during the past three years, details of which can be found in Note 2 to the Consolidated Financial Statements.

The Company is a bank holding company within the meaning of the U.S. Bank Holding Company Act of 1956 registered with, and subject to examination by, the Board of Governors of the Federal Reserve System (FRB). Certain of the Company's subsidiaries are subject to supervision and examination by their respective federal and state authorities. Additional information on the Company's regulation and supervision can be found within the "Regulation and Supervision" section beginning on page 161.

At December 31, 2004, the Company had approximately 141,000 full-time and 7,000 part-time employees in the United States and approximately 146,000 full-time employees outside the United States.

The periodic reports of Citicorp, Citigroup Global Markets Holdings Inc., The Student Loan Corporation (STU), The Travelers Insurance Company (TIC) and Travelers Life and Annuity Company (TLAC), subsidiaries of the Company that make filings pursuant to the Securities Exchange Act of 1934, as amended (the Exchange Act), provide additional business and financial information concerning those companies and their consolidated subsidiaries.

The principal executive offices of the Company are located at 399 Park Avenue, New York, New York 10043, telephone number 212 559 1000. Additional information about Citigroup is available on the Company's Web site at www.citigroup.com. Citigroup's annual report on Form 10-K, its quarterly reports on Form 10-Q and its current reports on Form 8-K, and all amendments to these reports, are available free of charge through the Company's Web site by clicking on the "Investor Relations" page and selecting "SEC Filings." The Securities and Exchange Commission (SEC) Web site contains reports, proxy and information statements, and other information regarding the Company at www.sec.gov.

GLOBAL CONSUMER

Global Consumer delivers a wide array of banking, lending, insurance and investment services through a network of local branches, offices, and electronic delivery systems, including ATMs, Automated Lending Machines (ALMs), the Internet, and the Primerica Financial Services (Primerica) sales force. The Global Consumer businesses serve individual consumers as well as small businesses. Global Consumer includes *Cards, Consumer Finance, Retail Banking* and Other Consumer.

Cards provides MasterCard, VISA, Diner's Club and private label credit and charge cards. North America Cards includes the operations of Citi Cards, the Company's primary brand in North America, and Mexico Cards. International Cards provides credit and charge cards to customers in Europe, the Middle East and Africa (EMEA), Japan, Asia and Latin America.

Consumer Finance provides community-based lending services through branch networks, regional sales offices and cross-selling initiatives with other Citigroup businesses. The business of CitiFinancial is included in North America Consumer Finance. As of December 31, 2004, North America Consumer Finance maintained 2,642 offices, including 2,452 in the U.S., Canada, and Puerto Rico, and 190 offices in Mexico, while International Consumer Finance maintained 1,481 sales points, including 405 branches and 512 ALMs in Japan. *Consumer Finance* offers real-estate-secured loans, unsecured and partially secured personal loans, auto loans and loans to finance consumer-goods purchases. In addition, CitiFinancial, through certain subsidiaries and third parties, makes available various credit-related and other insurance products to its U.S. customers.

Retail Banking provides banking, lending, investment and insurance services to customers through retail branches, electronic delivery systems, and the Primerica sales force. In North America, *Retail Banking* includes the operations of Retail Distribution, the Commercial Business, Prime Home Finance, Student Loans, Primerica, and Mexico Retail Banking. Retail Distribution delivers banking, lending, investment and insurance services through 775 branches in the U.S. and Puerto Rico and through Citibank Online, an Internet bank. The Commercial Business provides equipment leasing and financing, and banking services to small- and middle-market businesses. The Prime Home Finance business originates and services mortgages for customers across the U.S. The Student Loan business is comprised of the origination and servicing of student loans in the U.S. The business operations of Primerica involve the sale, mainly in North America, of life insurance and other products manufactured by its affiliates, including *Smith Barney* mutual funds, CitiFinancial mortgages and personal loans and the products of our *Life Insurance and Annuities* business. The Primerica sales force is composed of more than 100,000 independent representatives. Mexico Retail Banking consists of the branch banking operations of Banamex, which maintains 1,349 branches. International Retail Banking consists of 1,129 branches and provides full-service banking and investment services in EMEA, Japan, Asia, and Latin America. In addition to North America, the Commercial Business consists of the suite of products and services offered to small- and middle-market businesses in the international regions.

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GLOBAL CORPORATE AND INVESTMENT BANK

Global Corporate and Investment Bank (GCIB) provides corporations, governments, institutions and investors in approximately 100 countries with a broad range of financial products and services. GCIB includes *Capital Markets and Banking, Transaction Services* and Other Corporate.

Capital Markets and Banking offers a wide array of investment and commercial banking services and products, including investment banking, debt and equity trading, institutional brokerage, advisory services, foreign exchange, structured products, derivatives, and lending.

Transaction Services is comprised of Cash Management, Trade Services and Global Securities Services (GSS). Cash Management and Trade Services provide comprehensive cash management and trade finance for corporations and financial institutions worldwide. GSS provides custody and fund services to investors such as insurance companies and pension funds, clearing services to intermediaries such as broker/dealers and depository and agency/trust services to multinational corporations and governments globally.

GLOBAL WEALTH MANAGEMENT

Global Wealth Management is comprised of the *Smith Barney* Private Client and Global Equity Research businesses and the Citigroup *Private Bank*. Through its *Smith Barney* network of Financial Consultants and *Private Bank* offices, Global Wealth Management is one of the leading providers of wealth management services to high-net-worth and affluent clients in the world.

Smith Barney provides investment advice, financial planning and brokerage services to affluent individuals, small and mid-size companies, non-profits and large corporations through a network of more than 12,000 Financial Consultants in more than 500 offices primarily in the U.S. In addition, *Smith Barney* provides independent client-focused research to individuals and institutions around the world.

A significant portion of *Smith Barney*'s revenue is generated from fees earned by managing client assets as well as commissions earned as a broker for its clients in the purchase and sale of securities. Additionally, *Smith Barney* generates net interest revenue by financing customers' securities transactions and other borrowing needs through security-based lending. *Smith Barney* also receives commissions and other sales and service revenues through the sale of proprietary and third-party mutual funds. As part of *Smith Barney*, Global Equity Research produces equity research to serve both institutional and individual investor clients. The majority of expenses for Global Equity Research are allocated to the Global Equities business within GCIB and *Smith Barney* businesses.

Private Bank provides personalized wealth management services for high-net-worth clients in 33 countries and territories. With a global network of Private Bankers and Product Specialists, *Private Bank* leverages its extensive experience with clients' needs and its access to Citigroup to provide clients with comprehensive investment management, investment finance and banking services. Investment management services include investment funds management and capital markets solutions, as well as trust, fiduciary and custody services. Investment finance provides standard and tailored credit services including real estate financing, commitments and letters of credit, while Banking includes services for deposit, checking and savings accounts, as well as cash management and other traditional banking services.

GLOBAL INVESTMENT MANAGEMENT

Global Investment Management offers a broad range of life insurance, annuity and asset management products and services distributed to institutional and retail clients. Global Investment Management includes *Life Insurance and Annuities* and *Asset Management*.

Life Insurance and Annuities comprises Travelers Life and Annuity (TLA) and International Insurance Manufacturing (IIM). TLA offers retail annuity, institutional annuity, individual life insurance and Corporate Owned Life Insurance (COLI) products. The retail annuity products include individual fixed and variable deferred annuities and payout annuities. Individual life insurance includes term, universal, and variable life insurance. These products are primarily distributed through CitiStreet Retirement Services (CitiStreet), *Smith Barney*, Primerica, Citibank and affiliates, and a nationwide network of independent agents and the outside broker/dealer channel. The COLI products are variable universal life products distributed through independent specialty brokers. The institutional annuity products include institutional pensions, including guaranteed investment contracts, payout annuities, group annuities sold to employer-sponsored retirement and savings plans, structured settlements and funding agreements. IIM provides annuities, credit, life, health, disability and other insurance products internationally, leveraging the existing distribution channels of the *Consumer Finance, Retail Banking* and *Asset Management* (retirement services) businesses. IIM has operations in Mexico, Asia, EMEA, Latin America and Japan. TLA and IIM include the realized investment gains/losses from sales on certain insurance-related investments.

Asset Management includes Citigroup Asset Management, the Citigroup Alternative Investments (CAI) institutional business, the Banamex asset management and retirement services businesses and Citigroup's other retirement services businesses in North America and Latin America. These businesses offer institutional, high-net-worth and retail clients a broad range of investment alternatives from investment centers located around the world. Products and services offered include mutual funds, closed-end funds, separately managed accounts, unit investment trusts, alternative investments (including hedge funds, private equity and credit structures), variable annuities through affiliated and third-party insurance companies, and pension administration services.

PROPRIETARY INVESTMENT ACTIVITIES

Proprietary Investment Activities is comprised of Citigroup's proprietary Private Equity investments and Other Investment Activities which includes Citigroup's proprietary investments in hedge funds and real estate investments, investments in countries that refinanced debt under the 1989 Brady Plan or plans of a similar nature, ownership of St. Paul Travelers Companies Inc. shares and Citigroup's Alternative Investments business, for which the net profits on products distributed through Citigroup's *Asset Management, Smith Barney* and *Private Bank* businesses are reflected in the respective distributor's income statement through net revenues.

CORPORATE/OTHER

Corporate/Other includes net treasury results, corporate expenses, certain intersegment eliminations, the results of discontinued operations, the cumulative effect of accounting change and taxes not allocated to the individual businesses.

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FIVE-YEAR SUMMARY OF SELECTED FINANCIAL DATA

Citigroup Inc. and Subsidiaries

In millions of dollars, except per share amounts	**2004**	2003	2002	2001	2000
Revenues, net of interest expense [1]	**$ 86,190**	$ 77,442	$ 71,308	$ 67,367	$ 63,572
Operating expenses	**51,974**	39,168	37,298	36,528	35,809
Benefits, claims, and credit losses [1]	**10,034**	11,941	13,473	10,320	8,466
Income from continuing operations before taxes, minority interest and cumulative effect of accounting changes	**24,182**	26,333	20,537	20,519	19,297
Income taxes	**6,909**	8,195	6,998	7,203	7,027
Minority interest, after-tax	**227**	285	91	87	39
Income from continuing operations	**17,046**	17,853	13,448	13,229	12,231
Income from discontinued operations [2]	**—**	—	1,875	1,055	1,288
Cumulative effect of accounting changes [3]	**—**	—	(47)	(158)	—
Net Income	**$ 17,046**	$ 17,853	$ 15,276	$ 14,126	$ 13,519
Earnings per share [4]					
Basic earnings per share:					
Income from continuing operations	**$ 3.32**	$ 3.49	$ 2.63	$ 2.61	$ 2.43
Net income	**3.32**	3.49	2.99	2.79	2.69
Diluted earnings per share:					
Income from continuing operations	**3.26**	3.42	2.59	2.55	2.37
Net income	**3.26**	3.42	2.94	2.72	2.62
Dividends declared per common share [4]	**$ 1.60**	$ 1.10	$ 0.70	$ 0.60	$ 0.52
At December 31					
Total assets	**$1,484,101**	$1,264,032	$1,097,590	$1,051,850	$902,610
Total deposits	**562,081**	474,015	430,895	374,525	300,586
Long-term debt	**207,910**	162,702	126,927	121,631	111,778
Mandatorily redeemable securities of subsidiary trusts [5]	**6,209**	6,057	6,152	7,125	4,920
Common stockholders' equity	**108,166**	96,889	85,318	79,722	64,461
Total stockholders' equity	**109,291**	98,014	86,718	81,247	66,206
Ratio of earnings to fixed charges and preferred stock dividends	**2.06x**	2.47x	1.94x	1.63x	1.52x
Return on average common stockholders' equity [6]	**17.0%**	19.8%	18.6%	19.7%	22.4%
Return on Risk Capital [7]	**34%**	39%			
Return on Invested Capital [7]	**17%**	20%			
Common stockholders' equity to assets	**7.29%**	7.67%	7.77%	7.58%	7.14%
Total stockholders' equity to assets	**7.36%**	7.75%	7.90%	7.72%	7.33%

(1) Revenues, net of interest expense, and benefits, claims, and credit losses, in the table above are disclosed on an owned basis (under Generally Accepted Accounting Principles (GAAP)). If this table were prepared on a managed basis, which includes certain effects of securitization activities, including receivables held for securitization and receivables sold with servicing retained, there would be no impact to net income, but revenues, net of interest expense, and benefits, claims, and credit losses, would each have been increased by $5.079 billion, $4.750 billion, $4.123 billion, $3.563 billion and $2.459 billion in 2004, 2003, 2002, 2001 and 2000, respectively. Although a managed basis presentation is not in conformity with GAAP, management believes it provides a representation of performance and key indicators of the credit card business that is consistent with the way management reviews operating performance and allocates resources. Furthermore, investors utilize information about the credit quality of the entire managed portfolio as the results of both the held and securitized portfolios impact the overall performance of the *Cards* business. See the discussion of the *Cards* business on page 50.

(2) On August 20, 2002, Citigroup completed the distribution to its stockholders of a majority portion of its remaining ownership interest in Travelers Property Casualty Corp. (TPC). Following the distribution, Citigroup began accounting for TPC as discontinued operations. See Note 3 to the Consolidated Financial Statements.

(3) Accounting changes of ($47) million in 2002 resulted from the adoption of the remaining provisions of Statement of Financial Accounting Standards (SFAS) No. 142, "Goodwill and Other Intangible Assets" (SFAS 142). Accounting changes of ($42) million and ($116) million in 2001 resulted from the adoption of SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" (SFAS 133), and the adoption of Emerging Issues Task Force (EITF) Issue No. 99-20, "Recognition of Interest Income and Impairment on Purchased and Retained Beneficial Interests in Securitized Financial Assets" (EITF 99-20), respectively.

(4) All amounts have been adjusted to reflect stock splits.

(5) During 2004, the Company deconsolidated the subsidiary issuer trusts in accordance with FIN 46-R. For regulatory capital purposes these trust securities remain a component of Tier 1 Capital. See "Capital Resources and Liquidity" section on page 90.

(6) The return on average common stockholders' equity is calculated using net income after deducting preferred stock dividends.

(7) Risk Capital is defined as the amount of capital required to absorb potential unexpected economic losses resulting from extremely severe events over a one year time period. Return on Risk Capital is calculated as net income divided by Average Risk Capital. Invested Capital is defined as Risk Capital plus Goodwill and Intangible assets excluding Mortgage Servicing Rights, which are a component of Risk Capital. Return on Invested Capital is calculated using income adjusted to exclude a net internal charge Citigroup levies on the goodwill and intangible assets of each business offset by each business's share of the rebate of the goodwill and intangible asset charge. Return on Risk Capital and Return on Invested Capital are non-GAAP performance measures. Management uses Return on Risk Capital to assess businesses' operating performance and to allocate Citigroup's balance sheet and Risk Capital capacity. Return on Invested Capital is used to assess returns on potential acquisitions and to compare long-term performance of businesses with differing proportions of organic and acquired growth. For a further discussion on Risk Capital, see page 72.

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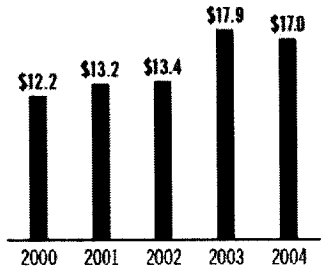
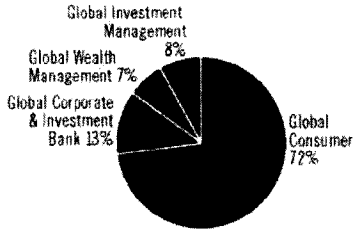
2004 IN SUMMARY

Citigroup's fundamental strengths are its global presence, distribution breadth, leading brand and broad customer relationships. These strengths combined to generate a net income of $17.05 billion in 2004. Income was well diversified by both product and region, as shown in the charts below. Return on common equity was 17% for 2004. Results in 2004 included a $4.95 billion after-tax charge related to the 2004 second quarter WorldCom and Litigation Reserve Charge. Results also reflect a $756 million after-tax gain on sale of the Company's equity investment in Samba. Excluding the impact of the charge and the gain, net income increased 19% and return on common equity was 20%.

Income from Continuing Operations
In billions of dollars

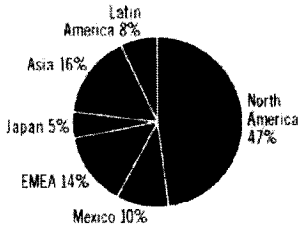


2004 Net Income by Segment*



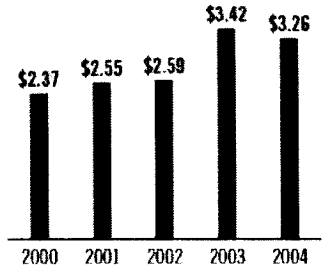
*Excludes Proprietary Investment Activities income of $743 million and Corporate/Other loss of $56 million.

2004 Net Income by Region*



*Excludes Proprietary Investment Activities income of $743 million and Corporate/Other loss of $56 million.

**Diluted Earnings Per Share—
Income from Continuing Operations**

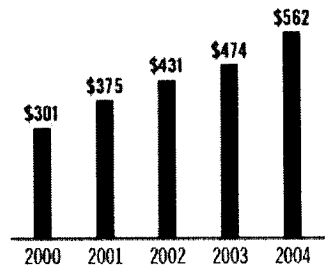


We continued to strengthen our business franchises through strategic acquisitions in 2004. Acquisitions during the year included the KorAm Bank, the consumer finance business of Washington Mutual, Inc., and the announced purchase of First American Bank in Texas, which is pending regulatory approval. Additionally, we maintained our focus on disciplined capital allocation, which led to the announced or completed disposition of businesses that were not part of its long-term core strategy. These included the sale of the Company's equity investment in Samba, the sale of the Transportation Finance business of CitiCapital (resulting in an after-tax gain of approximately $100 million) and the sale of a portion of the electronic funds transfer business (resulting in an after-tax gain of $180 million).

Revenues increased 11% from 2003, reaching $86.2 billion. North America and international revenues increased 10% and 18%, respectively. Revenue increases were driven by both organic growth and new acquisitions and were led by 15% growth in our global consumer businesses. Revenue growth reflected double-digit growth rates in *Cards*, *Transaction Services*, *Smith Barney* and Global Investment Management. Higher equity market valuations led to increased results in Proprietary Investment Activities.

Revenue growth was driven by strong increases in customer balances. *Retail Banking* loans increased 25%, *Consumer Finance* loans increased 10%, and *Cards* receivables increased 19%. Corporate loans increased 16% and *Transaction Services* assets under custody increased 23%. *Smith Barney* client assets increased 8% and Private Bank client volumes increased 15%.

Total Deposits
In billions of dollars



Operating expenses increased 33% from the previous year. Included in expenses were a $7.915 billion ($4.95 billion after-tax) charge for the WorldCom and Litigation Reserve Charge, a $400 million ($244 million after-tax) charge related to closing the Japan Private Bank and reserves of $196 million ($151 million after-tax) related to the expected resolution of the previously disclosed SEC investigation of transfer agent matters. Excluding these legal and regulatory charges, expenses increased 12% and reflected

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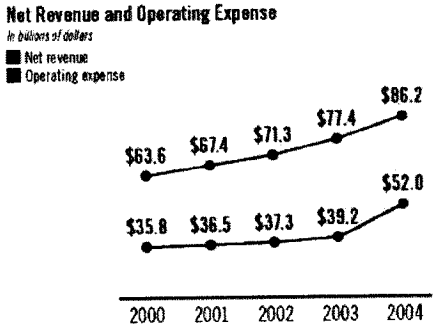
increased investment spending (3%), expenses from acquisitions and the impact of foreign exchange (6%), an increase in other legal expenses (2%) and higher operating expenses (1%). Investment spending included, among other things, the addition of 558 new *Consumer Finance* and *Retail Banking* branches globally, increased advertising and marketing and investments in technology.

Net Revenue and Operating Expense

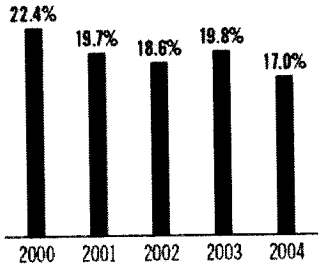


The favorable global credit environment had a significant impact on Citigroup's 2004 results as credit reserve releases of $2.0 billion led to a decrease in total credit costs of $1.8 billion.

The effective tax rate decreased 255 basis points to 28.6% for the year, reflecting the release of valuation allowances related to the utilization of foreign tax credits and reserves related to tax settlements and changes in estimates, and the impact of indefinitely invested international earnings.

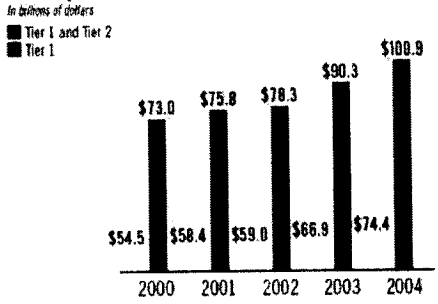
Citigroup's equity capital base and trust-preferred securities grew to more than $115 billion at December 31, 2004. Stockholders' equity increased by $11.3 billion during 2004 to $109.3 billion. The Company distributed $8.3 billion in dividends to common shareholders.

Return on Common Equity



The Company's Board of Directors increased the quarterly common dividend by 14% during 2004 and by an additional 10% in January 2005, bringing the current quarterly payout to 44 cents per share.

Total Capital (Tier 1 and Tier 2)



During 2004, we did not achieve our expectation of double-digit income growth. The WorldCom Litigation and Reserve Charge drove a decline in net income of 5% versus 2003.

In the 2004 second quarter, the Company recorded a $4.95 billion after-tax charge for settlement of the WorldCom class action lawsuit and an increase in litigation reserves related to Enron and other pending lawsuits and legal proceedings. This charge was an important step in addressing the financial impact of resolving these matters.

In the third quarter, the Financial Services Agency of Japan (FSA) issued an administrative order that required Citigroup's Private Bank to suspend all new transactions with customers and to discontinue operations by September 30, 2005. The administrative order was the result of an inspection by the FSA, which determined that there were fundamental problems in Citibank Japan's internal controls and governance structure, principally in its Private Bank operations. We have accepted the basis for the sanctions and have placed the utmost priority on complying with the FSA's directives. In the fourth quarter, the Company recorded a $244 million after-tax charge related to closing the Japan Private Bank.

During the third and fourth quarters, the Company recorded reserves of $196 million ($151 million after-tax) related to the expected resolution of the previously disclosed SEC investigation of transfer agent matters. These reserves now fully cover the financial terms that the SEC staff has agreed to recommend to the Commission for resolution of this matter.

In August, our European government bond trading desk executed a transaction in the European government bond market that involved large executions in various government bonds and futures contracts. We regret having executed this transaction as we failed to consider its potential impact on our clients and other stakeholders, including European regulators and treasuries, and because it did not meet our standards. The U.K.'s Financial Services Authority and other European regulators are investigating this transaction and we are fully cooperating.

During 2004, the Company took numerous steps towards the goal of improving the way we do business, including the strengthening of the independence and capabilities of our internal control and compliance structure. In the third and fourth quarter, Chuck Prince, CEO of Citigroup, personally met with more than 35,000 employees to emphasize our goal of becoming the most respected global financial services company.

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Outlook for 2005

We enter 2005 with momentum and optimism. Our primary goals for 2005 include taking steps to become the most respected global financial institution; growing our Global Consumer franchise; growing our International businesses; and ensuring our Global Corporate and Investment Bank is best in class.

Throughout 2005, we will implement many enhancements to our training, development and compensation processes designed to achieve our goal of becoming the most respected global financial institution. In 2004, we increased the independence of risk management functions, including internal control and compliance. We expect to continue to enhance our risk management, control and compliance functions in 2005.

During the coming year, we expect to expand our global branch network, further develop our brand through advertising and marketing and invest in technology to increase our competitiveness. We also expect to continue to make strategically targeted acquisitions that will extend our geographic reach and enhance our product capabilities. We will renew our focus on expense discipline and building cost advantages, and we expect to continue to apply disciplined capital management to allocate capital to our highest growth and highest return opportunities.

We anticipate that the credit environment globally will remain favorable; however, we do not expect the level of credit reserve releases in 2004 to repeat in 2005.

We also do not expect the level of tax-reserve releases and tax benefits that occurred in 2004 to repeat in 2005. Accordingly, we anticipate a higher effective tax rate in 2005, which we estimate to be more in line with the 2003 effective tax rate.

As we experienced during the second half of 2004, we expect that increasing interest rates will continue to have a negative impact on our Treasury results.

In January 2005, we announced the sale of Traveler's Life & Annuity, including substantially all of our international insurance businesses, to MetLife for approximately $11.5 billion subject to closing adjustments. The businesses included in the sale transaction had earnings of $901 million in 2004. The transaction is expected to result in an after-tax gain of approximately $2.0 billion, subject to closing adjustments, and to make available approximately $6.0 billion of Tier I Capital. We expect the transaction to close in the summer of 2005. Proceeds from the sale will be redeployed in higher growth and higher return opportunities to maximize value for our shareholders.

We plan to finalize our exit of the Japan Private Bank by the end of the 2005 third quarter, which will result in costs in connection with implementing the exit plan, and additional charges may be incurred. In addition, we will continue to work and cooperate with our regulators in Europe to seek a conclusion to investigations relating to the European Bond transaction.

Limited staff reductions will be made in the Global Corporate and Investment Bank in early 2005. The reductions will affect an estimated 1,400 staff and will result in an approximately $275 million pre-tax charge during the 2005 first quarter.

Citigroup's financial results are closely tied to the external economic environment. Movements in interest rates and foreign exchange rates present both opportunities and risks for the Company. Weakness in global economies, credit deterioration, inflation, and geopolitical uncertainty are examples of risks that could adversely impact earnings.

A detailed review and outlook for each of our businesses is included in the discussions that follow.

Certain of the statements above are forward-looking statements within the meaning of the Private Securities Litigation Reform Act. See "Forward-Looking Statements" on page 100.

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EVENTS IN 2004

Settlement of WorldCom Class Action Litigation and Charge for Regulatory and Legal Matters

During the 2004 second quarter, Citigroup recorded a charge of $7.915 billion ($4.95 billion after-tax) related to a settlement of class action litigation brought on behalf of purchasers of WorldCom securities and an increase in litigation reserves (WorldCom and Litigation Reserve Charge).

Subject to the terms of the settlement and its eventual approval by the courts, Citigroup will make a payment of approximately $2.575 billion, or $1.59 billion after-tax, to the settlement class, which consists of all persons who purchased or otherwise acquired publicly traded securities of WorldCom during the period from April 29, 1999 through and including June 25, 2002. The payment will be allocated between purchasers of WorldCom stock and purchasers of WorldCom bonds. Plaintiffs' attorneys' fees will come out of the settlement amount.

In connection with the settlement of the WorldCom class action, the Company reevaluated and increased its reserves for numerous other lawsuits and legal proceedings arising out of alleged misconduct in connection with:

(i) underwritings for, and research coverage of, WorldCom;

(ii) underwritings for Enron and other transactions and activities related to Enron and Dynegy;

(iii) transactions and activities related to research coverage of companies other than WorldCom; and

(iv) transactions and activities related to securities sold in initial public offerings.

As of December 31, 2004, the Company's litigation reserve for these matters, net of the amount to be paid upon final approval of the WorldCom class action settlement, was $6.64 billion on a pretax basis.

The Company believes that this reserve is adequate to meet all of its remaining exposure for these matters. However, in view of the large number of these matters, the uncertainties of the timing and outcome of this type of litigation, the novel issues presented, and the significant amounts involved, it is possible that the ultimate costs of these matters may exceed or be below the reserve. The Company will continue to defend itself vigorously in these cases, and seek to resolve them in the manner management believes is in the best interest of the Company. See Legal Proceedings on page 164.

Sale of Samba Financial Group

On June 15, 2004, the Company sold, for cash, its 20% equity investment in The Samba Financial Group (Samba), formerly known as the Saudi American Bank, to the Public Investment Fund, a Saudi public sector entity. Citigroup recognized an after-tax gain of $756 million ($1.168 billion pretax) on the sale during the 2004 second quarter. The gain was recognized equally between Global Consumer and GCIB.

Credit Improvement Performance

During the past two years, the world-wide credit environment has continuously improved, as evidenced by declining cash-basis loan balances and lower delinquency rates. Accordingly, the Company has reduced its Allowance for Credit Losses.

During 2004, the Company released $2.004 billion of reserves, consisting of $900 million from GCIB's reserves and $1.104 billion from Global Consumer's reserves. The GCIB releases consisted of a $737 million release in *Capital Markets and Banking* and a $163 million release in *Transaction Services*. The Global Consumer releases consisted of a $691 million net release in the *Cards* portfolio, a $339 million net release in *Retail Banking*, and a $74 million net release in *Consumer Finance*. At December 31, 2004, the Company's total allowance for loans, leases and commitments was $11.869 billion.

During 2003, the Company released $508 million of reserves, consisting of $300 million in GCIB and $208 million in Global Consumer. At December 31, 2003, the Company's total allowance for loans, leases and commitments was $13.243 billion.

Management evaluates the adequacy of loan loss reserves by analyzing probable loss scenarios and economic and geopolitical factors that impact the portfolios. See pages 42 to 43 and pages 77 to 82 for an additional discussion of the reserve levels and credit process. See also Note 11 to Notes to Consolidated Financial Statements.

Divestiture of CitiCapital's Transportation Finance Business

On November 22, 2004, the Company reached an agreement to sell CitiCapital's Transportation Finance Business based in Dallas and Toronto to GE Commercial Finance for total cash consideration of approximately $4.4 billion. The sale, which was completed on January 31, 2005, resulted in an after-tax gain of approximately $100 million.

The Transportation Finance business is part of the Company's Global Consumer Retail Banking business and provides financing, leasing, and asset-based lending to the commercial trucking industry.

Reserve for the Securities and Exchange Commission's Transfer Agent Investigation

During the 2004 fourth quarter, the Company recorded a $131 million after-tax reserve related to the expected resolution of the previously disclosed SEC investigation of transfer agent matters, which, combined with a $20 million after-tax reserve taken in the 2004 third quarter, fully covers the financial terms that the SEC staff has agreed to recommend to the Commission for resolution of this matter. See Legal Proceedings on page 164.

OPP006836

Shutdown of the Private Bank in Japan and Related Charge and Other Activities in Japan

The Financial Services Agency of Japan issued an administrative order against Citibank Japan in September 2004. This order requires Citigroup to exit all private banking operations in Japan by September 30, 2005. Accordingly, the Private Bank division of Citibank Japan suspended all new transactions with its customers beginning on September 29, 2004.

In connection with the exiting of private banking operations in Japan, the Company is performing a comprehensive review of the Private Bank's customers and products to develop an appropriate exit plan. During the 2004 fourth quarter, the Company recorded a $400 million ($244 million after-tax) charge related to its anticipated exit plan implementation (Exit Plan Charge). Implementation of the plan may result in additional charges in future periods.

The Company's Private Bank operations in Japan had total revenues, net of interest expense, of $200 million and net income of $39 million (excluding the Exit Plan Charge) for 2004 and $264 million and $83 million, respectively, for 2003.

On October 25, 2004, Citigroup announced that it has decided to wind down Cititrust and Banking Corporation, a licensed trust bank in Japan, after concluding that there were internal control, compliance and governance issues in that subsidiary.

Acquisition of First American Bank

On August 24, 2004, Citigroup announced it will acquire First American Bank in Texas (FAB). The closing of the transaction is subject to and pending applicable regulatory approvals. The transaction will establish Citigroup's retail branch presence in Texas, giving Citigroup more than 100 branches, $3.5 billion in assets and approximately 120,000 new customers in the state.

Acquisition of KorAm Bank

On April 30, 2004, Citigroup completed its tender offer to purchase all the outstanding shares of KorAm Bank (KorAm) at a price of KRW 15,500 per share in cash. In total, Citigroup has acquired 99.8% of KorAm's outstanding shares for a total of KRW 3.14 trillion ($2.7 billion). The results of KorAm are included in the Consolidated Financial Statements from May 2004 forward.

KorAm is a leading commercial bank in Korea, with 223 domestic branches and total assets at June 30, 2004 of $37 billion.

During the 2004 fourth quarter, KorAm was merged with the Citibank Korea branch to form Citibank Korea Inc.

Divestiture of Citicorp Electronic Financial Services Inc.

During January 2004, the Company completed the sale for cash of Citicorp's Electronic Financial Services Inc. (EFS) for $390 million (pretax). EFS is a provider of government-issued benefits payments and prepaid stored value cards used by state and federal government agencies, as well as of stored value services for private institutions. The sale of EFS resulted in an after-tax gain of $180 million in the 2004 first quarter.

Acquisition of Washington Mutual Finance Corporation

On January 9, 2004, Citigroup completed the acquisition of Washington Mutual Finance Corporation (WMF) for $1.25 billion in cash. WMF was the consumer finance subsidiary of Washington Mutual, Inc. WMF provides direct consumer installment loans and real-estate-secured loans, as well as sales finance and the sale of insurance. The acquisition included 427 WMF offices located in 26 states, primarily in the Southeastern and Southwestern United States, and total assets of $3.8 billion. Citicorp has guaranteed all outstanding unsecured indebtedness of WMF in connection with this acquisition. The results of WMF are included in the Consolidated Financial Statements from January 2004 forward.

2005 SUBSEQUENT EVENT

Sale of Travelers Life & Annuity and Substantially All International Insurance Businesses

On January 31, 2005, the Company announced an agreement for the sale of Citigroup's Travelers Life & Annuity and substantially all of Citigroup's international insurance businesses to MetLife, Inc. (MetLife) for $11.5 billion, subject to closing adjustments.

The businesses being acquired by MetLife generated total revenues of $5.2 billion and net income of $901 million for the twelve months ended December 31, 2004. The businesses had total assets of $96 billion at December 31, 2004.

The transaction has been approved by the Boards of Directors of both companies. Under the terms of the transaction, Citigroup will receive $1.0 billion to $3.0 billion in MetLife equity securities and the balance in cash, which will result in an after-tax gain of approximately $2.0 billion, subject to closing adjustments.

The transaction sharpens the Company's focus on its long-term growth franchises. The sale proceeds will be deployed to higher return and higher growth opportunities and to maximize returns to shareholders.

The transaction encompasses Travelers Life & Annuity's U.S. businesses and its international operations other than Citigroup's life business in Mexico. International operations include wholly owned insurance companies in the United Kingdom, Belgium, Australia, Brazil, Argentina, and Poland; joint ventures in Japan and Hong Kong; and offices in China.

In connection with the transaction, Citigroup and MetLife have entered into ten-year agreements under which MetLife will make products available through certain Citigroup distribution channels.

The transaction is subject to certain domestic and international regulatory approvals, as well as other customary conditions to closing, and is expected to close during the 2005 second or third quarter.

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Argentina

The restructuring of customer annuity liabilities was approved by the Argentine Ministry of Insurance on July 3, 2003. During the 2003 fourth quarter, the Company contributed $55 million of new capital to its Argentine Global Investment Management companies, primarily to fund the voluntary annuity restructuring plan. During 2004, additional capital totaling $184 million was injected principally to meet local regulatory requirements.

The insurance companies in Argentina are included in the announced sale of Travelers Life and Annuity disclosed above which was announced by the Company on January 31, 2005.

The Argentine government launched its $100 billion debt exchange offer on January 14, 2005. The exchange offer is expected to close on February 25, 2005. The Global Investment Management business in Argentina tendered all of its original U.S. dollar bonds (approximately $1.6 billion of AUMs). The Company tendered the defaulted government bonds it held for its own account on February 18, 2005. At this time, any financial impact resulting from the tender is not expected to be significant to the Company.

The Company believes it has a sound basis to bring a claim as a result of various actions of the Argentine government. A recovery on such a claim could serve to reduce the economic loss of the Company in Argentina. However, the amount of any recovery would be affected by the debt exchange described above and by events described on page 39.

Certain of the above statements in this section are forward-looking statements within the meaning of the Private Securities Litigation Reform Act. See "Forward-Looking Statements" on page 100.

EVENTS IN 2003

Acquisition of Sears' Credit Card and Financial Products Business

On November 3, 2003, Citigroup acquired the Sears' Credit Card and Financial Products business (Sears), the eighth largest portfolio in the U.S. $28.6 billion of gross receivables were acquired for a 10% premium of $2.9 billion and annual performance payments over the next ten years based on new accounts, retail sales volume and financial product sales. The Company recorded $5.8 billion of intangible assets and goodwill as a result of this transaction. In addition, the companies signed a multi-year marketing and servicing agreement across a range of each company's businesses, products and services. The results of Sears are included in the Consolidated Financial Statements from November 2003 forward.

Acquisition of The Home Depot's Private-Label Portfolio

In July 2003, Citigroup completed the acquisition of The Home Depot private-label portfolio (Home Depot), which added $6 billion in receivables and 12 million accounts. The results of Home Depot are included in the Consolidated Financial Statements from July 2003 forward.

Common Stock Dividend Increase

On July 14, 2003, the Company's Board of Directors approved a 75% increase in the quarterly dividend on the Company's common stock to 35 cents a share from 20 cents a share. On January 20, 2004, the Company increased its quarterly dividend by 14% by declaring a 40 cent dividend on its common stock.

Settlement of Certain Legal and Regulatory Matters

On July 28, 2003, Citigroup entered into final settlement agreements with the Securities and Exchange Commission (SEC), the Office of the Comptroller of the Currency (OCC), the Federal Reserve Bank of New York (FED), and the Manhattan District Attorney's Office that resolved on a civil basis their investigations into Citigroup's structured finance work for Enron. The Company also announced that its settlement agreement with the SEC concluded that agency's investigation into certain Citigroup work for Dynegy. The agreements were reached by Citigroup (and, in the case of the agreement with the OCC, Citibank, N.A.) without admitting or denying any wrongdoing or liability, and the agreements do not establish wrongdoing or liability for the purpose of civil litigation or any other proceeding. Citigroup paid from previously established reserves an aggregate amount of $145.5 million in connection with these settlements.

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On April 28, 2003, Salomon Smith Barney Inc., now named Citigroup Global Markets Inc. (CGMI), announced final agreements with the SEC, the National Association of Securities Dealers (NASD), the New York Stock Exchange (NYSE) and the New York Attorney General (as lead state among the 50 states, the District of Columbia and Puerto Rico) to resolve on a civil basis all of their outstanding investigations into its research and IPO allocation and distribution practices (the Research Settlement). CGMI reached these final settlement agreements without admitting or denying any wrongdoing or liability. The Research Settlement does not establish wrongdoing or liability for purposes of any other proceeding. Citigroup paid from previously established reserves an aggregate amount of $300 million and committed to spend an additional $75 million to provide independent third-party research at no charge to clients in connection with these settlements.

Impact from Argentina's Economic Changes

As a result of an improving credit environment, the Global Consumer allowance for credit losses was reduced by $100 million in 2003 and $39 million in 2004 and the Global Corporate and Investment Bank reduced allowance for credit losses by approximately $164 million in 2004.

In 2003, the Company wrote off $127 million of its government-issued compensation notes against previously established reserves. This write-off was triggered by, among other things, the government's disallowance of compensation for pesification of certain credit card and overdraft loans. While the notes were adjusted, the disallowance is still being negotiated. The initial payment of approximately $57 million due under the compensation notes was received in August 2003. Additional payments under the compensation notes totaling $119 million and $61 million were received when due in 2004 and February 2005, respectively. In 2003, the Company also recognized a $13 million impairment charge on its government Patriotic Bonds. Payments required under bank deposit Amparos (judicial orders requiring previously dollar-denominated deposits that had been re-denominated at government rates to be immediately repaid at market exchange rates) were down significantly from 2002; losses recorded in 2003, net of the $40 million reserve release, were $2 million; and losses recorded in 2004, net of a $6 million reserve release, were $25 million.

The Global Investment Management businesses in Argentina recorded pretax charges of $208 million in 2003. These charges were comprised of: $124 million in write-downs resulting from the mandatory exchange of Argentine Government Promissory Notes (GPNs) for Argentine government bonds denominated in U.S. dollars; a $44 million write-off of impaired Deferred Acquisition Costs reflecting changes in underlying cash flow estimates for the business; $20 million of losses related to the restructuring of voluntary customer annuity liability balances; and $20 million of losses related to a premium deficiency in the death and disability insurance business. Additional write-offs of impaired Deferred Acquisition Costs of $11 million were taken in 2004.

EVENTS IN 2002

Impact from Argentina's Economic Changes

Throughout 2002, Argentina experienced significant political and economic changes including severe recessionary conditions, high inflation and political uncertainty. The government of Argentina implemented substantial economic changes, including abandoning the country's fixed U.S. dollar-to-peso exchange rate and asymmetrically redenominating substantially all of the banking industry's loans, deposits (which were also restricted) and other assets and liabilities previously denominated in U.S. dollars into pesos at different rates. As a result of the impact of these government actions, the Company changed its functional currency in Argentina from the U.S. dollar to the Argentine peso. Additionally, the government issued certain compensation instruments to financial institutions to compensate them in part for losses incurred as a result of the redenomination events. The government also announced a 180-day moratorium against creditors filing foreclosures or bankruptcy proceedings against borrowers. Later in the year, the government modified the terms of certain of their Patriotic Bonds, making them less valuable. The government actions, combined with the severe recessionary economic situation and the devaluation of the peso, adversely impacted Citigroup's business in Argentina.

During 2002, Citigroup recorded a total of $1,704 billion in net pretax charges, as follows: $1,018 million in net provisions for credit losses; $284 million in investment write-downs; $232 million in losses relating to Amparos (representing judicial orders requiring previously dollar-denominated deposits and insurance contracts that had been redenominated at government rates to be immediately repaid at market exchange rates); $98 million of write-downs of Patriotic Bonds; a $42 million restructuring charge; and a $30 million net charge for currency redenomination and other foreign currency items that includes a benefit from compensation instruments issued in 2002.

In addition, the impact of the devaluation of the peso during 2002 produced foreign currency translation losses that reduced Citigroup's equity by $595 million, net of tax.

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Discontinued Operations

Travelers Property Casualty Corp. (TPC) (an indirect wholly owned subsidiary of Citigroup on December 31, 2001) sold 231 million shares of its Class A common stock representing approximately 23.1% of its outstanding equity securities in an initial public offering (the IPO) on March 27, 2002. In 2002, Citigroup recognized an after-tax gain of $1.158 billion as a result of the IPO. In connection with the IPO, Citigroup entered into an agreement with TPC that provided that, in any fiscal year in which TPC records asbestos-related income statement charges in excess of $150 million, net of any reinsurance, Citigroup would pay to TPC the amount of any such excess up to a cumulative aggregate of $520 million after-tax. A portion of the gross IPO gain was deferred to offset any payments arising in connection with this agreement. During 2002 and 2003, $159 million and $361 million, respectively, were paid pursuant to this agreement.

On August 20, 2002, Citigroup completed the distribution to its stockholders of a majority portion of its remaining ownership interest in TPC (the distribution). This non-cash distribution was tax-free to Citigroup, its stockholders and TPC. The distribution was treated as a dividend to stockholders for accounting purposes that reduced Citigroup's Additional Paid-In Capital by approximately $7.0 billion. Following the distribution and subsequent merger of TPC and the St. Paul Companies (St. Paul Travelers) on April 1, 2004, Citigroup remains a holder of approximately 6.0% of TPC's outstanding equity securities, which are carried at fair value in the Proprietary Investment Activities segment and classified as available-for-sale within Investments on the Consolidated Balance Sheet.

Following the August 20, 2002 distribution, the results of TPC were reported by the Company separately as discontinued operations for all periods. TPC represented the primary vehicle by which Citigroup engaged in the property and casualty insurance business.

Charge for Regulatory and Legal Matters

During the 2002 fourth quarter, the Company recorded a $1.3 billion after-tax charge ($0.25 per diluted share) related to the establishment of reserves for regulatory settlements and related civil litigation.

Acquisition of Golden State Bancorp

On November 6, 2002, Citigroup completed its acquisition of 100% of Golden State Bancorp (GSB) in a transaction in which Citigroup paid approximately $2.3 billion in cash and issued 79.5 million Citigroup common shares. The total transaction value of approximately $5.8 billion was based on the average price of Citigroup shares, as adjusted for the effect of the TPC distribution. The results of GSB are included from November 2002 forward.

Sale of 399 Park Avenue

During 2002, the Company sold its 399 Park Avenue, New York City headquarters building. The Company is currently the lessee of approximately 40% of the building with terms averaging 15 years. The sale for $1.06 billion resulted in a pretax gain of $830 million, with $527 million ($323 million after-tax) recognized in 2002 representing the gain on the portion of the building the Company does not occupy, and the remainder to be recognized over the term of Citigroup's lease agreements. The Company recognized $20 million in both 2004 and 2003 of the deferred portion of the gain and $5 million in 2002.

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SIGNIFICANT ACCOUNTING POLICIES AND SIGNIFICANT ESTIMATES

The Notes to the Consolidated Financial Statements contain a summary of Citigroup's significant accounting policies, including a discussion of recently issued accounting pronouncements. Certain of these policies as well as estimates made by management are considered to be important to the portrayal of the Company's financial condition, since they require management to make difficult, complex or subjective judgments and estimates, some of which may relate to matters that are inherently uncertain. Additional information about these policies can be found in Note 1 to the Consolidated Financial Statements. Management has discussed each of these significant accounting policies, the related estimates and judgments that Management has made with the Audit and Risk Management Committee of the Board of Directors.

Certain of the statements below are forward-looking statements within the meaning of the Private Securities Litigation Reform Act. See "Forward-Looking Statements" on page 100.

Valuations of Financial Instruments

Investments and trading account assets and liabilities, held by the Global Corporate and Investment Bank, Global Investment Management and Proprietary Investment Activities segments, include fixed maturity and equity securities, derivatives, investments in private equity and other financial instruments. Citigroup carries its investments and trading account assets and liabilities at fair value if they are considered to be available-for-sale or trading securities. For a substantial majority of the Company's investments and trading account assets and liabilities, fair values are determined based upon quoted prices or validated models with externally verifiable model inputs. Changes in values of available-for-sale securities are recognized in a component of stockholders' equity net of taxes, unless the value is impaired and the impairment is not considered to be temporary. Impairment losses that are not considered temporary are recognized in earnings. The Company conducts regular reviews to assess whether other-than-temporary impairment exists. Changing economic conditions, including global and regional conditions, and conditions related to specific issuers or industries, could adversely affect these values. Changes in the fair values of trading account assets and liabilities are recognized in earnings. Private equity subsidiaries also carry their investments at fair value with changes in value recognized in earnings.

If available, quoted market prices provide the best indication of fair value. If quoted market prices are not available for fixed maturity securities, equity securities, derivatives or commodities, the Company discounts the expected cash flows using market interest rates commensurate with the credit quality and duration of the investment. Alternatively, matrix or model pricing may be used to determine an appropriate fair value. It is Citigroup's policy that all models used to produce valuations for the published financial statements be validated by qualified personnel independent from those who created the models. The determination of market or fair value considers various factors, including time value and volatility factors, underlying options, warrants and derivatives; price activity for equivalent synthetic instruments; counterparty credit quality; the potential impact on market prices or fair value of liquidating the Company's positions in an orderly manner over a reasonable period of time under current market conditions; and derivative transaction maintenance costs during the period. For derivative transactions, trading profit at inception is recognized when the fair value of that derivative is obtained from a quoted market price, supported by comparison to other observable market transactions, or based upon a valuation technique incorporating observable market data. The Company defers trade-date gains or losses on derivative transactions where the fair value is not determined based upon observable market transactions and market data. The deferral is recognized in income when the market data become observable or over the life of the transaction. Changes in assumptions could affect the fair values of investments and trading account assets and liabilities.

For our available-for-sale and trading portfolios amounting to assets of $489.5 billion and $414.5 billion and liabilities of $135.5 billion and $121.9 billion at December 31, 2004 and 2003, respectively, fair values were determined in the following ways: externally verified via comparison to quoted market prices or third-party broker quotations; by using models that were validated by qualified personnel independent of the area that created the model and inputs that were verified by comparison to third-party broker quotations or other third-party sources; or by using alternative procedures such as comparison to comparable securities and/or subsequent liquidation prices. At December 31, 2004 and 2003, respectively, approximately 96.2% and 96.5% of the available-for-sale and trading portfolios' gross assets and liabilities (prior to netting positions pursuant to FIN 39) are considered verified and approximately 3.8% and 3.5% are considered unverified. Of the unverified assets, at December 31, 2004 and 2003, respectively, approximately 66.4% and 66.0% consist of cash products, where independent quotes were not available and/or alternative procedures were not feasible, and 33.6% and 34.0% consist of derivative products where either the model was not validated and/or the inputs were not verified due to the lack of appropriate market quotations. Such values are actively reviewed by management.

In determining the fair values of our securities portfolios, management also reviews the length of time trading positions have been held to identify aged inventory. During 2004, the monthly average aged inventory designated as available-for-immediate-sale was approximately $7.6 billion compared with $5.4 billion in 2003. Inventory positions that are both aged and whose values are unverified amounted to $2.9 billion and less than $2.1 billion at December 31, 2004 and 2003, respectively. The fair value of aged-inventory is actively monitored and, where appropriate, is discounted to reflect the implied illiquidity for positions that have been available-for-immediate-sale for longer than 90 days. At December 31, 2004 and 2003, such valuation adjustments amounted to $83 million and $68 million, respectively.

Citigroup's private equity subsidiaries include subsidiaries registered as Small Business Investment Companies and other subsidiaries that engage exclusively in venture capital activities. Investments held by private equity subsidiaries related to the Company's venture capital activities amounted to $4.8 billion and $4.4 billion at December 31, 2004 and 2003, respectively. For investments in publicly traded securities held by private equity subsidiaries amounting to five positions with a fair value of approximately $0.4 billion and five positions with a fair value of approximately $0.9 billion at December 31, 2004 and 2003, respectively, fair value is based upon quoted market prices. These publicly traded securities include thinly traded securities, large block holdings, restricted shares or other special situations, and the quoted market price is discounted to produce an estimate of the attainable fair value for the securities. To determine the amount of the discount, the Company uses a valuation methodology that is based on the British Venture Capital Association's guidelines. Such discounts ranged from 10% to 40% of the investments' quoted prices in 2004 and from 10% to 50% in 2003. For investments that are not publicly traded and are held by private equity

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subsidiaries amounting to approximately $3.5 billion for each of the years ended December 31, 2004 and 2003, estimates of fair value are made periodically by management based upon relevant third-party arm's length transactions, current and subsequent financings and comparisons to similar companies for which quoted market prices are available. Independent consultants may be used to provide valuations periodically for certain investments that are not publicly traded, or the valuations may be done internally. Internal valuations are reviewed by personnel independent of the investing entity.

See the discussion of trading account assets and liabilities and investments in Summary of Significant Accounting Policies in Note 1 to the Consolidated Financial Statements. For additional information regarding the sensitivity of these instruments, see "Market Risk Management Process" on page 83.

Allowance for Credit Losses

The allowance for credit losses represents management's estimate of probable losses inherent in the lending portfolio. This evaluation process is subject to numerous estimates and judgments. The frequency of default, risk ratings, and the loss recovery rates, among other things, are considered in making this evaluation, as are the size and diversity of individual large credits. Changes in these estimates could have a direct impact on the credit costs in any quarter and could result in a change in the allowance. At December 31, 2004 and 2003, respectively, the total allowance for credit losses, which includes reserves for unfunded lending commitments and letters of credit, totaled $3.490 billion and $4.155 billion for the Corporate loan portfolio and $8.379 billion and $9.088 billion for the Consumer loan portfolio. Attribution of the allowance is made for analytic purposes only, and the entire allowance of $11.869 billion and $13.243 billion at December 31, 2004 and 2003, respectively, is available to absorb probable credit losses inherent in the portfolio, including letters of credit and unfunded commitments.

During 2004, Corporate cash-basis loans decreased $1.513 billion from $3.419 billion in 2003 to $1.906 billion, and net credit losses decreased from $1.211 billion in 2003 to $130 million, reflecting overall improvement in the credit quality of the portfolio. The Company also completed the implementation of Citigroup's internal credit risk-rating standards for the Banamex loan portfolio. All of these factors resulted in a decline in the Corporate allowance, with the release during 2004 of $900 million in reserves. Although the 2004 credit environment led to benefits from loan loss releases and declines in cash-basis loans, it is unlikely these benefits will repeat in 2005.

Consumer net credit losses increased from $7.555 billion in 2003 to $8.471 billion in 2004. This increase was due to the net credit losses related to the Sears and Home Depot portfolios, which were acquired during 2003. Excluding these two portfolios, the Consumer net credit losses declined from $7.176 billion in 2003 to $5.985 billion in 2004. In addition, Consumer loans on which accrual of interest has been suspended decreased from $6.085 billion to $5.463 billion. The improvement in the overall credit performance of the Consumer portfolio resulted in a decrease of the Consumer allowance, with the net release during 2004 of $1.104 billion in reserves.

Consumer credit loss ratios for 2005 are expected to remain relatively constant to the fourth quarter 2004 levels, with some slight improvement in the North America Cards and Consumer Finance portfolios. Full-year loss ratios for 2005 are expected to improve against prior-year levels due to credit loss rates that declined during 2004.

The allowance for credit losses attributed to the Corporate portfolio is established through a process that begins with statistical estimates of probable losses inherent in the portfolio for all performing loans plus certain de minimis non-performing loans less than $10 million. These estimates are based upon: (1) Citigroup's internal system of credit risk ratings, which are analogous to the risk ratings of the major rating agencies; (2) the Corporate portfolio database; and (3) historical default and loss data, including rating agency information regarding default rates from 1983 to 2003, and internal data, dating to the early 1970s, on severity of losses in the event of default. This statistical process generates an estimate for losses inherent in the portfolio as well as a one-standard-deviation confidence interval around the estimate.

The statistical estimate for losses inherent in the portfolio is based on historical average default rates and historical average write-off rates. The one-standard-deviation confidence interval reflects the historical fluctuation of default rates over the credit cycle, the historical variability of loss severity among defaulted loans, and the degree to which there are large obligor concentrations in the global portfolio.

Next, larger-balance, non-performing, non-homogeneous exposures representing significant individual credit exposures are evaluated based upon the borrower's overall financial condition, resources and payment record; the prospects for support from any financially responsible guarantors; and, if appropriate, the realizable value of any collateral. For these loans, which are deemed impaired, reserves are then calculated based upon an estimate of probable losses. Consideration is given to all available evidence, including, as appropriate, the present value of expected future cash flows discounted at the loan's contractual effective rate, the secondary market value of the loan, and the fair value of collateral less disposal costs.

The sum of the estimated losses inherent in the total portfolio and the reserves for significant individual non-performing credit exposures are then adjusted by management after considering environmental factors and trends in portfolio indicators, including cash-basis loans, historical and forecasted write-offs, and portfolio concentrations. In addition, management considers the current business strategy and credit process, including credit limit setting and compliance, credit approvals, loan underwriting criteria and loan workout procedures.

A similar approach is used for determining the credit loss reserve related to unfunded lending commitments and letters of credit.

Based on this process, the allowance for credit losses attributable to the Corporate portfolio was set at $3.490 billion as of December 31, 2004, compared with $4.155 billion in 2003. These balances include the reserve for unfunded commitments and letters of credit of $600 million for both 2004 and 2003, which are included in other liabilities on the balance sheet.

For the Consumer portfolios (excluding Commercial Business and KorAm), which consist of smaller-balance, homogeneous loans, including consumer mortgages, installment loans, and revolving credit cards, the loans within each portfolio are collectively evaluated for impairment in order to provide an allowance sufficient to cover all loans within that portfolio that have shown evidence of impairment as of the balance sheet date. The foundation for assessing the adequacy of the allowance for credit losses for Consumer loans is a methodology that estimates the losses inherent in the portfolio at the balance sheet date based on historical delinquency flow rates, charge-off statistics and loss severity. This methodology is applied separately for each individual product within each different geographic region in which the product is offered.

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Under this method, the portfolio of loans is aged and separated into groups based upon the aging of the loan balances (current, 1 to 29 days past due, 30 to 59 days past due, etc.). The result is a base calculation of inherent losses in the loan portfolio for each applicable business within the Global Consumer segment. Management then evaluates the adequacy of the allowance for credit losses for each business relative to its base calculation after adjusting this base for factors such as economic trends, competitive factors, seasonality, portfolio acquisitions, solicitation of new loans, changes in lending policies and procedures, geographical, product, and other environmental factors, changes in bankruptcy laws, and evolving regulatory standards.

Citigroup has well-established credit loss recognition criteria for its various consumer loan products. These credit loss recognition criteria are based on contractual delinquency status, consistently applied from period to period and in compliance with the Federal Financial Institutions Examination Council (FFIEC) guidelines (excluding recent acquisitions for which we obtained temporary waivers), including bankruptcy loss recognition. The provision for credit losses is highly dependent on both bankruptcy loss recognition and the time it takes for loans to move through the delinquency buckets and eventually to write-off (flow rates). An increase in the Company's share of bankruptcy losses would generally result in a corresponding increase in net credit losses. For example, a 10% increase in the Company's portion of bankruptcy losses would generally result in a similar increase in net credit losses. In addition, an acceleration of flow rates would also result in a corresponding increase to the provision for credit losses. The precise impact that an acceleration of flow rates would have on the provision for credit losses would depend upon the product and geography mix that comprises the flow rate acceleration.

For the Commercial Business loan portfolio within Consumer, a statistical model, similar to the one used for the Corporate portfolio, was implemented in 2004 for evaluating the adequacy of the allowance for credit losses. Larger-balance, non-performing, non-homogeneous exposures deemed impaired are evaluated individually while the remaining Commercial Business loan portfolio is evaluated statistically by using internal credit risk ratings and historical default and loss data. Like the Corporate loan portfolio model, this estimate may be adjusted by management after considering other factors such as the portfolio trends and relevant economic indicators.

Prior to 2004, the credit loss allowance for the Commercial Business portfolio was established based upon an estimate of probable losses inherent in the portfolio for individual loans and leases deemed impaired, and the application of annualized weighted average credit loss ratio to the remaining portfolio. The annualized weighted average credit loss ratio reflects both historical and projected losses. Additional reserves were established to provide for imprecision caused by the use of estimated loss data.

Based on these methodologies, the allowance for credit losses related to the Consumer portfolios (including Commercial Business) was set at $8.379 billion and $9.088 billion as of December 31, 2004 and 2003, respectively.

The evaluation of the total allowance includes an assessment of the ability of borrowers with foreign currency obligations to obtain the foreign currency necessary for orderly debt servicing.

See the discussions of "Consumer Credit Risk" and "Corporate Credit Risk" on pages 77 and 79-80, respectively, for additional information.

Securitizations

Securitization is a process by which a legal entity issues certain securities to investors, which securities pay a return based on the principal and interest cash flows from a pool of loans or other financial assets. Citigroup securitizes credit card receivables, mortgages, and other loans that it originated and/or purchased and certain other financial assets. After securitization of credit card receivables, the Company continues to maintain account relationships with customers. Citigroup also assists its clients in securitizing the clients' financial assets and packages and securitizes financial assets purchased in the financial markets. Citigroup may provide administrative, asset management, underwriting, liquidity facilities and/or other services to the resulting securitization entities, and may continue to service the financial assets sold to the securitization entity.

There are two key accounting determinations that must be made relating to securitizations. In the case where Citigroup originated or previously owned the financial assets transferred to the securitization entity, a decision must be made as to whether that transfer would be considered a sale under generally accepted accounting principles, resulting in the transferred assets being removed from the Company's Consolidated Balance Sheet with a gain or loss recognized. Alternatively, the transfer would be considered a financing, resulting in recognition of a liability in the Company's Consolidated Balance Sheet. The second key determination to be made is whether the securitization entity must be consolidated by the Company and be included in the Company's Consolidated Financial Statements or whether the entity is sufficiently independent that it does not need to be consolidated.

If the securitization entity's activities are sufficiently restricted to meet certain accounting requirements to be considered a qualifying special-purpose entity (QSPE), the securitization entity is not consolidated by the seller of the transferred assets. In January 2003, the Financial Accounting Standards Board (FASB) issued a new interpretation on consolidation accounting that was adopted by the Company on July 1, 2003. Under this interpretation, FASB Interpretation No. 46, "Consolidation of Variable Interest Entities" (FIN 46), if securitization entities other than QSPEs meet the definition of a variable interest entity (VIE), the Company must evaluate whether it is the primary beneficiary of the entity and, if so, must consolidate it. The entity would be considered a VIE if it requires additional subordinated financial support or if the equity investors lack certain characteristics of a controlling financial interest. In December 2003, FASB issued a revised version of FIN 46 (FIN 46-R), which the Company implemented in January 2004. This revision included substantial changes from the original FIN 46, including changes in the calculation of the expected losses and expected residual returns. Its impact on the Company's Financial Statements was an increase to assets and liabilities of approximately $1.6 billion. However, most of the Company's securitization transactions continued to meet the criteria for sale accounting and non-consolidation.

The Company participates in securitization transactions, structured investment vehicles, and other investment funds with its own and with clients' assets totaling $1,698.3 billion at December 31, 2004 and $1,158.7 billion at December 31, 2003.

Global Consumer primarily uses QSPEs to conduct its securitization activities, including credit card receivables, mortgage loans, student loans and auto loans. Securitizations completed by Global Consumer are for the Company's own account. QSPEs are qualifying special-purpose entities established in accordance with SFAS No. 140, "Accounting for Transfers and

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Servicing of Financial Assets and Extinguishments of Liabilities" (SFAS 140). The Company is the transferor of assets to these QSPEs and, accordingly, does not consolidate these QSPEs. At December 31, 2004 and 2003, respectively, Global Consumer was involved with special-purpose entities (SPEs) with assets of $399.0 billion and $251.3 billion, including QSPEs with assets of $377.7 billion and $226.4 billion.

GCIB's securitization activities are conducted on behalf of the Company's clients and generate revenues for services provided to the SPEs. GCIB uses SPEs to securitize mortgage-backed securities and clients' trade receivables, to create investment opportunities for clients through collateralized debt obligations (CDOs), and to meet other client needs through structured financing and leasing transactions. Many of the mortgage-backed securities transactions use QSPEs, as do certain CDOs and structured financing transactions. At December 31, 2004 and 2003, respectively, GCIB was involved with SPEs with assets of $988.9 billion and $614.9 billion, including QSPEs with assets amounting to $594.3 billion and $427.5 billion.

Global Investment Management uses SPEs to create investment opportunities for clients through mutual and money market funds, unit investment trusts, and hedge funds, substantially all of which were not consolidated by the Company at December 31, 2004 and 2003. At December 31, 2004 and 2003, respectively, Global Investment Management was involved with SPEs with assets of $252.5 billion and $231.6 billion.

Global Wealth Management uses SPEs to structure investment vehicles in order to provide clients with investment alternatives and capital market solutions, substantially all of which were consolidated by the Company at December 31, 2004 and 2003. At December 31, 2004 and 2003, respectively, Global Wealth Management was involved with SPEs with assets of $3.5 billion and $4.5 billion.

Proprietary Investment Activities invests in various funds as part of its activities on behalf of the Company and also uses SPEs in creating investment opportunities and alternative investment structures. At December 31, 2004 and 2003, respectively, Proprietary Investment Activities was involved with SPEs with assets of $54.4 billion and $56.4 billion.

VIEs with total assets of approximately $35.6 billion and $36.9 billion were consolidated at December 31, 2004 and 2003, respectively. Additional information on the Company's securitization activities and VIEs can be found in "Off-Balance Sheet Arrangements" on page 97 and in Note 12 to the Consolidated Financial Statements.

Income Taxes

The Company is subject to the income tax laws of the U.S., its states and municipalities and those of the foreign jurisdictions in which the Company operates. These tax laws are complex and subject to different interpretations by the taxpayer and the relevant Governmental taxing authorities. In establishing a provision for income tax expense, the Company must make judgments and interpretations about the application of these inherently complex tax laws. The Company must also make estimates about when in the future certain items will affect taxable income in the various tax jurisdictions, both domestic and foreign.

Disputes over interpretations of the tax laws may be subject to review/adjudication by the court systems of the various tax jurisdictions or may be settled with the taxing authority upon examination or audit.

The Company reviews these balances quarterly and as new information becomes available, the balances are adjusted, as appropriate.

SFAS No. 109, "Accounting for Income Taxes" (SFAS 109) requires companies to make adjustments to their financial statements in the quarter that new tax legislation is enacted. In the 2004 fourth quarter, the U.S. Congress passed, and the President signed, into law a new tax bill, "The American Jobs Creation Act of 2004." The Homeland Investment Act (HIA) provision of the American Jobs Creation Act of 2004 is intended to provide companies with a one-time 85% reduction in the U.S. net tax liability on cash dividends paid by foreign subsidiaries in 2005, to the extent that they exceed a baseline level of dividends paid in prior years. The provisions of the Act are complicated, and companies, including Citigroup, are awaiting clarification of several provisions from the Treasury Department. The Company is still evaluating the provision and the effects it would have on the financing of the Company's foreign operations. In accordance with FASB Staff Position FAS 109-2, "Accounting and Disclosure Guidance for the Foreign Earnings Repatriation Provision within the American Jobs Creation Act of 2004" (FSP FAS 109-2), the Company has not recognized any income tax effects of the repatriation provisions of the Act in its 2004 financial statements and will not do so until the above issues are resolved, sometime in 2005. The reasonably possible amounts that may be repatriated in 2005 that would be subject to the provision of the Act range from $0 to $3.2 billion. The related potential income tax effects range from a tax benefit of $0 to a tax benefit of $50 million, under current law. There is a Technical Corrections Bill pending in the U.S. Congress that would amend the computation of the HIA benefit. If this bill is enacted, the range of potential tax benefits would be from a benefit of $0 to a benefit of $150 million, net of the impact of remitting income earned in 2005 that would otherwise have been indefinitely invested overseas.

See Note 18 to Notes to Consolidated Financial Statements for a further description of the Company's provision for Income Taxes and related income tax assets and liabilities.

Legal Reserves

The Company is subject to legal, regulatory and other proceedings and claims arising from conduct in the ordinary course of business. These proceedings include actions brought against the Company in its various roles, including acting as a lender, underwriter, broker/dealer or investment advisor. Reserves are established for legal and regulatory claims based upon the probability and estimability of losses and to fairly present, in conjunction with the disclosures of these matters in the Company's financial statements and SEC filings, management's view of the Company's exposure. The Company reviews outstanding claims with internal as well as external counsel to assess probability and estimates of loss. The risk of loss is reassessed as new information becomes available and reserves are adjusted, as appropriate. The actual cost of resolving a claim may be substantially higher than the amount of the recorded reserve. See Note 28 to the Consolidated Financial Statements and the discussion of "Legal Proceedings" beginning on page164.

ACCOUNTING CHANGES AND FUTURE APPLICATION OF ACCOUNTING STANDARDS

See Note 1 to the Consolidated Financial Statements for a discussion of Accounting Changes and the Future Application of Accounting Standards.

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PENSION AND POSTRETIREMENT PLANS

The Company has several non-contributory defined benefit pension plans covering substantially all U.S. employees and has various defined benefit pension and termination indemnity plans covering employees outside the United States. The U.S.-defined benefit plan provides benefits under a cash balance formula. Employees satisfying certain age and service requirements remain covered by a prior final pay formula. The Company also offers postretirement health care and life insurance benefits to certain eligible U.S. retired employees, as well as to certain eligible employees outside the United States.

The following table shows the pension expense and contributions for Citigroup's U.S. and foreign plans:

	U.S. Plans			Non-U.S. Plans		
In millions of dollars	**2004**	2003	2002	**2004**	2003	2002
Pension expense	**$196**	$101	$ 24	**$185**	$158	$133
Company contributions [1] [2]	**400**	500	500	**524**	279	695

(1) In 2002, the Company's contributions consisted of $500 million of Citigroup common stock and $695 million in cash.
(2) In addition, the Company absorbed $18 million, $12 million and $41 million during 2004, 2003 and 2002, respectively, relating to certain investment management fees and administration costs, which are excluded from this table.

Citigroup common stock comprised 1.2%, 6.45%, and 7.87% of the U.S. plan's assets at December 31, 2004, 2003, and 2002, respectively. The Citigroup U.S. Pension Plan sold approximately $500 million of Citigroup common stock in January of 2004.

The following table shows the combined postretirement expense and contributions for Citigroup's U.S. and foreign plans:

	U.S. & Non-U.S. Plans		
In millions of dollars	**2004**	2003	2002
Postretirement expense	**$ 75**	$ 97	$105
Company contributions	**216**	166	226

All U.S. qualified plans and the funded foreign plans are generally funded to the amounts of the accumulated benefit obligations. Net pension expense for the year ended December 31, 2005 for the U.S. plans is expected to increase by approximately $30 million, primarily as a result of lower discount rates. Net pension expense for the years ended December 31, 2004 and 2003 for the U.S. plans increased by $95 million and $77 million, respectively, as a result of the amortization of unrecognized net actuarial losses, lower discount rates, a lower expected return on assets assumption beginning in 2003, and for 2004, an updated mortality table. As the foreign pension plans all use the fair value of plan assets, their pension expense will be directly affected by the actual performance of the plans' assets. This paragraph contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act. See "Forward-Looking Statements" on page 100.

Expected Rate of Return

Citigroup determines its assumptions for the expected rate of return on plan assets for its U.S. pension and postretirement plans using a "building block" approach, which focuses on ranges of anticipated rates of return for each asset class. A weighted range of nominal rates is then determined based on target allocations to each asset class. Citigroup considers the expected rate of return to be a longer-term assessment of return expectations and does not anticipate changing this assumption annually unless there are significant changes in economic conditions. This contrasts with the selection of the discount rate, future compensation increase rate, and certain other assumptions, which are reconsidered annually in accordance with generally accepted accounting principles. The expected rate of return was 8.0% at December 31, 2004 and 2003, reflecting the performance of the equity markets. The computation of pension expense for 2004 includes $750 million of expected returns, which represents the 8.0% expected return and is equivalent to 3% of pretax earnings. This expected amount is deducted from the service cost, interest and other components of pension expense to arrive at the net pension expense. Net pension expense for 2003 and 2002 reflects deductions of $700 million and $783 million of expected returns, respectively.

The following table shows the expected versus actual rate of return on plan assets for the U.S. pension and postretirement plans:

	2004	2003	2002
Expected rate of return [1]	**8.0%**	8.0%	8.0%
Actual rate of return	**11.5%**	24.2%	(7.0%)

(1) The expected rate of return was changed from 9.5% to 8.0% in September 2002 when plan assets were revalued in connection with the TPC spin-off.

In calculating pension expense for the U.S. plan and in determining the expected rate of return, the Company uses the calculated market-related value of plan assets. The year-end allocations are within the plans' target ranges.

The following table shows the asset allocations for the U.S. plan:

As of December 31	**2004**	2003
Equities	**47%**	54%
Fixed income	**29%**	26%
Real estate and other	**24%**	20%

A similar approach has been taken in selecting the expected rates of return for Citigroup's foreign plans. The expected rate of return for each plan is based upon its expected asset allocation. Market performance over a number of earlier years is evaluated covering a wide range of economic conditions to determine whether there are sound reasons for projecting forward any past trends. The expected rates of return for the foreign plans ranged from 3.25% to 10% for 2004 compared with a range of 3.25% to 10.5% for 2003, and 3.0% to 12.0% in 2002. The wide variation in these rates is a result of differing asset allocations in the plans as well as varying local economic conditions. For

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example, in certain countries, local law requires that all pension plan assets must be invested in fixed income investments, or in government funds, or in local country securities. Asset allocations for the foreign plans ranged from a combination of 97% fixed income to 3% equities and other investments to a combination of 78% equities and 22% fixed income and other investments at December 31, 2004, compared with an asset allocation range from 100% fixed income investments to a combination of 91% equities and 9% fixed income and other investments at December 31, 2003, and 100% fixed income to a combination of 75% equities and 25% fixed income and other investments at December 31, 2002. Pension expense for 2004 was reduced by $251 million due to the expected return, which impacted pretax earnings by 1%. Actual returns in 2004 were more than the expected returns. Pension expense for 2003 and 2002 was reduced by expected returns of $209 million and $188 million, respectively. Actual returns were higher in 2003 and were lower in 2002 than the expected returns in those years.

A one percentage-point change in the expected rates of return would have the following effects on pension expense:

	One percentage-point increase			One percentage-point decrease		
In millions of dollars	**2004**	2003	2002	**2004**	2003	2002
Effect on pension expense for U.S. plans	**$ (94)**	$(88)	$(85)	**$ 94**	$88	$85
Effect on pension expense for foreign plans	**(118)**	(24)	(21)	**118**	24	21

Discount Rate

The discount rates for the U.S. pension and postretirement plans were selected by reference to the Moody's Aa Long-Term Corporate Bond Yield in conjunction with a Citigroup-specific analysis using each plans' specific cash flows to confirm that the Moody's Aa index provided a good basis for selection of the discount rates. Under the analysis, the resulting plan-specific discount rates for the pension and postretirement plans were 5.76% and 5.36%, respectively. Citigroup's policy is to round up to the nearest quarter percent. Accordingly, at December 31, 2004, the Moody's Aa Long-Term Corporate Bond Yield was 5.66% and the discount rate was set at 5.75% for the pension plan and 5.50% for the postretirement plan. At December 31, 2003, the Moody's Aa Long-Term Corporate Bond Yield was 6.01% and the discount rate was set at 6.25% for both the pension and postretirement plans. At December 31, 2002, the Moody's Aa Long-Term Corporate Bond Yield was 6.52% and the discount rate was set at 6.75% for both the pension and postretirement plans.

The discount rates for the foreign pension and postretirement plans are selected by reference to high-quality corporate bond rates in countries that have developed corporate bond markets. However, where developed corporate bond markets do not exist, the discount rates are selected by reference to local government bond rates with a premium added to reflect the additional risk for corporate bonds. At December 31, 2004, the discount rates for the foreign plans ranged from 2.0% to 10.0% compared with a range of 2.0% to 10.0% at December 31, 2003, and 2.25% to 12.0% at December 31, 2002.

A one percentage-point change in the discount rates would have the following effects on pension expense:

	One percentage-point increase			One percentage-point decrease		
In millions of dollars	**2004**	2003	2002	**2004**	2003	2002
Effect on pension expense for U.S. plans	**$(140)**	$(52)	$(5)	**$140**	$120	$70
Effect on pension expense for foreign plans	**(260)**	(43)	(41)	**306**	53	46

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BUSINESS FOCUS

The following tables show the net income (loss) for Citigroup's businesses both on a product view and on a regional view:

CITIGROUP NET INCOME–PRODUCT VIEW

In millions of dollars	2004	2003[1]	2002[1]
Global Consumer			
Cards	**$ 4,700**	$ 3,590	$ 3,043
Consumer Finance	**2,388**	1,979	2,258
Retail Banking	**4,628**	4,046	2,697
Other[2]	**95**	(124)	(154)
Total Global Consumer	**11,811**	9,491	8,044
Global Corporate and Investment Bank			
Capital Markets and Banking	**5,395**	4,642	3,995
Transaction Services	**1,041**	745	569
Other[3][4]	**(4,398)**	(16)	(1,392)
Total Global Corporate and Investment Bank	**2,038**	5,371	3,172
Global Wealth Management			
Smith Barney	**881**	792	821
Private Bank[5]	**318**	551	461
Total Global Wealth Management	**1,199**	1,343	1,282
Global Investment Management			
Life Insurance and Annuities	**1,073**	792	642
Asset Management	**238**	324	351
Total Global Investment Management	**1,311**	1,116	993
Proprietary Investment Activities	**743**	366	(50)
Corporate/Other	**(56)**	166	7
Income from Continuing Operations	**17,046**	17,853	13,448
Income from Discontinued Operations[6]	**—**	—	1,875
Cumulative Effect of Accounting Change[7]	**—**	—	(47)
Total Net Income	**$17,046**	$17,853	$15,276

(1) Reclassified to conform to the 2004 presentation. See Note 4 to the Consolidated Financial Statements for assets by segment.
(2) 2004 includes a $378 million after-tax gain related to the sale of Samba.
(3) 2002 includes a $1.3 billion after-tax charge related to the establishment of reserves for regulatory settlements and related civil litigation.
(4) 2004 includes a $378 million after tax gain related to the sale of Samba and a $4.95 billion after tax charge related to the WorldCom and Litigation Reserve Charge.
(5) 2004 includes a $244 mill on after-tax charge related to the exit plan implementation for the Company's Private Bank operations in Japan.
(6) On August 20, 2002, Citigroup completed the distribution to its stockholders of a majority portion of its remaining ownership interest in TPC. Following the distribution, Citigroup began accounting for TPC as discontinued operations. See Note 3 to the Consolidated Financial Statements.
(7) Accounting change in 2002 of ($47) million includes the adoption of the remaining provisions of SFAS 142. See Note 1 to the Consolidated Financial Statements.

CITIGROUP NET INCOME–REGIONAL VIEW

In millions of dollars	2004	2003[1]	2002[1]
North America (excluding Mexico)[2]			
Consumer	**$ 7,726**	$ 6,605	$ 5,478
Corporate[3][4]	**(2,190)**	2,542	1,011
Wealth Management	**1,169**	1,073	1,071
Investment Management	**1,015**	1,052	849
Total North America	**7,720**	11,272	8,409
Mexico			
Consumer	**827**	624	336
Corporate	**659**	407	423
Wealth Management	**52**	41	20
Investment Management	**153**	162	110
Total Mexico	**1,691**	1,234	889
Europe, Middle East and Africa (EMEA)			
Consumer[5]	**1,183**	684	655
Corporate[5]	**1,132**	919	755
Wealth Management	**15**	(16)	8
Investment Management	**7**	20	11
Total EMEA	**2,337**	1,607	1,429
Japan			
Consumer	**616**	583	1,031
Corporate	**334**	162	124
Wealth Management[6]	**(205)**	83	60
Investment Management	**24**	5	(4)
Total Japan	**769**	833	1,211
Asia (excluding Japan)			
Consumer	**1,187**	811	690
Corporate	**1,290**	775	728
Wealth Management	**125**	118	92
Investment Management	**37**	50	21
Total Asia	**2,639**	1,754	1,531
Latin America			
Consumer	**272**	184	(146)
Corporate	**813**	566	131
Wealth Management	**43**	44	31
Investment Management	**75**	(173)	6
Total Latin America	**1,203**	621	22
Proprietary Investment Activities	**743**	366	(50)
Corporate/Other	**(56)**	166	7
Income from Continuing Operations	**17,046**	17,853	13,448
Income from Discontinued Operations[7]	**—**	—	1,875
Cumulative Effect of Accounting Change[8]	**—**	—	(47)
Total Net Income	**$17,046**	$17,853	$15,276

(1) Reclassified to conform to the 2004 presentation.
(2) Excludes Proprietary Investment Activities and Corporate/Other which are predominately related to North America.
(3) 2004 includes a $4.95 billion after-tax charge related to the WorldCom and Litigation Reserve Charge.
(4) 2002 includes a $1.3 billion after-tax charge related to the establishment of reserves for regulatory settlements and related civil litigation.
(5) 2004 includes a $756 million after-tax gain ($378 million in Consumer and $378 million in Corporate) related to the sale of Samba.
(6) 2004 includes a $244 million after-tax charge related to the exit plan implementation for the Company's Private Bank operations in Japan.
(7) See Note 3 to the Consolidated Financial Statements.
(8) See Note 1 to the Consolidated Financial Statements.

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SELECTED REVENUE AND EXPENSE ITEMS

Revenues

Net interest revenue was $44.6 billion in 2004, up $4.8 billion or 12% from 2003, which was up $2.1 billion or 6% from 2002, reflecting the positive impact of a changing rate environment, business volume growth in most markets through organic growth combined with the impact of acquisitions during the year.

Total commissions, asset management and administration fees, and other fee revenues of $23.6 billion were up $1.6 billion or 7% in 2004, primarily reflecting improved global equity markets, higher transactional volume and continued strong investment banking results. Insurance premiums of $4.0 billion in 2004 were up 7% from year-ago levels and up $339 million in 2003 compared to 2002. The 2004 increase primarily represents higher business volumes compared to the prior year.

Principal transactions revenues of $3.8 billion decreased $1.4 billion or 27% from 2003, primarily reflecting decreases in Global Fixed Income related to fluctuation of interest rates and positioning and lower volatility in the market, partially offset by fluctuating foreign exchange rates. Realized gains/(losses) from sales of investments of $831 million in 2004 were up $321 million from 2003, which was up $995 million from 2002. The increase from 2003 is attributable to the absence of prior-year losses related to the write-down of Argentina government promissory notes and gains in Treasury and Fixed Income Management Account Portfolios. Other revenue of $9.4 billion in 2004 increased $3.1 billion from 2003, which was up $533 million from 2002. The 2004 increase primarily reflected the $1.2 billion gain on the sale of Samba, increased securitization gains and activities and improved investment results. The 2003 increase includes improved securitization gains and activities and stronger Private Equity results.

Operating Expenses

Operating expenses grew $12.8 billion or 33% to $52.0 billion in 2004, and increased $1.9 billion or 5% from 2002 to 2003. Expense growth during 2004 was primarily related to the $7.9 billion pretax reserve for the WorldCom and Litigation Reserve Charge taken in the second quarter of 2004 and the $400 million Private Bank Japan Exit Plan Charge. Other increased expenses included investments made relating to the acquisitions of Sears, KorAm, WMF and Principal Residential Mortgage during the year, increased incentive compensation due to increased revenue, increased marketing and advertising expenses and higher pension and insurance expenses. The increase in 2003 included investments made relating to acquisitions during the year, increased spending on sales force, marketing and advertising and new business initiatives to support organic growth, higher pension and insurance costs, the cost of expensing options and higher deferred acquisition costs.

Benefits, Claims, and Credit Losses

Benefits, claims, and credit losses were $10.0 billion, $11.9 billion and $13.5 billion in 2004, 2003 and 2002, respectively. The 2004 charge was down $1.9 billion from 2003, which was down $1.6 billion from 2002. Policyholder benefits and claims in 2004 decreased $94 million from 2003, primarily as a result of the absence of the pension close-out contract in *Life Insurance and Annuities*. The 2003 charge was up $417 million from 2002. The provision for credit losses decreased $1.8 billion or 23% from 2003 to $6.2 billion in 2004, reflecting continued improvement in credit quality in both consumer and corporate businesses, partially offset by the impact of acquisitions. There was a $1.9 billion decrease from 2003 to 2002 due to the improvement in the global credit environment.

Global Consumer provisions for benefits, claims, and credit losses of $7.9 billion in 2004 were down $112 million or 1% from 2003, reflecting decreases in *Retail Banking* and *Consumer Finance*, partially offset by increases in *Cards*. Total net credit losses (excluding Commercial Business) were $8.257 billion and the related loss ratio was 2.31% in 2004, as compared to $7.093 billion and 2.38% in 2003 and $6.740 billion and 2.67% in 2002. The consumer loan delinquency ratio (90 days or more past due) decreased to 2.02% at December 31, 2004 from 2.42% at December 31, 2003 and 2.40% at December 31, 2002. See page 75 for a reconciliation of total consumer credit information.

The GCIB provision for credit losses in 2004 decreased $1.7 billion from 2003, which decreased $1.5 billion from 2002. The decrease reflects this year's continually improving credit environment.

Corporate cash-basis loans at December 31, 2004, 2003 and 2002 were $1.906 billion, $3.419 billion, and $3.995 billion, respectively. The decrease in cash-basis loans from 2003 reflects improved credit quality, write-offs against previously established reserves, as well as repayments. Corporate cash-basis loans at December 31, 2003 decreased $0.6 billion from December 31, 2002 primarily due to the improving credit environment.

Income Taxes

The Company's effective tax rate of 28.6% in 2004 decreased 255 basis points from 2003, and included a $234 million benefit for the release of a valuation allowance relating to the utilization of foreign tax credits, the releases of $150 million and $147 million due to the closing of tax audits and a $47 million tax benefit due to an IRS tax ruling relating to Argentina. The 2004 effective tax rate was also reduced from 2003 because of the impact of indefinitely invested international earnings and other items on the lower level of pretax earnings due to the impact of the WorldCom and Litigation Reserve Charge. The Company's effective tax rate was 31.1% in 2003 and 34.1% in 2002. See additional discussion on page 44 and in Note 18 to the Consolidated Financial Statements.

The net income line in the following business segment and operating unit discussions excludes the cumulative effect of accounting change and income from discontinued operations. The cumulative effect of accounting change and income from discontinued operations is disclosed within the Corporate/Other business segment. See Notes 1 and 3 to the Consolidated Financial Statements.

Certain amounts in prior years have been reclassified to conform to the current year's presentation. Business segment and product reclassifications include the implementation of the Company's Risk Capital Methodology and allocation across its products and segments.

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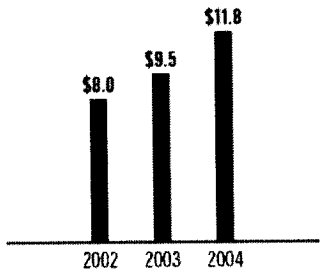
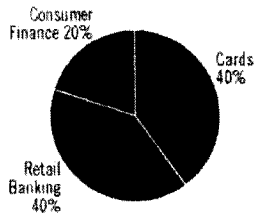
GLOBAL CONSUMER

Global Consumer—2004 Net Income
In billions of dollars

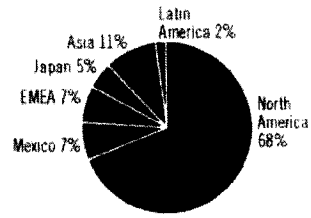


Global Consumer—2004 Net Income by Product*



*Excludes Other Consumer income of $95 million

Global Consumer—2004 Net Income by Region*



*Excludes $378 million after-tax gain related to the sale of Samba

In millions of dollars	**2004**	2003	2002
Revenues, net of interest expense	**$47,267**	$40,970	$37,659
Operating expenses	**21,924**	18,836	16,743
Provisions for benefits, claims, and credit losses	**7,926**	8,038	8,459
Income before taxes and minority interest	**17,417**	14,096	12,457
Income taxes	**5,547**	4,554	4,373
Minority interest, after-tax	**59**	51	40
Net income	**$11,811**	$ 9,491	$ 8,044
Average risk capital[1]	**$22,200**	$20,441	
Return on risk capital[1]	**53%**	46%	
Return on invested capital[1]	**22%**	21%	

(1) See Footnote (7) to the table on page 32

Global Consumer reported net income of $11,811 billion in 2004, up $2,320 billion or 24% from 2003, driven by double-digit growth across all products and a $378 million after-tax gain on the sale of Samba. *Cards* net income increased $1,110 billion or 31% in 2004 mainly reflecting improved credit costs, including the impact of credit reserve releases, the addition of the Sears, Home Depot and KorAm portfolios, growth in international receivables, and the benefit of certain one-time tax credits. *Retail Banking* net income increased $582 million or 14% in 2004 primarily due to the impact of improved credit costs, including the impact of credit reserve releases, led by the Commercial Business in North America, and strong international growth led by Asia. *Consumer Finance* net income increased $409 million or 21% in 2004 primarily due to a higher net interest margin in North America, lower credit costs, the impact of the Washington Mutual Finance (WMF) acquisition, and growth in Latin America and Asia, partially offset by weakness in Japan and EMEA.

Net income in 2003 increased $1,447 billion or 18% from 2002, reflecting double-digit growth in *Retail Banking* and *Cards* that was primarily driven by the impact of acquisitions and strong growth in North America including Mexico, Asia and Latin America, and was partially offset by declines in Japan, driven by continued weakness in *Consumer Finance*.

On July 1, 2004, Citigroup acquired Principal Residential Mortgage, Inc. (PRMI), a servicing portfolio of $115 billion. In the 2004 second quarter, Citigroup completed the acquisition of KorAm, which added $10.0 billion in deposits and $12.6 billion in loans, with $11.5 billion in *Retail Banking* and $1.1 billion in *Cards* at June 30, 2004. In January 2004, Citigroup completed the acquisition of WMF, which added $3.8 billion in average loans and 427 loan offices. In November 2003, Citigroup completed the acquisition of Sears, which added $15.4 billion of private-label card receivables, $13.2 billion of bankcard receivables and 32 million accounts. In July 2003, Citigroup completed the acquisition of the Home Depot portfolio, which added $6 billion in receivables and 12 million accounts. In July 2003, Citigroup also acquired the remaining stake in Diners Club Europe, adding one million accounts and $0.6 billion of receivables. In November 2002, Citigroup completed the acquisition of GSB, which added $25 billion in deposits and $35 billion in loans, including $33 billion in *Retail Banking* and $2 billion in *Consumer Finance*. In February and May 2002, CitiFinancial Japan acquired the consumer finance businesses of Taihei Co., Ltd. (Taihei) and Marufuku Co., Ltd. (Marufuku), adding $1.1 billion in loans. These business acquisitions were accounted for as purchases; therefore, their results are included in the Global Consumer results from the dates of acquisition.

Global Consumer has divested several non-strategic businesses and portfolios as opportunities to exit became available. Certain divestitures include Global Consumer's share of Citigroup's 20% equity investment in Samba and a $900 million vendor finance leasing business in Europe in 2004, the sales of the $1.2 billion Fleet Services portfolio in the North American Commercial Business and of $1.7 billion of credit card portfolios in 2003, and the 2002 sale of the $2.0 billion mortgage portfolio in Japan Retail Banking.

The table below shows net income by region for Global Consumer:

Global Consumer Net Income-Regional View

In millions of dollars	**2004**	2003	2002
North America (excluding Mexico)	**$ 7,726**	$6,605	$5,478
Mexico	**827**	624	336
EMEA	**1,183**	684	655
Japan	**616**	583	1,031
Asia (excluding Japan)	**1,187**	811	690
Latin America	**272**	184	(146)
Net income	**$11,811**	$9,491	$8,044

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The increase in Global Consumer net income in 2004 reflected growth in all regions. North America (excluding Mexico) net income grew $1.121 billion or 17%, primarily reflecting the impact of acquisitions and improved credit, including higher credit reserve releases. Net income in Mexico grew $203 million or 33%, driven by improved customer volumes in *Cards* and *Retail Banking*. Net income in EMEA increased $499 million or 73%, primarily reflecting the $378 million gain on the sale of Samba in Other Consumer and the benefit of foreign currency translation, partially offset by higher credit reserve builds. Income in Japan increased by $33 million or 6% reflecting a lower provision for credit losses, primarily driven by lower bankruptcies in *Consumer Finance,* partially offset by the absence of a $94 million prior-year tax reserve release. Growth in Asia of $376 million or 46% was mainly due to higher investment product sales in *Retail Banking*, growth in *Cards*, the impact of credit reserve releases and the addition of KorAm. The increase in Latin America of $88 million or 48% was mainly due to improvements in all products, with the increase in *Retail Banking* primarily driven by Argentina, including the absence of prior-year repositioning costs.

CARDS

In millions of dollars	**2004**	2003	2002
Revenues, net of interest expense	**$18,321**	$14,610	$13,637
Operating expenses	**8,089**	6,227	5,535
Provision for credit losses	**3,396**	2,935	3,410
Income before taxes and minority interest	**6,836**	5,448	4,692
Income taxes	**2,133**	1,854	1,647
Minority interest, after-tax	**3**	4	2
Net income	**$ 4,700**	$ 3,590	$ 3,043
Average assets *(in billions of dollars)*	**$ 95**	$ 70	$ 63
Return on assets	**4.95%**	5.13%	4.83%
Average risk capital(1)	**$ 5,364**	$ 4,375	
Return on risk capital(1)	**88%**	82%	
Return on invested capital(1)	**29%**	35%	

(1) See Footnote (7) to the table on page 32.

Cards reported net income of $4.700 billion in 2004, up $1.110 billion or 31% from 2003. North America Cards reported net income of $3.939 billion, up 27% over 2003, reflecting improved credit costs, including the benefit of credit reserve releases, and the impact of the Sears and Home Depot acquisitions. International Cards income increased by 53% over 2003 to $761 million in 2004, reflecting higher revenues from receivables growth, improved credit costs, including the benefit of credit reserve releases, a lower effective tax rate, including the benefit of certain one-time tax credits, a gain on the sale of Orbitall (Credicard processing company in Brazil) and the addition of KorAm. Globally, 2003 net income of $3.590 billion was up $547 million or 18% from 2002, reflecting increased spreads, the impact of the Home Depot and Sears acquisitions, improved credit costs in North America, a lower provision for credit losses in Argentina and growth in Asia.

As shown in the following table, average managed loans grew 19% in 2004, reflecting growth of 18% in North America and 26% in International Cards. In North America, the addition of the Home Depot and Sears portfolios was partially offset by the impact of higher payment rates seen throughout the industry. The increase in International Cards reflected the benefit of strengthening currencies and growth in both Asia and EMEA, and the addition of KorAm. Average managed loans grew 8% in 2003, driven by the acquisition of Home Depot and Sears in the 2003 third and fourth quarters, respectively, international growth led by Asia and EMEA, and the benefit of strengthening currencies. Sales in 2004 were $354.7 billion, up 22% from 2003. North America sales were up 20% to $301.9 billion in 2004, with the impact of acquisitions and improved purchase sales. International Cards sales grew 33%, reflecting growth in Asia, Latin America and Japan, the addition of KorAm, and the benefit of strengthening currencies. In 2003, sales were up 5% from 2002, reflecting the impact of acquisitions and growth in EMEA, Asia and Japan.

In billions of dollars	**2004**	2003	2002
Sales			
North America	**$301.9**	$251.5	$244.9
International	**52.8**	39.6	33.4
Total sales	**$354.7**	$291.1	$278.3
Average managed loans			
North America	**$139.6**	$118.0	$110.2
International	**15.7**	12.5	10.7
Total average managed loans	**$155.3**	$130.5	$120.9
Total on-balance sheet average loans	**$ 74.3**	$ 55.9	$ 49.2

Revenues, net of interest expense, of $18.321 billion in 2004 increased $3.711 billion or 25% from 2003, reflecting growth in North America of $3.128 billion or 26% and in International Cards of $583 million or 22%. Revenue growth in North America reflected the impact of acquisitions, higher net interest margin and the benefit of increased purchase sales, partially offset by higher payment rates resulting from the overall improved economy, and lower securitization-related gains. In 2004 and 2003, revenues included net securitization gains of $234 million and $342 million, respectively, with the 2003 gains primarily resulting from changes in estimates related to the timing of revenue recognition on securitized portfolios. Revenue growth in International Cards reflected growth in all regions and includes the addition of KorAm and Diners Club Europe, the benefit of foreign currency translation, and the gain on the sale of Orbitall. In 2003, revenues increased $973 million or 7% from 2002, reflecting the impact of acquisitions, net interest margin expansion, increased purchase sales, gains from the sale of non-strategic portfolios, and the benefit of foreign currency translation, partially offset by increased credit losses on securitized receivables, which are recorded as a reduction to other revenue after receivables are securitized.

Operating expenses of $8.089 billion in 2004 were up $1.862 billion or 30% from 2003, reflecting increases in North America of $1.456 billion or 30% and in International Cards of $406 million or 30%. Expense increases in North America primarily reflected the full year impact of the Home Depot and Sears acquisitions and increased advertising and marketing expenses. Expense growth in International Cards reflected increases in all regions and included the impact of the Diners Club Europe and KorAm acquisitions, the net effect of foreign currency translation and increased advertising and marketing expenses. In 2003, operating expenses were $692 million or 13% higher than 2002, reflecting the impact of acquisitions, foreign currency translation and increased investment spending, including higher advertising

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and marketing expenditures, costs associated with expansion into Russia and China, and repositioning costs, mainly in EMEA and Latin America.

The provision for credit losses in 2004 was $3.396 billion, compared to $2.935 billion in 2003 and $3.410 billion in 2002. The increase in the provision for credit losses in 2004 reflects the full year impact of acquisitions and increased presence in the private label card market in North America, partially offset by lower net credit losses and higher credit reserve releases of $735 million, resulting from an improved credit environment, as well as the impact of increased levels of securitized receivables. The decrease in the provision for credit losses in 2003 was mainly due to an increase in the level of securitized receivables combined with credit improvements in North America and Latin America, including a $44 million reduction in the allowance for credit losses in Argentina due to improvement in credit experience and lower portfolio volumes. The decline in 2003 was partially offset by the impact of acquisitions. In 2002, the provision for credit losses included a $206 million addition to the allowance for credit losses established in accordance with the implementation of FFIEC guidance related to past-due interest and late fees on the on-balance sheet credit card receivables in Citi Cards and a $109 million net provision for credit losses resulting from deteriorating credit in Argentina.

The securitization of credit card receivables is limited to the Citi Cards business within North America. At December 31, 2004, securitized credit card receivables were $85.3 billion compared to $76.1 billion at December 31, 2003 and $67.1 billion at December 31, 2002. There were $2.5 billion in credit card receivables held-for-sale at December 31, 2004, compared to zero credit card receivables held-for-sale at December 31, 2003, and $6.5 billion at December 31, 2002. Securitization changes Citigroup's role from that of a lender to that of a loan servicer, as receivables are removed from the balance sheet but continue to be serviced by Citigroup. As a result, securitization affects the amount of revenue and the manner in which revenue and the provision for credit losses are recorded with respect to securitized receivables.

A gain is recorded at the time receivables are securitized, representing the difference between the carrying value of the receivables removed from the balance sheet and the fair value of the proceeds received and interests retained. Interests retained from securitization transactions include interest-only strips, which represent the present value of estimated excess cash flows associated with securitized receivables (including estimated credit losses). Collections of these excess cash flows are recorded as commissions and fees revenue (for servicing fees) or other revenue. For loans not securitized these excess cash flows would otherwise be reported as gross amounts of net interest revenue, commissions and fees revenue and credit losses.

In addition to interest-only strip assets, Citigroup may retain one or more tranches of certificates issued in securitization transactions, provide escrow cash accounts or subordinate certain principal receivables to collateralize the securitization interests sold to third parties. However, Citigroup's exposure to credit losses on securitized receivables is limited to the amount of the interests retained and collateral provided.

Including securitized receivables and receivables held-for-sale, managed net credit losses were $9.219 billion in 2004 with a related loss ratio of 5.94% compared to $7.694 billion and 5.90% in 2003 and $7.169 billion and 5.93% in 2002. The increase in the ratio from the prior year was primarily driven by the impact of acquisitions and the related expansion of the private label portfolio, partially offset by the continued improvement in the credit environments in both the North America and international markets that began in 2003. The decline in the ratio in 2003 compared to 2002 was primarily driven by improvements in North America and the international markets, particularly in Hong Kong, Taiwan and Argentina, partially offset by the addition of the Sears portfolio. Loans delinquent 90 days or more were $2.944 billion or 1.78% at December 31, 2004, compared with $3.392 billion or 2.14% at December 31, 2003 and $2.397 billion or 1.84% at December 31, 2002. The decrease in delinquent loans in 2004 was primarily attributable to overall improved credit conditions in the Citi Cards business, offset slightly by the addition of the Sears portfolio. A summary of delinquency and net credit loss experience related to the on-balance sheet loan portfolio is included in the table on page 78.

CONSUMER FINANCE

In millions of dollars	**2004**	2003	2002
Revenues, net of interest expense	**$10,761**	$10,083	$9,899
Operating expenses	**3,600**	3,488	3,114
Provisions for benefits, claims, and credit losses	**3,506**	3,727	3,294
Income before taxes	**3,655**	2,868	3,491
Income taxes	**1,267**	889	1,233
Net income	**$ 2,388**	$ 1,979	$2,258
Average assets *(in billions of dollars)*	**$ 113**	$ 105	$ 96
Return on assets	**2.11%**	1.88%	2.35%
Average risk capital[1]	**$ 3,722**	$ 3,183	
Return on risk capital[1]	**64%**	62%	
Return on invested capital[1]	**22%**	21%	

(1) See Footnote (/) to the table on page 32.

Consumer Finance reported net income of $2.388 billion in 2004, up $409 million or 21% from 2003, reflecting an increase in North America of $405 million or 28% and an increase in International Consumer Finance of $4 million or 1%. The increase in North America primarily resulted from a higher net interest margin due to higher loan volumes and a lower cost of funds, the benefit of lower credit costs due to an improved credit environment and the successful integration of WMF in 2004. The increase in International Consumer Finance primarily resulted from increases in Latin America and Asia, partially offset by declines in Japan and EMEA. Net income in 2003 of $1.979 billion decreased by $279 million or 12% from 2002, primarily reflecting continued weakness in Japan, partially offset by the acquisition of GSB in November 2002 and a $94 million release of a tax reserve in Japan, related to a settlement with tax authorities.

In billions of dollars	**2004**	2003	2002
Average loans			
Real-estate-secured loans	**$ 58.2**	$52.1	$48.0
Personal	**24.8**	22.5	21.6
Auto	**11.6**	11.1	8.4
Sales finance and other	**5.4**	5.0	4.0
Total average loans	**$100.0**	$90.7	$82.0

As shown in the preceding table, average loans grew $9.3 billion or 10% in 2004 compared to 2003, reflecting growth in North America of $8.5 billion or 12% and International Consumer Finance of $0.8 billion or 4%. North American growth reflected the addition of WMF, which contributed $3.6 billion in average loans, and growth in all products driven by real-

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estate-secured and auto loans. Growth in real-estate-secured loans mainly reflected portfolio acquisitions, partially offset by a decline in cross selling of products through Primerica. Growth in the international markets was mainly driven by increases in the real-estate-secured and personal loan portfolios in both EMEA and Asia, and included the impact of strengthening currencies, partially offset by a decline in EMEA auto loans. In Japan, average loans declined by 6% from 2003 as the benefit of foreign currency translation was more than offset by the impact of higher pay-downs, reduced loan demand and tighter underwriting standards. Average loans grew 11% in 2003, resulting from acquisitions, growth in real-estate-secured loans, the impact of funding auto loan volumes internally and strengthening currencies in the international markets.

As shown in the following table, the average net interest margin ratio of 9.95% in 2004 declined 22 basis points from 2003, reflecting compression in both the North American and international markets. In North America, higher volumes and the benefit of lower cost of funds were more than offset by lower yields reflecting the lower interest rate environment and the repositioning of portfolios towards higher credit quality. The average net interest margin ratio for International Consumer Finance was 15.80% in 2004, declining 23 basis points from the prior year, primarily driven by a mix shift to lower yielding products in EMEA and lower receivables in Japan, partially offset by a change in recording adjustments and refunds of interest in Japan. From the 2003 second quarter to the 2004 second quarter, a portion of adjustments and refunds of interest charged to customer accounts were treated as reductions in net interest margin. For all other periods presented, such adjustments and refunds of interest were accounted for in net credit losses. If all adjustments and refunds of interest were accounted for in net credit losses, the average net interest margin ratio for International Consumer Finance would have been 16.07% in 2004 and 16.49% in 2003. The average net interest margin ratio of 10.17% in 2003 declined 55 basis points from 2002 primarily reflecting compression in the international markets, driven primarily by Japan and partially offset by margin expansion in Europe. The compression of net interest margin in Japan reflected a decline in higher-yielding personal loans combined with the change in treatment of adjustments and refunds of interest as discussed above.

	2004	2003	2002
Average net interest margin ratio			
North America	**8.34%**	8.43%	8.41%
International	**15.80%**	16.03%	18.01%
Total	**9.95%**	10.17%	10.72%

Revenues, net of interest expense, of $10.761 billion in 2004 increased $678 million or 7% from 2003. The increase in revenues, net of interest expense, reflected growth of $622 million or 9% in North America, and growth of $56 million or 2% in International Consumer Finance. Revenue growth in North America was primarily driven by the WMF acquisition, growth in receivables and a lower cost of funds, partially offset by the impact of lower yields and declines in insurance related revenues. The increase in revenue for International Consumer Finance was primarily due to the benefit of foreign exchange and higher volumes in all regions excluding Japan. A decline in Japan revenues was driven by lower personal and real estate loan volumes, as well as a decline in yields. Revenues of $10.083 billion in 2003 increased $184 million or 2% from 2002, reflecting higher revenues in North America of $519 million or 9%, primarily due to receivable growth, including the addition of the GSB auto portfolio, partially offset by lower insurance revenues. Declines in International Consumer Finance revenues of $335 million or 9% resulted from lower volumes and spreads in Japan, offset by the timing of acquisitions in 2002, the net effect of foreign currency translation and growth in Asia.

Operating expenses of $3.600 billion in 2004 increased $112 million or 3% from 2003, reflecting increases of $91 million or 4% in North America and $21 million or 2% in International Consumer Finance. The increase in operating expenses in North America was due to the addition of the WMF portfolio, while the increase in International Consumer Finance reflected the impact of foreign currency translation in Japan and EMEA. Excluding foreign currency translation, a decline in expenses was driven by expense savings from branch closings and headcount reductions which occurred during 2003 in Japan, partially offset by higher 2004 investment expenses including branch expansion in Asia (primarily India) and EMEA. Operating expenses of $3.488 billion in 2003 increased $374 million or 12% from 2002, reflecting increases of $218 million or 12% in North America and $156 million or 13% in International Consumer Finance. The increase in North America resulted from increased volumes, the addition of the GSB auto portfolio and increased staffing, collection and compliance costs. The increase in International Consumer Finance resulted from the impact of foreign currency translation, additional costs in Japan attributable to actions taken to restructure the business and the timing of acquisitions in 2002, partially offset by expense savings from branch closings and headcount reductions in Japan.

The provisions for benefits, claims, and credit losses were $3.506 billion in 2004, down from $3.727 billion in 2003, primarily reflecting lower net credit losses in North America and Japan, and higher credit reserve releases of $89 million, partially offset by the WMF acquisition. The decline in North American credit losses excluding the impact of WMF was driven by the overall improvement in the credit environment, while the decline in Japan was driven by lower bankruptcy losses. Net credit losses and the related loss ratio were $3.431 billion and 3.43% in 2004, compared to $3.517 billion and 3.88% in 2003, and $3.026 billion and 3.69% in 2002. In North America, net credit losses were $2.065 billion and the related loss ratio was 2.63% in 2004, compared to $2.059 billion and 2.94% in 2003 and $1.865 billion and 3.00% in 2002. The decrease in the net credit loss ratio in 2004 was driven by improvements in all products, the result of better overall credit conditions in the market and the shift to better credit quality portfolios, partially offset by the impact of WMF. The decrease in the net credit loss ratio in 2003 was mainly driven by improvements in the real-estate-secured and auto portfolios, which were partially offset by increased loss rates in the personal loan portfolio. Net credit losses in International Consumer Finance were $1.366 billion and the related loss ratio was 6.32% in 2004, compared to $1.458 billion and 7.02% in 2003 and $1.161 billion and 5.88% in 2002. The decrease in the net credit loss ratio in 2004 was driven by improved credit conditions, including lower bankruptcy losses in Japan, partially offset by higher personal loan losses in EMEA. Adjusting the net credit loss ratios for the change in treatment of adjustments and refunds of interest in Japan, as discussed above, would have resulted in International Consumer Finance net credit loss ratios of 6.60% and 7.48% in 2004 and 2003, respectively. The increase in the net credit loss ratio in 2003 was primarily due to increased bankruptcy and contractual losses in Japan.

Loans delinquent 90 days or more were $2.014 billion or 1.90% of loans at December 31, 2004, compared to $2.221 billion or 2.36% at December 31, 2003 and $2.197 billion or 2.48% at December 31, 2002. The decrease in the delinquency ratio in 2004 was due to improvements in all regions.

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RETAIL BANKING

In millions of dollars	2004	2003	2002
Revenues, net of interest expense	**$17,669**	$16,218	$13,981
Operating expenses	**9,883**	8,865	7,702
Provisions for benefits, claims, and credit losses	**1,024**	1,376	1,755
Income before taxes and minority interest	**6,762**	5,977	4,524
Income taxes	**2,078**	1,884	1,589
Minority interest, after-tax	**56**	47	38
Net income	**$ 4,628**	$ 4,046	$ 2,897
Average assets *(in billions of dollars)*	**$ 264**	$ 232	$ 187
Return on assets	**1.75%**	1.74%	1.55%
Average risk capital(1)	**$13,114**	$12,883	
Return on risk capital(1)	**35%**	31%	
Return on invested capital(1)	**18%**	16%	

(1) See Footnote (7) to the table on page 52.

Retail Banking reported net income of $4.628 billion in 2004, up $582 million or 14% from 2003. The increase in *Retail Banking* reflected growth in both North America and International Retail Banking net income of $229 million or 8% and $353 million or 29%, respectively. Growth in North America was driven by improved credit costs, including higher credit reserve releases, and higher revenues due to growth in customer volumes, partially offset by a decline in net servicing revenues in Prime Home Finance, higher expenses due to increased investment spending and the impact of the continued liquidation of non-core portfolios in the Commercial Business. The increase in International Retail Banking income primarily reflected growth in Asia, which included the impact of the KorAm acquisition, the benefit of strengthening currencies and a lower effective tax rate partially due to non-recurring tax benefits. Net income of $4.046 billion in 2003 grew $1.149 billion or 40% from 2002, reflecting growth in both North America and International Retail Banking net income of $829 million or 42% and $320 million or 36%, respectively. The growth in North America was driven by the GSB acquisition, strong growth in customer volumes including mortgage originations as well as loan and deposit balances and improved credit costs in Mexico and the Commercial Business. The growth in International Retail Banking net income reflected improvements in Argentina and growth in Asia and EMEA, which more than offset a 2002 gain on the sale of a mortgage portfolio in Japan.

In billions of dollars	2004	2003	2002
Average customer deposits			
North America	**$115.7**	$112.2	$ 90.9
Bank Deposit Program balances(1)	**41.6**	41.2	38.0
Total North America	**157.3**	153.4	128.9
International	**103.2**	86.2	78.8
Total average customer deposits	**$260.5**	$239.6	$207.7
Average loans			
North America	**$131.8**	$114.0	$84.6
North America—Liquidating	**5.7**	8.9	13.0
International	**47.1**	36.0	34.3
Total average loans	**$184.6**	$158.9	$131.9

(1) The Bank Deposit Program balances are generated from the *Smith Barney* channel (Global Wealth Management segment) and the funds are managed by Citibanking North America.

As shown in the preceding table, *Retail Banking* grew average customer deposits and average loans in 2004. Average customer deposit growth of 3% in North America primarily reflected increases in higher-margin demand accounts in Retail Distribution, the Commercial Business and Mexico, and money market accounts in Retail Distribution, partially offset by declines in Retail Distribution time deposits, Prime Home Finance mortgage escrow deposits and the impact of a weakening peso in Mexico. Average loan growth of 12% in North America reflected increases in Prime Home Finance, Student Loans, Retail Distribution and Mexico, partially offset by a decline in the Commercial Business that was led by a continued reduction in the liquidating portfolios, including the sale of the $1.2 billion Fleet Services portfolio at the end of the 2003 third quarter. In the international markets, average customer deposits grew 20% from the prior year, primarily driven by growth in Asia and EMEA, which included the benefits of the KorAm acquisition and foreign currency translation. Average loans in International Retail Banking grew 31% primarily due to the impact of the KorAm acquisition and positive foreign currency translation. Retail Banking North America growth in average customer deposits and average loans in 2003 was largely driven by the acquisition of GSB, as well as organic growth. International Retail Banking average customer deposit growth in 2003 occurred in all regions except Latin America, and benefited from the impact of foreign currency translation, while average loan growth was driven by the impact of foreign currency translation and growth in installment loans, primarily in Germany.

As shown in the following table, revenues, net of interest expense, of $17,669 billion in 2004 increased $1.451 billion or 9% from 2003. Revenues in North America grew $418 million or 4% in 2004, primarily due to the impact of loan and deposit growth and increased investment product sales, partially offset by a decline in net servicing revenues in Prime Home Finance, the impact of the liquidation of non-core portfolios in the Commercial Business and lower net funding spreads. Retail Distribution revenues grew $105 million or 4% due to the impact of higher loan and deposit volumes, partially offset by lower net funding spreads. The Commercial Business revenues grew $268 million or 13% due to the reclassification of operating leases from loans to other assets and the related operating lease depreciation expense from revenue to expense, and was partially offset by the impact of the liquidation of non-core portfolios, including the prior-year sale of the $1.2 billion Fleet Services portfolio. The reclassification increased both revenues and expenses by $403 million pretax in 2004. Prime Home Finance revenues decreased $366 million or 20% mainly due to lower net servicing revenues and lower securitization revenues. The decline in net servicing revenues was driven by lower hedge-related revenues, that were the result of higher hedging costs, and the impact of losses on mortgage servicing hedge ineffectiveness resulting from the volatile rate environment. The lower securitization revenues included a one-time decrease in revenues of $35 million from the adoption of SAB 105. These declines were partially offset by the impact of higher loan volumes and the impact of the PRMI acquisition. Student loan revenues grew $125 million or 26% due to the impact of higher net interest revenue, driven by growth in average loans and originations, higher securitization-related gains and the absence of a prior-year write-down of the purchase premium of certain student loans. Primerica revenues grew $53 million or 3% due to increased life insurance and investment fee revenues, partially offset by the impact of lower loan volumes and higher capital funding costs. Revenues in Mexico increased $233 million or 13% driven by the impact of higher loans and deposits, and the gain on

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sale of a mortgage portfolio, partially offset by the negative impact of foreign currency translation. The comparison to the prior year was also impacted by the absence of an $85 million write-down in 2003 of the Fobaproa investment security and revised estimates of reserves related to certain investments. International Retail Banking revenues increased $1.033 billion or 21%, primarily reflecting the positive impact of foreign currency translation, the addition of KorAm and growth in Asia and EMEA. Excluding foreign currency translation and KorAm, growth in both Asia and EMEA was driven by increased investment product sales, and higher deposit and lending revenues. Revenues of $16.218 billion in 2003 grew $2.237 billion or 16% from 2002, reflecting the acquisition of GSB and growth in Prime Home Finance, Primerica and Mexico for North America, and growth in all international regions except Japan, which declined due to a $65 million gain on sale of the $2.0 billion mortgage portfolio in 2002.

In millions of dollars	**2004**	2003	2002
Revenues, net of interest expense			
Retail Distribution	**$ 3,066**	$ 2,961	$ 2,611
Commercial Business	**2,295**	2,027	2,006
Prime Home Finance	**1,507**	1,873	935
Student Loans	**612**	487	417
Primerica Financial Services	**2,141**	2,088	2,017
Mexico	**2,025**	1,792	1,723
North America	**11,646**	11,228	9,709
EMEA	**2,857**	2,387	1,954
Japan	**471**	451	496
Asia	**2,164**	1,652	1,457
Latin America	**531**	500	365
International	**6,023**	4,990	4,272
Total revenues, net of interest expense	**$17,669**	$16,218	$13,981

Operating expenses of $9.883 billion in 2004 increased $1.018 billion or 11% from 2003, reflecting increases of $631 million or 10% in North America and $387 million or 14% in International Retail Banking. In North America, growth was mainly driven by the impact of the operating lease reclassification in the Commercial Business of $403 million, higher volume-related expenses and increased investment spending in Retail Distribution, higher staff-related and legal costs in Mexico and the impact of the PRMI acquisition. The increase in International Retail Banking expenses reflects the impact of foreign currency translation, the addition of KorAm in Asia, higher sales commissions and increased investment spending, including costs associated with branch and sales-force expansion. Operating expenses in 2003 were up $1.163 billion or 15% compared to 2002, primarily reflecting the impact of acquisitions, other volume-related increases, higher investment spending, as well as repositioning costs in Latin America and EMEA.

The provisions for benefits, claims, and credit losses were $1.024 billion in 2004, down from $1.376 billion in 2003 and $1.755 billion in 2002, reflecting a lower provision for credit losses. The decrease in the provision for credit losses in 2003 reflected both releases in credit reserves and lower net credit losses. Higher credit reserve releases reflected improvement in credit experience in all regions except EMEA, which increased credit reserves, primarily driven by Germany. The decrease in net credit losses in 2004 was mainly due to lower credit costs in the North America Commercial Business excluding Mexico, which benefited from the liquidation of non-core portfolios; Latin America, which benefited from the absence of an $87 million write-down of an Argentine compensation note in the prior year (which was written down against previously established reserves); North America (excluding Mexico) and Asia. These declines were partially offset by higher credit losses in EMEA, primarily due to Germany, and the absence of a prior-year $64 million credit recovery in Mexico. The decrease in the provisions in 2003 compared to 2002 was mainly due to lower credit costs in Mexico and the Commercial Business, and a net $57 million reduction in the credit reserve in Argentina that was essentially offset by additions to the credit reserve in Germany. In 2002, the provision for credit losses included a $108 million provision related to Argentina. Net credit losses (excluding the Commercial Business) were $693 million and the related loss ratio was 0.48% in 2004, compared to $614 million and 0.52% in 2003 and $644 million and 0.71% in 2002. The improvement in the net credit loss ratio (excluding the Commercial Business) in 2004 was mainly due to an improved credit environment, which resulted in lower net credit losses in North America (excluding Mexico) and Asia and the absence of the $87 million write-down of the Argentina compensation note in 2003. An increase in EMEA was primarily due to Germany. Commercial Business net credit losses were $214 million and the related loss ratio was 0.53% in 2004, compared to $462 million and 1.09% in 2003 and $712 million and 1.76% in 2002. The decline in Commercial Business net credit losses was mainly due to improvements in North America (excluding Mexico) and, in the 2003 comparison, a recovery in Mexico.

Loans delinquent 90 days or more (excluding the Commercial Business) were $4.094 billion or 2.47% of loans at December 31, 2004, compared to $3.802 billion or 3.07% at December 31, 2003 and $3.647 billion or 3.18% at December 31, 2002. The increase in delinquent loans in 2004 primarily resulted from increases in Prime Home Finance, reflecting the impact of a GNMA portfolio that was purchased in the PRMI acquisition, and increases in Germany including the impact of foreign currency translation. The decline in the 90 days delinquency ratio was driven by improved credit conditions across all markets except Japan. The increase in delinquent loans in 2003 was primarily due to the impact of foreign currency translation combined with increases in Germany and was partly offset by declines in Prime Home Finance, Asia and Argentina.

Cash-basis loans in the Commercial Business were $735 million or 1.78% of loans at December 31, 2004, compared to $1.350 billion or 3.38% at December 31, 2003 and $1.299 billion or 2.90% at December 31, 2002. Cash-basis loans improved in 2004 primarily due to broad-based declines in all products and regions, led by North America (excluding Mexico), where the business continued to work through the liquidation of non-core portfolios. The increase in cash basis loans in 2003 primarily reflected increases in the vehicle leasing and transportation portfolios in the North America (excluding Mexico) Commercial Business and was offset in part by improvements and foreign currency translation in Mexico.

Average assets of $264 billion in 2004 increased $32 billion or 14% from 2003, which, in turn, increased $45 billion from 2002. The increase in 2004 primarily reflected growth in average loans in the Prime Home Finance and Student Loan businesses, the impact of the KorAm and PRMI acquisitions and the impact of foreign currency translation, partially offset by reductions in the Commercial Business due to continued liquidation and sales of non-core portfolios. The increase in 2003 primarily reflected the impact of acquisitions combined with growth in loans.

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OTHER CONSUMER

In millions of dollars	2004	2003	2002
Revenues, net of interest expense	**$516**	$ 59	$ 142
Operating expenses	**352**	256	392
Income before tax benefits	**164**	(197)	(250)
Income tax benefits	**69**	(73)	(96)
Net income (loss)	**$ 95**	$(124)	$(154)

Other Consumer—which includes certain treasury and other unallocated staff functions, global marketing and other programs—reported income of $95 million in 2004 and losses of $124 million and $154 million in 2003 and 2002, respectively. Included in the 2004 results were the gain on sale of Samba of $378 million after-tax and a $22 million after-tax release of reserves related to unused travelers checks in a non-core business, partially offset by a $14 million after-tax write-down of assets in a non-core business. Excluding these items, the increase in losses in 2004 was primarily due to lower treasury results, including the impact of higher capital funding costs, and higher staff-related, global marketing and legal costs. Included in the 2002 results was a $52 million after-tax gain resulting from the disposition of an equity investment in EMEA, a $25 million after-tax release of a reserve related to unused travelers checks in a non-core business, and gains from the sales of buildings in Asia. Excluding these items, the reduction in losses in 2003 was primarily due to prior-year legal costs in connection with settlements reached during 2002 and lower global marketing costs.

Revenues, expenses, and the provisions for benefits, claims, and credit losses reflect offsets to certain line-item reclassifications reported in other Global Consumer operating segments.

GLOBAL CONSUMER OUTLOOK

Certain of the statements below are forward-looking statements within the meaning of the Private Securities Litigation Reform Act. See "Forward-Looking Statements" on page 100.

During 2005, the Global Consumer businesses will continue to focus on tight expense control and productivity improvements. While the businesses will also focus on expanding the base of stable and recurring revenues and managing credit risk, revenue and credit performance will also be impacted by U.S. and global economic conditions, including the level of interest rates, bankruptcy filings and unemployment rates, as well as political policies and developments around the world. The Company remains diversified across a number of geographies, product groups, and customer segments and continues to monitor the economic situation in all of the countries in which it operates.

Cards—In 2004, *Cards* reported record income of $4.7 billion, an increase of 31% over 2003, while benefiting from the 2003 acquisitions of the Home Depot and Sears and the 2004 acquisition of KorAm. In 2005, *Cards* expects to deliver strong earnings growth as managed receivables continue to grow and expenses remain controlled through improved productivity levels and scale opportunities. In 2005, Citi Cards expects continued income and managed receivables growth through continued brand development, private-label expansion, new product launches, and organic growth, despite the continuation of a challenging competitive environment. Consistent with changes in industry practice based on regulatory guidance, during 2005, Citi Cards will change the minimum payment calculation for its credit card accounts. This change is likely to result in an increase in delinquencies and credit loss experience. In Mexico, the Company will continue to leverage the expertise and experience of the global *Cards* franchise, with increased sales and loan volumes and productivity improvements. International Cards is also expecting strong earnings growth in 2005 with a focus on expanding the revenue base through growth in sales, receivables, and accounts while continuing to invest in both new and existing markets.

Consumer Finance—In 2004, *Consumer Finance* reported record income of $2.4 billion, an improvement of 21% from 2003, largely reflecting organic growth, the 2004 acquisition of the Washington Mutual Finance Corporation portfolio, and strong international growth outside of Japan. In North America, CitiFinancial expects to deliver income growth through growth in receivables by expanding customer reach and a continued focus on expense management. In the international markets, growth in 2005 will continue to be impacted by the challenging operating environment in Japan. The Japan business regained stability in 2004, as loss rates improved, expenses were reduced through repositioning, and the pressure on loan volumes eased. In 2005, Japan is expected to continue to improve, as loss rates and expenses remain well controlled, and customer volumes show moderate growth. In other international markets, important growth opportunities are anticipated as we continue to focus on gaining market share through branch expansion and other organic activities in both new and established markets including India, Mexico, Poland, Brazil, South Korea, Indonesia, and Thailand.

Retail Banking—In 2004, *Retail Banking* reported record income of $4.6 billion, an increase of 14% from 2003, reflecting strong customer volumes, improved loss rates, and the acquisition of KorAm, partially offset by reduced earnings in the North America Prime Home Finance business in line with market conditions. In 2005, *Retail Banking* expects to deliver growth in core businesses driven by the benefits of investment spending, continuing to expand our footprint through branch expansion, the 2005 acquisition of First American Bank, which is pending regulatory approval, and by penetration into select markets, such as the growing Hispanic banking market.

In 2005, Retail Distribution will continue to enhance its franchise by emphasizing increased sales productivity in the financial centers, deeper customer relationships through cross-selling and wealth management initiatives, and further investments in technology that drive cost efficiencies and improve customer satisfaction. The Commercial Business will continue to expand in serving the needs of small businesses and professionals, through lending, banking, and leasing activities. Prime Home Finance is expected to achieve growth by continuing to leverage Citigroup distribution channels while aligning the cost structure of the business to reflect lower mortgage origination volumes. The Student Loans business will continue to benefit from the strong Citi brand and best-in-class sales platforms and technology. Primerica expects to sustain momentum in recruiting and production volumes through focused product offerings, sales and product training programs, and continued dedication to its cross-selling relationships, while further developing its international presence. The Retail Banking business in Mexico expects to drive growth through new loan, deposit, and investment products while continuing to improve operating margins. The international markets are expected to build upon the investments in both new and established markets and deliver strong results through a continued focus on distribution channels, product innovation, and customer support.

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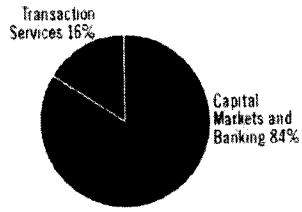
GLOBAL CORPORATE AND INVESTMENT BANK

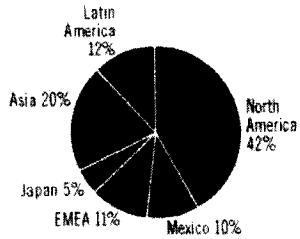
Global Corporate and Investment Bank—2004 Net Income

Global Corporate and Investment Bank—2004 Net Income by Product*



*Excludes Other Corporate loss of $4.4 billion.

Global Corporate and Investment Bank—2004 Net Income by Region*



*Excludes $378 million after-tax gain related to the sale of Samba and $4.95 billion after-tax charge related to the Worldcom and Litigation Reserve Charge.

In millions of dollars	**2004**	2003	2002
Revenues, net of interest expense	**$21,774**	$20,021	$19,165
Operating expenses	**20,525**	11,455	12,093
Provision for credit losses	**(975)**	732	2,255
Income before taxes and minority interest	**2,224**	7,834	4,817
Income taxes	**93**	2,426	1,620
Minority interest, after-tax	**93**	37	25
Net income	**$ 2,038**	$ 5,371	$ 3,172
Average risk capital[1]	**$19,045**	$16,264	
Return on risk capital[1]	**11%**	33%	
Return on invested capital[1]	**8%**	25%	

(1) See Footnote (7) to the table on page 32.

Global Corporate and Investment Bank (GCIB) reported net income of $2.038 billion, $5.371 billion, and $3.172 billion in 2004, 2003, and 2002, respectively. The 2004 period reflects a decrease of $4.382 billion in Other Corporate, primarily reflecting the $4.95 billion (after-tax) WorldCom and Litigation Reserve Charge, offset by an increase of $753 million or 16% in *Capital Markets and Banking* and $296 million or 40% in *Transaction Services*. The increase in 2003 net income reflects increases of $1.376 billion in Other Corporate, primarily reflecting the absence of a $1.3 billion after-tax charge in 2002 related to the establishment of reserves for regulatory settlements and related civil litigation, $647 million or 16% in *Capital Markets and Banking*, and $176 million or 31% in *Transaction Services*. The increase in the average risk capital is due largely to the impact on operational risk capital of the WorldCom and Litigation Reserve Charge and the acquisition of KorAm.

Capital Markets and Banking net income of $5.395 billion in 2004 increased $753 million or 16% compared to 2003, primarily due to a lower provision for credit losses as well as an increase in Lending, Fixed Income and Equity Markets revenues. The increase in expenses was driven by higher incentive compensation, the impact of recent acquisitions, higher legal reserves, and increased investment spending on strategic growth initiatives. Net income of $4.642 billion in 2003 increased $647 million or 16% compared to 2002, primarily reflecting a lower provision for credit losses, increases in Fixed Income Markets and the absence of prior-year redenomination losses in Argentina, partially offset by mark-to-market losses on credit derivatives (which serve as an economic hedge for the loan portfolio) as credit spreads tightened.

Transaction Services net income of $1.041 billion in 2004 increased $296 million or 40% from 2003, primarily due to higher revenue reflecting growth in assets under custody and liability balances, improved spreads, a benefit from foreign currency translation and the impact of KorAm, and a lower provision for credit losses, partially offset by higher expenses. *Transaction Services* net income of $745 million in 2003 increased $176 million or 31% from 2002, primarily due to a lower provision for credit losses, the benefit of lower taxes due to the application of APB 23 indefinite investment criteria and business consolidation, as well as lower expenses resulting from expense control initiatives.

GCIB Net Income–Regional View

In millions of dollars	**2004**	2003	2002
North America (excluding Mexico)	**$(2,190)**	$2,542	$1,011
Mexico	**659**	407	423
EMEA	**1,132**	919	755
Japan	**334**	162	124
Asia (excluding Japan)	**1,290**	775	728
Latin America	**813**	566	131
Net income	**$ 2,038**	$5,371	$3,172

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GCIB net income decreased in 2004 primarily as a result of the WorldCom and Litigation Reserve Charge in North America (excluding Mexico), partially offset by increases in Asia (excluding Japan), Mexico, Latin America, EMEA and Japan. Asia (excluding Japan) net income increased $515 million in 2004 primarily due to increases in Fixed Income (mainly in global distressed debt trading and strong foreign exchange trading results), Transaction Services Cash Management revenues, loan loss reserve releases as a result of improving credit quality and the acquisition of KorAm. Mexico net income increased $252 million in 2004 primarily due to loan loss reserve releases resulting from improving credit quality. Latin America net income increased $247 million in 2004 primarily due to loan loss reserve releases resulting from improving credit quality, partially offset by strong prior-year trading gains in Brazil. EMEA net income increased $213 million in 2004 primarily due to the $378 million after-tax gain on the sale of Samba, a lower provision for credit losses reflecting the absence of prior-year credit losses related to exposure to Parmalat, strong revenue growth in *Transaction Services* and current period credit recoveries, partially offset by an increase in legal reserves. Japan net income increased $172 million in 2004, primarily driven by increases in Fixed Income and Investment Banking revenue, a gain on the partial sale of Nikko Cordial shares, and a lower provision for credit losses due to loan loss reserve releases.

CAPITAL MARKETS AND BANKING

In millions of dollars	**2004**	2003	2002
Revenues, net of interest expense	**$17,106**	$16,445	$15,744
Operating expenses	**9,959**	8,910	7,671
Provision for credit losses	**(777)**	738	2,046
Income before taxes and minority interest	**7,924**	6,797	6,027
Income taxes	**2,440**	2,118	2,008
Minority interest, after-tax	**89**	37	24
Net income	**$ 5,395**	$ 4,642	$ 3,995
Average risk capital[1]	**$17,666**	$14,785	
Return on risk capital[1]	**30%**	31%	
Return on invested capital[1]	**24%**	24%	

(1) See Footnote (7) to the table on page 32.

Capital Markets and Banking reported net income of $5.395 billion in 2004, an increase of $753 million or 16% from 2003, primarily due to a lower provision for credit losses as well as an increase in Lending, Fixed Income and Equity Markets revenues. Net income of $4.642 billion in 2003 increased $647 million or 16% compared to 2002, primarily due to a lower provision for credit losses, increases in Fixed Income Markets and Investment Banking, partially offset by declines in Lending and Equity Markets.

Revenues, net of interest expense, of $17.106 billion in 2004 increased $661 million or 4% from 2003. The increase in revenues in 2004 was primarily driven by increases in Lending, Fixed Income and Equity Markets. Lending increased primarily due to the absence of prior-year losses in credit derivatives (which serve as an economic hedge for the loan portfolio) and the acquisition of KorAm. Fixed Income Markets increased primarily due to higher commodities, distressed debt and mortgage trading, partially offset by declines in interest rate and foreign exchange trading. The Equity Markets increase primarily reflects increases in cash trading, including the impact of the Lava Trading acquisition and higher derivatives, partially offset by declines in convertibles. Investment Banking was flat reflecting lower debt underwriting, offset by growth in equity underwriting and advisory and other fees, primarily M&A.

Revenues, net of interest expense, of $16.445 billion in 2003 increased $701 million or 4% from 2002. Revenue growth in 2003 was driven by increases in Fixed Income Markets and Investment Banking, partially offset by declines in Lending and Equity Markets. Fixed Income Markets increased primarily due to higher debt trading as companies took advantage of the low interest rate environment. Investment Banking increased primarily reflecting strong debt underwriting volumes, partially offset by lower Equity underwriting volumes and advisory and other fees, primarily lower M&A. Lending declined primarily reflecting mark-to-market losses on credit derivatives as credit spreads tightened, partially offset by the absence of 2002 redenomination losses and write-downs of sovereign securities in Argentina. Equity Markets declined primarily due to lower business volumes and declines in derivatives.

Operating expenses of $9.959 billion in 2004 increased $1.049 billion or 12% from 2003, primarily due to higher compensation and benefits expense (primarily reflecting a higher incentive compensation accrual), increased legal reserves, increased investment spending on strategic growth initiatives and the acquisitions of KorAm and Lava Trading. Operating expenses increased $1.239 billion or 16% in 2003 compared to 2002, primarily due to increased compensation and benefits expense, which is impacted by the revenue and credit performance of the business. The increase in 2003 also reflects costs associated with the repositioning of the Company's business in Latin America (primarily severance-related) and higher legal fees.

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The provision for credit losses was ($777) million in 2004, down $1.515 billion from 2003, primarily due to lower credit losses in the power and energy industry, in Argentina and in Brazil, and due to prior-year losses on Parmalat, as well as loan loss reserve releases as a result of improving credit quality globally. The provision for credit losses decreased $1.308 billion in 2003, primarily due to the absence of prior-year provisions for Argentina and exposures in the energy and telecommunications industries, as well as reserve releases reflecting improved credit trends, partially offset by the provision of $338 million for credit losses related to exposure to Parmalat.

Cash-basis loans were $1.794 billion, $3.263 billion, and $3.423 billion at December 31, 2004, 2003, and 2002, respectively. Cash-basis loans net of write-offs decreased $1.469 billion from December 31, 2003, primarily due to decreases related to borrowers in the telecommunications and power and energy industries and charge-offs against reserves as well as paydowns from corporate borrowers in Argentina, Mexico, Australia, Hong Kong, and New Zealand, partially offset by increases in Korea reflecting the acquisition of KorAm. The decrease in 2003 is primarily due to decreases to corporate borrowers in Argentina and New Zealand, as well as reductions in the telecommunications industry, partially offset by the reclassification of cash-basis loans ($248 million) in Mexico from *Transaction Services* to *Capital Markets and Banking* and increases in exposure to Parmalat and to the energy industry.

TRANSACTION SERVICES

In millions of dollars	**2004**	2003	2002
Revenues, net of interest expense	**$4,066**	$3,588	$3,638
Operating expenses	**2,841**	2,556	2,583
Provision for credit losses	**(198)**	(6)	209
Income before taxes and minority interest	**1,423**	1,038	846
Income taxes	**378**	293	276
Minority interest, after-tax	**4**	—	1
Net income	**$1,041**	$ 745	$ 569
Average risk capital(1)	**$1,379**	$1,479	
Return on risk capital(1)	**75%**	50%	
Return on invested capital(1)	**46%**	34%	

(1) See Footnote (7) to the table on page 32.

Transaction Services reported net income of $1.041 billion in 2004, up $296 million or 40% from 2003, primarily due to higher revenue reflecting growth in liability balances, assets under custody and fees, improved spreads, a benefit from foreign currency translation and the impact of KorAm, and a lower provision for credit losses, partially offset by higher expenses. Net income of $745 million in 2003 increased $176 million or 31% from 2002, primarily due to a lower provision for credit losses, the benefit of lower taxes due to the application of APB 23 indefinite investment criteria, business consolidation, and lower expenses resulting from expense control initiatives.

As shown in the following table, average liability balances of $121 billion grew 21% compared to 2003, primarily due to increases in Asia and Europe reflecting positive flow and the impact of the KorAm acquisition. Assets under custody reached $7.9 trillion, an increase of $1.5 trillion or 23% compared to 2003, primarily reflecting market appreciation, a benefit from foreign currency translation, and incremental net sales.

	2004	2003	2002
Liability balances *(average in billions)*	**$121**	$100	$ 85
Assets under custody *(EOP in trillions)*	**$ 7.9**	$ 6.4	$5.1

Revenues, net of interest expense, increased $478 million or 13% to $4.066 billion in 2004, reflecting growth in Cash and Global Securities Services, offset by declines in Trade. Revenue in Cash Management increased $309 million or 15% from 2003, mainly due to growth in liability balances, improved spreads, the impact of the KorAm acquisition and a benefit from foreign currency translation and increased fees. Revenue in Global Securities Services increased $186 million or 19% from 2003, primarily reflecting higher assets under custody and fees and the impact of acquisitions, partially offset by a prior-year gain on the sale of interest in a European market exchange. Trade revenue decreased $15 million or 3% from 2003, primarily due to lower spreads. Revenues, net of interest expense, were $3.588 billion in 2003, down $50 million or 1% from 2002, driven by declines in Trade and Global Securities Services, offset by increases in Cash Management. Revenue in Trade decreased $71 million or 11% from 2002 primarily due to lower spreads reflecting the low interest rate environment in 2003, price compression and decreased asset levels. Revenue in Global Securities Services decreased $10 million or 1%, mainly due to lower market capitalization and declines in depository receipt issuance activity. Cash Management revenue increased $31 million or 2% primarily due to increased business volumes reflecting higher liability balances, and a benefit from foreign exchange currency translation. The 2003 and 2004 periods included gains on the early termination of intracompany deposits (which were offset in *Capital Markets and Banking*).

Operating expenses increased $285 million or 11% in 2004 to $2.841 billion, primarily due to the impact of foreign currency translation and higher business volumes, including the effect of acquisitions, as well as increased compensation and benefits costs. Operating expenses of $2.556 billion in 2003 decreased $27 million or 1% from $2.583 billion in 2002, primarily reflecting expense control initiatives. The decrease in operating expenses in 2003 was partially offset by costs associated with the repositioning of the Company's business in Latin America, investment spending related to higher business volumes and integration costs associated with new business relationships.

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The provision for credit losses was ($198) million, ($6) million, and $209 million in 2004, 2003, and 2002, respectively. The provision for credit losses decreased by $192 million from 2003, primarily due to loan loss reserve releases of $163 million in 2004 as a result of improving credit quality and current period net credit recoveries in Latin America. The provision for credit losses decreased by $215 million from 2002, primarily due to prior-year write-offs in Argentina and reserve releases reflecting improved credit trends. The reduction in credit costs was partially offset by 2003 provisions for selected borrowers in Brazil and Parmalat.

Cash-basis loans, which in the *Transaction Services* business are primarily trade finance receivables, were $112 million, $156 million, and $572 million at December 31, 2004, 2003, and 2002, respectively. The decrease in cash-basis loans of $44 million in 2004 was primarily due to charge-offs in Argentina and Poland. Cash-basis loans decreased $416 million in 2003, primarily due to a reclassification of cash-basis loans ($248 million) in Mexico from *Transaction Services* to *Capital Markets and Banking*, along with charge-offs in Argentina and Poland.

OTHER CORPORATE

In millions of dollars	**2004**	2003	2002
Revenues, net of interest expense	**$ 602**	$(12)	$ (217)
Operating expenses	**7,725**	(11)	1,839
Loss before income taxes (benefits)	**(7,123)**	(1)	(2,056)
Income taxes (benefits)	**(2,725)**	15	(664)
Net income (loss)	**$(4,398)**	$(16)	$(1,392)

Other Corporate—which includes intra-GCIB segment eliminations, certain one-time non-recurring items and tax amounts not allocated to GCIB products—reported a net loss of $4.398 billion in 2004 compared to a net loss of $16 million in 2003, reflecting the $4.95 billion after-tax WorldCom and Litigation Reserve Charge, partially offset by a $378 million after-tax gain on the sale of Samba and a $120 million after-tax insurance recovery related to WorldCom and Enron legal matters. The net loss of $1.392 billion in 2002 was primarily a result of a $1.3 billion after-tax charge related to the establishment of reserves for regulatory settlements and related civil litigation.

GLOBAL CORPORATE AND INVESTMENT BANK OUTLOOK

Certain of the statements below are forward-looking statements within the meaning of the Private Securities Litigation Reform Act. See "Forward-Looking Statements" on page 100.

GCIB is significantly affected by the levels of activity in the global capital markets which, in turn, are influenced by macro-economic and political policies and developments, among other factors, in approximately 100 countries in which the businesses operate. Global economic and market events can have both positive and negative effects on the revenue and credit performance of the businesses.

Losses on corporate lending activities and the level of cash-basis loans can vary widely with respect to timing and amount, particularly within any narrowly-defined business or loan type.

Limited staff reductions will be made in the Global Corporate and Investment Bank in early 2005. The reductions will affect an estimated 1,400 staff and will result in an approximately $275 million pre-tax charge during the 2005 first quarter.

Capital Markets and Banking in 2004 reported strong Lending and Fixed Income Markets results driven by improving credit trends and a favorable interest rate environment, while Equity Markets benefited from increased capital markets volumes. Additionally, our international business platform benefited from the acquisition of KorAm in Asia.

In 2005, our *Capital Markets and Banking* initiatives will continue to focus on product offerings that target client segments with strong growth and profitability prospects. The Company's acquisitions of Lava Trading and Knight Trading's derivative markets business in the past year have been key steps in that direction, strengthening our capabilities in equities, derivatives, and principal trading. The business will continue to invest in distressed assets, where it can provide a valuable service to corporate clients, particularly in Asia, by helping them find solutions to their debt burdens. In banking, the business will continue to pursue profitable market share gains with a focus on M&A and equities and will also take steps to broaden its client base. It has not addressed a large number of potential customers in the U.S. in the $500 million to $2.5 billion revenue range or for small and medium enterprises (SME) in emerging markets. The GCIB has formed specific organizations with dedicated senior leadership, staff and funding to pursue these opportunities effectively.

Transaction Services has demonstrated significant growth over the past year and will continue to invest in its Funds Services business.

Deals such as Forum Financial and ABN Amro's custody business have increased Citigroup's ability to service its hedge fund and mutual fund clients and significantly broadened its Funds Services business. The Company has an initiative to launch its correspondent clearing in the North American market by leveraging its existing infrastructure to service client needs.

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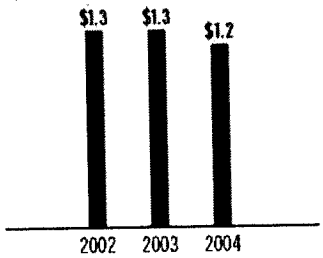
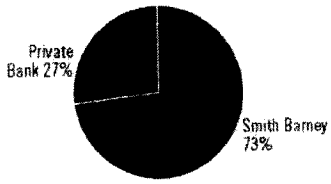
GLOBAL WEALTH MANAGEMENT

Global Wealth Management—2004 Net Income

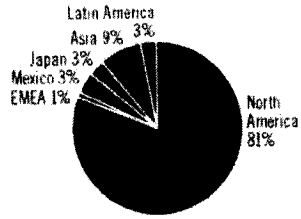
In billions of dollars



Global Wealth Management—2004 Net Income by Product



Global Wealth Management—2004 Net Income by Region*



*Excludes a $244 million after-tax charge related to the exit plan implementation for the Private Bank operations in Japan

In millions of dollars	**2004**	2003	2002
Revenues, net of interest expense	**$8,511**	$7,840	$7,566
Operating expenses	**6,665**	5,750	5,562
Provision for credit losses	**(5)**	12	24
Income before taxes	**1,851**	2,078	1,980
Income taxes	**652**	735	698
Net income	**$1,199**	$1,343	$1,282
Average risk capital (1)	**$1,877**	$1,866	
Return on risk capital (1)	**64%**	72%	
Return on invested capital (1)	**52%**	70%	

(1) See Footnote (7) to the table on page 32.

Global Wealth Management reported net income of $1.199 billion in 2004, a decrease of $144 million or 11% from 2003, reflecting a decline in *Private Bank*, partially offset by double-digit growth in *Smith Barney*. *Private Bank* net income of $318 million in 2004 decreased $233 million or 42% compared to 2003, reflecting a $288 million decline in Japan mainly due to a $244 million after-tax charge associated with the closure of *Private Bank* operations in Japan, as well as a decline in transactional revenue. Excluding Japan, *Private Bank* income grew $55 million or 12%, driven by growth in recurring fee-based and net interest revenues, a lower effective tax rate and improved credit costs, which were partially offset by higher incentive compensation costs. *Smith Barney* net income of $881 million in 2004 increased $89 million or 11% compared to 2003, primarily driven by increases in asset-based revenue and transactional revenue, partially offset by increased marketing expenses, legal and compliance costs and continued investment in new client offerings.

Net income of $1.343 billion in 2003 increased $61 million or 5% from 2002, reflecting double-digit growth in *Private Bank*, partially offset by a decline in *Smith Barney*. *Private Bank* net income of $551 million in 2003 increased $90 million or 20% from 2002, primarily due to increased investment management and capital markets activity combined with growth in lending revenues, partially offset by increased incentive compensation associated with the higher revenues. *Smith Barney* net income of $792 million in 2003 decreased $29 million or 4% from 2002, primarily due to lower earnings on capital, a higher effective tax rate and increased legal, advertising and marketing costs.

The table below shows net income by region for Global Wealth Management:

Global Wealth Management Net Income–Regional View

In millions of dollars	**2004**	2003	2002
North America (excluding Mexico)	**$1,169**	$1,073	$1,071
Mexico	**52**	41	20
EMEA	**15**	(16)	8
Japan	**(205)**	83	60
Asia (excluding Japan)	**125**	118	92
Latin America	**43**	44	31
Net income	**$1,199**	$1,343	$1,282

Global Wealth Management net income decreased $144 million in 2004 from the prior year, primarily due to the decline in Japan, partially offset by growth in North America, EMEA, Mexico and Asia. The Japan net loss of $205 million in 2004 represented a $288 million decrease in income from 2003, due to the *Private Bank* closure. North America net income of $1.169 billion increased $96 million from 2003, reflecting higher *Smith Barney* results of $89 million, primarily driven by strong asset-based revenue growth, partially offset by higher operating expenses and higher *Private Bank* results of $7 million, which were primarily driven by strong banking and lending volumes, as well as a lower effective tax rate, and partially offset by higher employee-related costs and net interest margin compression. EMEA net income of $15 million in 2004 increased $31 million from 2003, primarily driven by growth in fee income as well as transactional revenues and improved credit costs. Mexico net income of $52 million in 2004 increased $11 million from 2003, resulting from higher transactional revenue and higher fee income. Asia net income of $125 million increased $7 million from 2003, primarily reflecting higher fee-based and net interest revenue, partially offset by higher employee-related costs driven by investments in bankers and product specialists.

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SMITH BARNEY

In millions of dollars	2004	2003	2002
Revenues, net of interest expense	**$6,467**	$5,844	$5,865
Operating expenses	**5,015**	4,567	4,555
Provision for credit losses	**—**	1	6
Income before taxes	**1,452**	1,276	1,304
Income taxes	**571**	484	483
Net income	**$ 881**	$ 792	$ 821
Average risk capital (1)	**$1,126**	$1,239	
Return on risk capital (1)	**78%**	64%	
Return on invested capital (1)	**58%**	48%	

(1) See Footnote (7) to the table on page 32.

Smith Barney reported net income of $881 million in 2004 compared to $792 million in 2003 and $821 million in 2002. The $89 million or 11% increase during 2004, primarily due to increases in both asset-based revenue and transactional revenue, was partially offset by increased marketing, legal and compliance expenses and continued investment in new client offerings. Net income in 2003 declined $29 million or 4% compared to 2002, primarily due to lower earnings on capital, a higher effective tax rate and increased legal, advertising and marketing costs.

Revenues, net of interest expense, increased $623 million in 2004 to $6.467 billion, primarily due to increases in both asset-based fee revenue, reflecting higher assets under fee-based management, and transactional revenue, reflecting equity market appreciation driving trading. Revenues, net of interest expense, decreased $21 million in 2003 to $5.844 billion, primarily due to lower earnings on capital and decreases in asset-based revenue, reflecting declines in fees from managed accounts and lower net interest revenue on security-based lending, partially offset by increased transactional revenue. The decrease in managed account revenue reflects a change in client asset mix during 2003.

Total assets under fee-based management were $240 billion, $209 billion, and $158 billion as of December 31, 2004, 2003, and 2002, respectively. The increase in 2004 and 2003 was primarily due to positive net flows and higher equity market values. Total client assets, including assets under fee-based management, of $1.156 trillion in 2004, increased $88 billion or 8% from $1.068 trillion in 2003, which in turn increased $177 billion from 2002. The increase in 2004 and 2003 was primarily due to higher equity market values and positive net flows of $24 and $28 billion, respectively. Balances in *Smith Barney's* Bank Deposit Program totaled $43 billion in 2004, which increased slightly from 2003. *Smith Barney* had 12,138 financial consultants as of December 31, 2004, compared with 12,207 as of December 31, 2003, and 12,690 as of December 31, 2002. Annualized revenue per financial consultant of $534,000 in 2004 increased 13% from $472,000 in 2003, which in turn increased 3% from $459,000 in 2002.

The following table details trends in total assets under fee-based management, total client assets and annualized revenue per financial consultant:

In billions of dollars	2004	2003	2002
Consulting group and internally managed accounts	**$ 156**	$ 137	$106
Financial consultant managed accounts	**84**	72	52
Total assets under fee-based management (1)	**240**	209	158
Smith Barney assets	**978**	912	762
Other investor assets within Citigroup Global Markets	**178**	156	129
Total Smith Barney assets (1)	**$1,156**	$1,068	$891
Annualized revenue per financial consultant *(in thousands of dollars)*	**$ 534**	$ 472	$459

(1) Includes assets managed jointly with Citigroup Asset Management.

Operating expenses increased $448 million in 2004 to $5.015 billion from $4.567 billion in 2003, which in turn increased $12 million from $4.555 billion in 2002. The increase in 2004 and 2003 primarily reflects higher legal and advertising and marketing costs as well as continued investment expenses.

PRIVATE BANK

In millions of dollars	2004	2003	2002
Revenues, net of interest expense	**$2,044**	$1,996	$1,701
Operating expenses	**1,650**	1,183	1,007
Provision for credit losses	**(5)**	11	18
Income before taxes	**399**	802	676
Income taxes	**81**	251	215
Net income	**$ 318**	$ 551	$ 461
Client business volumes under management *(in billions of dollars)*	**$ 224**	$ 195	$ 170
Average risk capital (1)	**$ 751**	$ 627	
Return on risk capital (1)	**42%**	88%	
Return on invested capital (1)	**40%**	85%	

(1) See Footnote (7) to the table on page 32.

Private Bank reported net income of $318 million in 2004, down $233 million or 42% from 2003, reflecting a $288 million decline in Japan. The decline in Japan reflected a $244 million after-tax charge associated with the closure of the business, as well as a decline in transactional revenue (see page 62). Excluding Japan, income grew $55 million or 12% driven by growth in recurring fee-based and net interest revenues, a lower effective tax rate and improved credit costs which were partially offset by higher incentive compensation costs. Net income of $551 million in 2003 was up $90 million or 20% from 2002, primarily reflecting increased investment management and capital markets activity, lending activity, and a lower provision for credit losses, partially offset by higher expenses, reflecting incentive compensation

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expense associated with higher revenues and higher other employee-related costs, and the impact of narrowing interest rate spreads.

In billions of dollars at year end	**2004**	2003	2002
Client business volumes:			
Proprietary managed assets	**$ 44**	$ 35	$ 32
Other assets under fee-based management	**8**	7	8
Banking and fiduciary deposits	**49**	45	38
Investment finance	**42**	37	33
Other, principally custody accounts	**81**	71	59
Total	**$224**	$195	$170

Client business volumes were $224 billion at the end of the year, up $29 billion or 15% from $195 billion at the end of 2003. Double-digit growth in client business volumes was led by an increase in custody assets, which were higher in all regions except Japan. Proprietary managed assets increased $9 billion or 26% predominantly in the U.S., reflecting the impact of positive net flows. Investment finance volumes, which include loans, letters of credit, and commitments, increased $5 billion or 14%, reflecting growth in real estate-secured loans in the U.S. and increased margin lending in the international business, excluding Japan. Banking and fiduciary deposits grew $4 billion or 9%, with double-digit growth in the U.S. and EMEA, partially offset by a $1 billion or 19% decline in Japan. Client business volumes were $195 billion at the end of 2003, up 15% from $170 billion in 2002, reflecting increases in other (principally custody) accounts of $12 billion, banking and fiduciary deposits of $7 billion, investment finance volumes of $4 billion and assets under fee-based management of $2 billion.

Revenues, net of interest expense, were $2,044 billion in 2004, up $48 million or 2% from 2003 as combined growth of $112 million or 6% in Asia, North America (including Mexico), EMEA and Latin America was partially offset by a $64 million or 24% decline in Japan. In Asia, revenue increased $34 million or 9%, reflecting broad-based increases in recurring fee-based and net interest revenue that were partially offset by a decline in client transactional activity and lower performance fees. Revenue in North America increased $32 million or 4%, primarily driven by strong growth in banking and lending volumes in the U.S. and increased client transaction activity in Mexico, combined with growth in fee income from discretionary, custody and trust assets in both the U.S. and Mexico. Growth in North America was negatively impacted by net interest margin compression as increased funding costs, including lower revenue from treasury activities, was partially offset by the benefit of changes in the mix of deposits and liabilities. In EMEA, revenue grew $31 million or 12%, primarily driven by growth in fee income from discretionary and trust assets as well as increased transactional revenue.

Revenue growth of $15 million or 7% in Latin America primarily reflected growth in banking and lending volumes. In Japan, revenue declined $64 million or 24% mainly due to lower transactional revenues. Revenues, net of interest expense, were $1,996 billion in 2003, up $295 million or 17% from 2002, primarily driven by revenue increases from investment management and capital markets activity, as well as lending and banking activities, partially offset by the impact of a narrowing of interest rate spreads.

Operating expenses of $1,650 billion in 2004 were up $467 million or 39% from 2003. Operating expenses in 2004 included the $400 million exit plan charge in Japan. Excluding the exit plan charge, expenses increased $67 million or 6%, primarily reflecting increases in incentive compensation resulting from corresponding increases in revenue, as well as higher staff costs that were driven by investments in bankers and product specialists. Offsetting the growth in expenses was the absence of prior-year repositioning costs in Europe. Operating expenses were $1,183 billion in 2003, up $176 million or 17% from 2002, primarily reflecting increased incentive compensation associated with higher revenues, incremental repositioning costs in EMEA, and increased salary and benefits costs due to a change in employee mix of front-end sales staff.

The provision for credit losses reflected net recoveries of $5 million in 2004 compared to net provisions of $11 million in 2003 and $18 million in 2002. The improvement in 2004 reflected net recoveries in Japan, Asia, the U.S., and Europe. The improvement in 2003 primarily reflected an improvement in credit experience in North America and Asia, partially offset by higher net write-offs in Japan. Net credit write-offs/(recoveries) in 2004 were (0.02%) of average loans outstanding compared with 0.05% in both 2003 and 2002. Loans 90 days or more past due at year-end 2004 were $127 million or 0.33% of total loans outstanding, compared with $121 million or 0.35% at the end of 2003.

The decline in the effective tax rate in 2004 as compared to the prior year was primarily driven by the impact of the $400 million pretax ($244 million after-tax) Japan exit plan implementation charge.

GLOBAL WEALTH MANAGEMENT OUTLOOK

Certain of the statements below are forward-looking statements within the meaning of the Private Securities Litigation Reform Act. See "Forward-Looking Statements" on page 100.

Smith Barney — In 2004, *Smith Barney* delivered industry-leading profit margins primarily due to increased revenues reflecting higher client assets and trading volumes and a continued emphasis on expense management. In 2005, the focus for *Smith Barney* will be on franchise growth through customer acquisition, selected recruiting and training of experienced Financial Consultants and continued investment in its wealth management platform, including financial planning, liability management and fee-based services. In Global Equity Research, major initiatives include strategically expanding research coverage in targeted sectors, continuing expense management, as well as refining the scope and management structure of our global research platform.

Private Bank — The strategy of *Private Bank* consists of four major components: integrated client solutions, innovative product capabilities, a focus on key markets worldwide, and a leveraging of the global reach of Citigroup. These components have enabled *Private Bank* to offer top-tier capabilities and investment solutions to the wealthiest families around the world by drawing upon the vast resources of Citigroup's businesses. During uncertain and complex economic and geopolitical times, the stability, globality, balance sheet strength and broad product capabilities of Citigroup provide the *Private Bank* with a competitive and sustainable advantage over its peer group.

Exiting the private banking operations in Japan will impact the operating and financial performance of the *Private Bank* in 2005. Costs will continue to be incurred in connection with implementing the exit plan and additional charges may be taken. The *Private Bank* will continue to focus on expansion in geographic markets including India, South Korea and select cities in North America; build-out new product capabilities; maintain and expand successful partnerships with other Citigroup entities worldwide; and develop and attract a talented sales force that will focus on expanding our client base and strengthening relationships with existing clients. *Private Bank* expects its market-leading regions to continue their strong performance in 2005.

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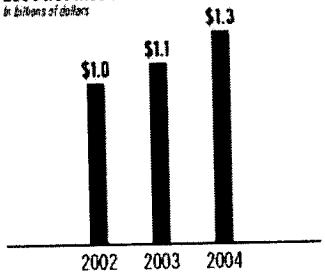
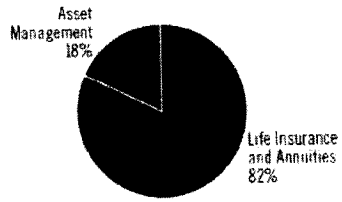
GLOBAL INVESTMENT MANAGEMENT

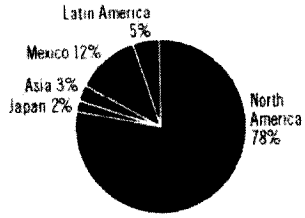
Global Investment Management—2004 Net Income



Global Investment Management—2004 Net Income by Product



Global Investment Management—2004 Net Income by Region



In millions of dollars	**2004**	2003	2002
Revenues, net of interest expense	**$7,422**	$6,645	$5,813
Operating expenses	**2,459**	1,936	1,690
Provisions for benefits, claims, and credit losses	**3,089**	3,162	2,726
Income before taxes and minority interest	**1,874**	1,547	1,397
Income taxes	**553**	419	403
Minority interest, after-tax	**10**	12	1
Net income	**$1,311**	$1,116	$ 993
Average risk capital (1)	**$4,697**	$4,480	
Return on risk capital (1)	**28%**	25%	
Return on invested capital (1)	**16%**	22%	

(1) See Footnote (7) to the table on page 32

Global Investment Management reported net income of $1,311 billion in 2004, which was up $195 million or 17% from 2003. *Life Insurance and Annuities* net income of $1,073 billion in 2004 increased $281 million compared to 2003, reflecting a $184 million increase in International Insurance Manufacturing (IIM) to $163 million, and a $97 million or 12% increase in Travelers Life and Annuity (TLA) to $910 million. The increase in IIM's income was driven by the absence of realized investment losses and other actions in Argentina in the 2003 third quarter and a tax ruling confirming the deductibility of those losses in the 2004 third quarter, as well as earnings from higher business volumes. The increase in TLA's income reflects earnings from higher business volumes, improved retained investment margins and after-tax reserve releases from the settlement of litigation, partially offset by higher operating expenses driven by the increased business volumes and greater amortization of deferred acquisition costs (DAC) as well as lower tax benefits from the separate account dividends received deduction (DRD). *Asset Management* net income of $238 million in 2004 was down $86 million or 27% from 2003, primarily reflecting increased legal expenses and the establishment of a reserve related to the expected resolution of the previously-disclosed SEC investigation into transfer agent matters and the termination of the contract to manage assets for St. Paul Travelers, partially offset by the absence of impairments of a DAC asset relating to the retirement services business in Argentina of $42 million and of Argentina Government Promissory Notes (GPNs) of $9 million, the absence of a loss on the sale of an El Salvador retirement services business of $10 million, and the impact of positive market action and the cumulative impact of positive net flows.

Global Investment Management net income of $1,116 billion in 2003 increased $123 million or 12% from 2002. *Life Insurance and Annuities* net income of $792 million in 2003 increased $150 million compared to 2002, reflecting a $232 million or 40% increase in TLA to $813 million, partially offset by a decrease of $82 million in IIM. The increase in TLA's income was primarily driven by higher net realized insurance investment portfolio gains of $236 million, earnings from higher business volumes, and lower taxes, partially offset by higher DAC amortization and reduced investment yields. The IIM net loss of $21 million in 2003 represented a decrease in income of $82 million from 2002, driven by impairments of Argentina GPNs of $114 million and the impact of certain liability restructuring actions taken in the Argentina voluntary annuity business of $20 million, partially offset by increases in Asia of $24 million and Mexico of $24 million. *Asset Management* net income of $324 million in 2003 was down $27 million or 8% from 2002, primarily reflecting the impact of impairments in Argentina and reduced fee revenues, partially offset by the cumulative impact of positive net flows, lower expenses and lower capital funding costs in Mexico.

The table below shows net income by region for Global Investment Management:

Global Investment Management Net Income-Regional View

In millions of dollars	**2004**	2003	2002
North America (excluding Mexico)	**$1,015**	$1,052	$849
Mexico	**153**	162	110
EMEA	**7**	20	11
Japan	**24**	5	(4)
Asia (excluding Japan)	**37**	50	21
Latin America	**75**	(173)	6
Net income	**$1,311**	$1,116	$993

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Global Investment Management net income increased $195 million in 2004 from the prior year, with increases in Latin America and Japan being partially offset by declines in all other regions. Latin America net income of $75 million in 2004 increased $248 million from 2003, resulting from higher *Life Insurance and Annuities* results of $184 million (primarily driven by the absence of realized investment losses and other actions from Argentina in 2003 of $134 million and a tax ruling confirming the deductibility of those losses in the 2004 third quarter of $47 million) and higher *Asset Management* results of $64 million (mainly reflecting the absence of impairments of a DAC asset in Argentina of $42 million and of Argentina GPNs of $9 million, and the absence of a loss on the sale of an El Salvador retirement services business of $10 million). Japan net income of $24 million in 2004 increased $19 million from 2003, primarily reflecting an increase of $16 million in *Life Insurance and Annuities* from higher business volumes. North America (excluding Mexico) net income of $1,015 billion in 2004 decreased $37 million from 2003, primarily driven by increased legal expenses in *Asset Management*, partially offset by the increase in income reported by TLA. Asia net income in 2004 of $37 million decreased $13 million from 2003, primarily related to the absence of an $18 million tax benefit arising from the application of APB 23 indefinite investment criteria in *Life Insurance and Annuities*. EMEA net income of $7 million in 2004 represented a decrease in income of $13 million from 2003, primarily related to the transfer of CAI Institutional performance fees to North America beginning in 2004 and higher expenses in *Asset Management*. Mexico net income of $153 million in 2004 decreased $9 million from 2003, primarily due to lower results in *Asset Management* (the impact of higher tax rates, partially offset by lower capital funding costs and higher business volumes).

LIFE INSURANCE AND ANNUITIES

In millions of dollars	**2004**	2003	2002
Revenues, net of interest expense	**$5,598**	$5,012	$4,115
Provision for benefits and claims	**3,089**	3,162	2,726
Operating expenses	**1,043**	788	501
Income before taxes	**1,466**	1,062	888
Income taxes	**393**	270	246
Net income	**$1,073**	$ 792	$ 642
Average risk capital (1)	**$3,999**	$3,743	
Return on risk capital (1)	**27%**	21%	
Return on invested capital (1)	**21%**	16%	

(1) See footnote (/) to the table on page 32.

Life Insurance and Annuities comprises Travelers Life and Annuity (TLA) and International Insurance Manufacturing (IIM).

Life Insurance and Annuities reported net income of $1.073 billion in 2004, a $281 million or 35% increase from $792 million in 2003. The $281 million increase consisted of higher earnings of $184 million in IIM and $97 million in TLA. The $281 million increase reflects the absence of certain asset impairments and other actions taken in Argentina in the 2003 third quarter and a tax ruling confirming the deductibility of those losses in the 2004 third quarter, as well as earnings from higher business volumes and fees in both businesses and higher retained investment margins in TLA. These increases were partially offset by higher operating expenses driven by the increased business volumes and greater amortization of DAC, including a $21 million after-tax adjustment to universal life DAC amortization and deferred revenue, as well as lower tax benefits related to the separate account dividends received deduction (DRD). Net income was $792 million in 2003, a $150 million or 23% increase from $642 million in 2002. The $150 million increase was driven by a $232 million increase in TLA, partially offset by an $82 million decrease in IIM. The $150 million increase reflects lower net realized insurance investment portfolio losses of $187 million, earnings from higher business volumes, and the impact of lower taxes. These increases were partially offset by certain asset impairments and other actions taken in Argentina, an increase in benefits and claims related to business volume growth, an increase in operating expenses driven by higher DAC amortization, and the impact of lower retained investment margins.

TLA's net income was $910 million in 2004 versus $813 million in 2003. This $97 million or 12% increase was driven by earnings from business volume growth, improved retained investment margins and $17 million after-tax reserve releases from the settlement of litigation. These increases were partially offset by higher operating expenses driven by an $87 million after-tax increase in DAC amortization, which included a $25 million after-tax adjustment to universal life DAC amortization related to a change in the pattern of estimated gross profits and a $30 million DRD tax benefit relating to prior periods in 2004 versus a $51 million DRD tax benefit relating to prior periods in 2003. TLA's net income was $813 million in 2003 as compared to $581 million in 2002, an increase of $232 million. The $232 million increase primarily resulted from higher net realized insurance investment portfolio gains of $236 million, largely resulting from the absence of prior-year impairments relating to investments in WorldCom Inc. and the energy sector. The 2003 results included a decline of $17 million, which resulted from increased DAC amortization and reduced investment yields, partially offset by higher business volumes and fee revenues and higher tax benefits related to adjustments to the separate account DRD of $51 million.

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The following table shows TLA's total invested asset balances by type as of December 31, and the associated net investment income and yields for the years ending December 31:

In millions of dollars	**2004**	2003	2002
Fixed maturities	**$47,272**	$41,976	$37,569
Equity investments	**1,645**	1,678	1,487
Real estate	**2,390**	2,308	2,411
Trading securities	**1,407**	1,750	1,531
Total invested assets	**$52,714**	$47,712	$42,998
Net investment income (NII)	**$ 2,913**	$ 2,637	$ 2,570
Investment yield	**6.52%**	6.48%	7.02%

TLA's NII of $2.913 billion in 2004 increased $276 million or 10% over 2003 including a $259 million increase driven by higher business volumes and the $5.002 billion growth in invested assets. The balance of the increase was attributed to favorable equity and real estate returns, partially offset by lower fixed income rates and lower risk arbitrage returns. Real estate is primarily comprised of mortgage loan investments and real estate joint ventures. TLA's NII of $2.637 billion in 2003 increased $67 million or 3% over 2002 despite overall rate deterioration, and was driven by increased volumes resulting from the $4.714 billion increase in the invested asset base, as well as risk arbitrage activity. The rate deterioration was driven by lower fixed income yields, which suffered from the lower interest rate environment and prior-year credit issues.

The amortization of capitalized DAC is a significant component of TLA expenses. TLA's recording of DAC varies based upon product type. DAC for deferred annuities, both fixed and variable, and payout annuities employs a level yield methodology as per SFAS 91. DAC for universal life (UL) and COLI are amortized in relation to estimated gross profits as per SFAS 97, and traditional life and health insurance products are amortized in relation to anticipated premiums as per SFAS 60.

The following is a roll forward of capitalized DAC by type:

In millions of dollars	**Deferred and payout annuities**	**UL and COLI**	**Other**	**Total**
Balance Dec. 31, 2002	$1,391	$ 592	$112	$2,095
Deferred expenses and other	343	222	23	588
Amortization expense	(220)	(35)	(20)	(275)
Balance Dec. 31, 2003	1,514	779	115	2,408
Deferred expenses and other	449	349	20	818
Amortization expense	(279)	(54)	(21)	(354)
Pattern of estimated gross profit adjustment	—	(39)	—	(39)
Underlying lapse and expense adjustment	(17)	—	—	(17)
Balance Dec. 31, 2004	**$1,667**	**$1,035**	**$114**	**$2,816**

DAC capitalization increased $230 million or 39% in 2004 over 2003 driven by the $127 million or 57% increase in UL and COLI, and the $106 million or 31% increase in deferred and payout annuities, which is consistent with the increase in premiums and deposits for those lines of business. The increase in amortization expense in 2004 was primarily driven by business volume growth in deferred annuities and UL, and also included an adjustment for a change in the pattern of the estimated gross profits in the UL business and an increase in deferred annuities DAC amortization due to changes in underlying lapse and expense assumptions.

IIM's net income of $163 million in 2004 represented an increase in income of $184 million, primarily resulting from the absence of realized investment losses and other actions from Argentina in 2003 of $134 million and a tax ruling confirming the deductibility of those losses in the 2004 third quarter of $47 million. Earnings from higher business volumes in IIM operations in Japan and Asia were partially offset by the absence of an $18 million tax benefit arising from the application of APB 23 indefinite investment criteria in Asia as well as a $13 million dividend from a non-strategic equity investment in the prior year. IIM's net income included earnings from operations in Mexico of $54 million in both 2004 and 2003.

IIM's net loss of $21 million in 2003 represented a decrease in income of $82 million from net income of $61 million in 2002, primarily resulting from a decrease in Latin America of $140 million, partially offset by increases in Asia of $24 million and in Mexico of $24 million. The $140 million decrease in Latin America was primarily driven by impairments of GPNs of $114 million and the impact of certain liability restructuring actions taken in the Argentina voluntary annuity business of $20 million. The GPN impairment was the result of an Argentine government decree, which required the mandatory exchange (the Exchange) of existing GPNs to Argentine government bonds denominated in U.S. dollars. Upon the Exchange, the assets were considered impaired and written down to fair market value based on prevailing market prices on the decree date. Certain GPNs, which were held in general accounts, were considered impaired through recognition as an insurance investment portfolio loss ($56 million). The impact of these items on the 2003 decline in income was partially offset by an Amparos charge recorded by the Company in 2002 relating to Siembra's voluntary annuity business in the amount of $21 million. See "Impact from Argentina's Economic Changes" on page 39 and "Argentina" on page 38 for a further discussion of these actions. The $24 million increase in Asia was driven by the benefit of lower taxes due to the application of APB 23 indefinite investment criteria, while the $24 million increase in Mexico was the result of higher business volumes and the impact of a lower tax rate.

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Travelers Life and Annuity

The majority of the annuity business and a substantial portion of the life business written by TLA are accounted for as investment contracts, such that the premiums are considered deposits and are not included in revenues. Combined net written premiums and deposits is a non-GAAP financial measure that management uses to measure business volumes, and may not be comparable to similarly captioned measurements used by other life insurance companies.

The following table shows combined net written premiums and deposits, which is a non-GAAP financial measure, by product line, for the three years ended December 31:

In millions of dollars	**2004**	2003	2002
Retail annuities			
Fixed	**$ 583**	$ 544	$ 1,294
Variable	**4,980**	4,002	4,081
Individual payout	**106**	56	58
Total retail annuities (1)	**5,669**	4,602	5,433
Institutional annuities (2)	**8,005**	7,402	6,292
Individual life insurance			
Direct periodic premiums and deposits	**1,001**	826	771
Single premium deposits	**745**	405	285
Reinsurance	**(163)**	(139)	(113)
Total individual life insurance (3)	**1,583**	1,092	943
Total	**$15,257**	$13,096	$12,668

(1) Includes $5.6 billion, $4.6 billion and $5.4 billion of deposits in 2004, 2003, and 2002, respectively.
(2) Includes $7.3 billion, $6.5 billion and $5.7 billion of deposits in 2004, 2003, and 2002, respectively.
(3) Includes $1.5 billion, $1.0 billion and $0.8 billion of deposits in 2004, 2003, and 2002, respectively.

Retail annuities net written premiums and deposits increased $1.067 billion or 23% to $5.669 billion in 2004. These increases were primarily driven by strong variable annuity sales due to improved equity market conditions in 2004 versus 2003, and sales of a guaranteed minimum withdrawal benefit feature product. Net written premiums and deposits decreased 15% to $4.602 billion in 2003 from $5.433 billion in 2002, primarily driven by a 58% decline in fixed annuity sales due to competitive pressures and market perception of fixed rate policies. Variable annuity sales declined slightly in 2003, primarily driven by the continuation in the first half of 2003 of the weak equity market conditions from 2002. The sales decline in the first half of the year was partially offset by an increase in sales in the second half of the year as equity market conditions improved.

Retail annuity account balances and benefit reserves were $37.945 billion at December 31, 2004, up from $33.828 billion at December 31, 2003, and $28.448 billion at December 31, 2002. The $4.117 billion or 12% increase in account balances and benefit reserves reflects $2.304 billion of market appreciation and $1.994 billion in net sales from the increased variable annuity sales and good in-force retention. The $5.380 billion or 19% increase from 2002 to 2003 was driven by $4.142 billion in market appreciation of variable annuity investments and $1.321 billion of net sales from good in-force policy retention.

Institutional annuities net written premiums and deposits of $8.005 billion (excluding the Company's employee pension plan deposits) grew $603 million or 8% over 2003 reflecting $6.740 of variable and fixed guaranteed investment contract (GIC) sales in 2004 versus $6.072 billion in 2003. The prior year sales included a total of $1.0 billion in two separate transactions to one customer. This $1.0 billion sale in 2003 drove the 18% or $1.110 billion increase to $7.402 billion over the $6.292 billion of 2002 sales. Institutional annuities account balances and benefit reserves were $27.880 billion, $25.170 billion and $22.301 billion at December 31, 2004, 2003, and 2002, respectively, reflecting the continued strong GIC sales.

Net written premiums and deposits for the individual life insurance business were $1.583 billion in 2004, representing a 45% increase over $1.092 billion in 2003. This increase was driven by an 84% increase in single premium deposits primarily from new universal life sales by the independent agent and high-end estate planning channels and a 21% increase in direct periodic premiums and deposits. Net written premiums and deposits for the individual life insurance business were $1.092 billion in 2003, a 16% increase over 2002. This increase was driven by a 42% increase in single premium sales and a 7% increase in direct periodic premiums and deposits. Life insurance in force was $101.019 billion as of December 31, 2004, a 13% increase from $89.294 billion at December 31, 2003, which in turn increased 9% from $81.983 billion at December 31, 2002.

International Insurance Manufacturing

The majority of the annuity business and a substantial portion of the life business written by IIM are accounted for as investment contracts, such that the premiums are considered deposits and are not included in revenues. Combined net written premiums and deposits is a non-GAAP financial measure which management uses to measure business volumes, and may not be comparable to similarly captioned measurements used by other life insurance companies.

IIM net written premiums and deposits (which include 100% of net written premiums and deposits for the Company's joint ventures in Japan and Hong Kong) were $6.671 billion in 2004 (including $5.870 billion of deposits), an increase of $2.672 billion from $3.999 billion in 2003 (including $3.505 billion of deposits). The $2.672 billion increase consisted of annuity products net written premiums and deposits up $1.982 billion from $3.378 billion in 2003 and life products net written premiums and deposits up $690 million from $621 million in 2003. The annuity products increase reflects substantial sales growth in Japan through the company's joint venture with Mitsui Sumitomo Insurance and strong sales in Australia driven by the timing of a tax law change. The life products increase reflects strong Variable Universal Life sales in Mexico, increased sales of Endowment and Unit Linked products in Hong Kong and higher credit insurance sales in the United Kingdom.

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ASSET MANAGEMENT

In millions of dollars	2004	2003	2002
Revenues, net of interest expense	**$1,824**	$1,633	$1,698
Operating expenses	**1,416**	1,148	1,189
Income before taxes and minority interest	**408**	485	509
Income taxes	**160**	149	157
Minority interest, after-tax	**10**	12	1
Net income	**$ 238**	$ 324	$ 351
Assets under management *(in billions of dollars)*[1][2]	**$ 514**	$ 521	$ 463
Average risk capital [3]	**$ 698**	$ 737	
Return on risk capital [3]	**34%**	44%	
Return on invested capital [3]	**9%**	11%	

(1) Includes $34 billion, $33 billion and $31 billion in 2004, 2003 and 2002, respectively, for *Private Bank* clients.
(2) Includes $3 billion, $39 billion and $35 billion in 2004, 2003 and 2002, respectively, of St. Paul Travelers (formerly Travelers Property and Casualty Corp. (TPC)) assets, which *Asset Management* manages on a third-party basis following the August 2002 distribution by Citigroup to its stockholders of a majority portion of its remaining ownership interest in TPC.
(3) See Footnote (7) to the table on page 52.

Asset Management reported net income of $238 million in 2004, a decline of $86 million or 27% compared to 2003. The decrease is primarily a result of increased legal expenses and the establishment of a reserve related to the expected resolution of the previously disclosed SEC investigation of transfer agent matters, as well as the termination of the contract to manage assets for St. Paul Travelers, partially offset by the absence of impairments of a DAC asset relating to the retirement services business in Argentina of $42 million and of Argentina GPNs of $9 million, the absence of a loss on the sale of an El Salvador retirement services business of $10 million, the impact of positive market action and the cumulative impact of positive net flows. Net income of $324 million in 2003 was down $27 million or 8% compared to 2002, primarily reflecting impairments of the DAC asset relating to the retirement services business in Argentina of $42 million and of Argentina GPNs of $9 million, a loss on the sale of an El Salvador retirement services business of $10 million, reduced fee revenues in CAM due to changes in product mix and revenue sharing agreements with internal Citigroup distributors, and the cumulative impact of outflows of U.S. Retail Money Market Funds. Partially offsetting these declines were the cumulative impact of positive net flows, lower expenses and lower capital funding costs in Mexico.

The following table is a roll forward of assets under management by business as of December 31:

Assets Under Management

In billions of dollars	2004	2003
Retail and Private Bank		
Balance, beginning of year	**$231**	**$205**
Net flows excluding U.S. retail money market funds	**4**	**5**
U.S. retail money market fund flows	**(4)**	**(4)**
Market action/other	**8**	**25**
Balance, end of year	**239**	**231**
Institutional		
Balance, beginning of year	**185**	**164**
Long-term product flows	**(2)**	**9**
Liquidity flows	**8**	**(2)**
Net flows	**6**	**7**
Market action/other	**11**	**14**
Balance, end of year	**202**	**185**
Retirement Services	**14**	**12**
Other [1]	**59**	**93**
Total assets under management [2]	**$514**	**$521**

(1) Includes CAI Institutional alternative investments, St. Paul, and TAMIC AUMs.
(2) Assets under management are reported on a levered basis that reflects assets purchased with borrowed funds. Assets owned by clients totaled $468 billion and $478 billion at December 31, 2004 and 2003, respectively.

Assets under management (AUMs) fell to $514 billion as of December 31, 2004, down $7 billion or 1% from $521 billion in 2003, primarily reflecting the termination of the contract to manage $36 billion of assets for St. Paul Travelers, and the net outflows of U.S. Retail Money Market Funds of $4 billion. The decline in assets was partially offset by the positive market action/other of $19 billion (which includes the impact of FX and the addition of $3 billion in assets from the acquisition of KorAm) and net flows, excluding U.S. Retail Money Market funds, of $10 billion. Retail and Private Bank client assets were $239 billion as of December 31, 2004, up $8 billion or 3% from $231 billion in 2003. Institutional client assets of $202 billion as of December 31, 2004 were up $17 billion or 9% compared to a year ago. Retirement Services assets of $14 billion as of December 31, 2004, increased $2 billion or 17% from 2003. The decline in Other assets of $34 billion reflects the termination of the St. Paul Travelers contract.

Revenues, net of interest expense, increased $191 million or 12% to $1.824 billion in 2004. This compared to $1.633 billion in 2003, which was down $65 million or 4% from 2002. The increase in 2004 primarily reflects the impact of positive market action, including the impact of FX, the cumulative impact of positive net flows and the absence of impairments of Argentina GPNs of $9 million. These increases were partially offset by the termination of the contract to manage assets for St. Paul Travelers, a change in the presentation of certain revenue sharing arrangements which decreased both revenue and expense by $16 million, and the impact of outflows of U.S. Retail Money Market funds. The decrease in 2003 was primarily due to the

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impact of reduced fee revenues in CAM, the impact of increased insurance costs on fees earned in a retirement services business in Argentina, the loss on sale of the El Salvador retirement services business, outflows of U.S. Retail Money Market funds, and the impairment of the Argentina GPNs. Partially offsetting these declines were the cumulative impact of positive net flows, lower capital funding costs in Mexico, higher performance fees in CAI Institutional, the absence of a prior-year pesification loss in Argentina, and an increase related to certain assets consolidated under FIN 46-R. These consolidated assets incurred FX movements on the euro, creating $17 million in gains in 2003 (offset in minority interest).

Operating expenses of $1.416 billion in 2004 increased $268 million or 23% from 2003 primarily driven by higher expenses related to legal matters and the reserve established related to the expected resolution of the previously disclosed SEC investigation of transfer agent matters, as well as higher employee compensation expenses, partially offset by the absence of the DAC impairment in Argentina of $42 million and the impact of a change in the presentation of certain fee-sharing arrangements which decreased both revenue and expense by $16 million. Operating expenses of $1.148 billion in 2003 decreased $41 million or 3% from 2002. The decrease in 2003 primarily reflected expense management, the change in presentation of certain fee-sharing arrangements, and the absence of 2002 first quarter restructuring charges in Argentina (LARS), for which the remaining reserve was released in 2003, partially offset by the DAC impairment in Argentina of $42 million and the impact of higher expenses related to legal matters of $24 million.

Minority interest, after-tax, of $10 million in 2004 decreased $2 million from 2003. The $11 million increase from 2002 to 2003 is primarily due to the impact of consolidating certain assets under FIN 46-R.

GLOBAL INVESTMENT MANAGEMENT OUTLOOK

Certain of the statements below are forward-looking statements within the meaning of the Private Securities Litigation Reform Act. See "Forward-Looking Statements" on page 100.

Life Insurance and Annuities — See discussion on the announced sale of substantially all of the Life Insurance and Annuities business on page 37.

Asset Management — The *Asset Management* business experienced a decline in net income in 2004. Revenues were strong due to positive market action and positive net flows; however, expenses increased, reflecting a reserve related to the expected resolution of the previously disclosed SEC investigation of transfer agent matters. The assets under management declined reflecting the termination of the contract to manage assets for St. Paul Travelers.

The global economic outlook and equity market levels will continue to affect the level of assets under management and revenues in the asset management businesses in the near-term, but underlying demand for asset management services remains strong. Overall, demographic trends remain favorable: aging populations and insufficient retirement savings will continue to drive growth in the industry across the retail/high-net-worth, institutional, and retirement services markets. Competition will continue to increase as open architecture distribution expands and major global financial services firms focus on opportunities in asset management.

For 2005, the business will focus on leveraging the full breadth of its global investment capabilities, continuing to capture the economic value of Citigroup's global distribution network, the expansion of third-party distribution in key geographies, and an emphasis on penetration of the institutional pension segment.

Federal and state regulators have focused on, and continue to devote substantial attention to, the mutual fund and variable insurance product industries. As a result of publicity relating to widespread perceptions of industry abuses, there have been numerous proposals for legislative and regulatory reforms, including mutual fund governance, new disclosure requirements concerning mutual fund share classes, commission breakpoints, revenue sharing, advisory fees, market timing, late trading, portfolio pricing, annuity products, hedge funds, and other issues. It is difficult to predict at this time whether changes resulting from new laws and regulations will affect the industries or our investment management businesses, and, if so, to what degree.

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PROPRIETARY INVESTMENT ACTIVITIES

In millions of dollars	2004	2003	2002
Revenues, net of interest expense	**$1,663**	$1,222	$247
Operating expenses	**462**	393	238
Provision for credit losses	**—**	—	31
Income (loss) before taxes and minority interest	**1,201**	829	(22)
Income taxes	**383**	288	5
Minority interest, after-tax	**75**	175	23
Net income (loss)	**$ 743**	$ 366	$ (50)
Average risk capital (1)	**$3,669**	$3,945	
Return on risk capital (1)	**20%**	9%	
Return on invested capital (1)	**18%**	7%	

(1) See Footnote (f) to the table on page 52.

Proprietary Investment Activities reported revenues, net of interest expense, of $1.663 billion in 2004, which increased $441 million or 36% from 2003, reflecting higher Private Equity results of $418 million and higher Other Investment Activities revenues of $23 million. The higher Private Equity results were primarily due to net unrealized gains on investments in Citigroup Venture Capital (CVC) Equity Partners Fund, and investments in Europe, as compared to net unrealized losses in 2003, as well as higher net realized gains, partially offset by lower mark-to-market gains on public securities. Revenues, net of interest expense, of $1.222 billion in 2003, increased $975 million from 2002 reflecting higher Private Equity results of $1.362 billion, primarily from higher mark-to-market gains on public securities, lower net unrealized losses, higher fee revenues and lower capital funding costs, partially offset by lower Other Investment Activities revenues of $387 million. The decline in Other Investment Activities was driven by the absence of the 2002 gain on the sale of 399 Park Avenue of $527 million, partially offset by higher fee revenues in CAI and dividends from Travelers Property Casualty Corp. (TPC) shares.

Operating expenses of $462 million in 2004 increased $69 million or 18% from 2003, primarily reflecting higher formulaic incentive compensation within Emerging Markets and CAI. Operating expenses of $393 million in 2003 increased $155 million or 65% from the prior year, primarily reflecting increased expenses in CAI of $96 million and in Private Equity of $65 million. The increase in CAI expenses resulted from the full-year impact of CAI's contract with TPC, whereby CAI managed TPC's investments following the August 20, 2002 distribution, as well as from client business growth and higher levels of performance-driven incentive compensation. The $65 million increase in Private Equity expenses resulted from higher performance-based compensation and business growth. The decrease in the provision for credit losses of $31 million in 2003 from 2002 primarily relates to the absence of Private Equity loan write-offs that occurred in 2002.

Minority interest, after-tax, of $75 million in 2004 decreased $100 million from 2003, primarily due to the absence of prior-year dividends and a mark-to-market valuation on the recapitalization of an investment held within the CVC Equity Partners Fund. Minority interest, after-tax, of $175 million in 2003 increased $152 million from 2002, primarily due to the impact of dividends and a mark-to-market valuation on the recapitalization of an investment held within the CVC Equity Partners Fund in 2003.

See Note 5 to the Consolidated Financial Statements for additional information on investments in fixed maturity and equity securities.

The following sections contain information concerning revenues, net of interest expense, for the two main investment classifications of Proprietary Investment Activities.

Private Equity includes equity and mezzanine debt financing, on both a direct and an indirect basis, in companies primarily located in the United States and Western Europe, including investments made by CVC Equity Partners Fund, investments in companies located in developing economies, CVC/Opportunity Equity Partners, LP (Opportunity), and the investment portfolio related to the Banamex acquisition in August 2001. Opportunity is a third-party managed fund investing in companies that were privatized by the government of Brazil in the mid-1990s. The remaining investments in the Banamex portfolio were liquidated during 2003.

Private equity investments held in investment company subsidiaries and Opportunity are carried at fair value with net unrealized gains and losses recorded in income. Direct investments in companies located in developing economies are principally carried at cost with impairments recognized in income for "other than temporary" declines in value.

As of December 31, 2004 and 2003, Private Equity included assets of $5.858 billion and $5.610 billion, respectively, with the portfolio primarily invested in industrial, consumer goods, communication, and technology companies. The increase in the portfolio of $248 million from 2003 relates primarily to the impact of net unrealized gains in 2004. On a regional basis as of December 31, 2004, Private Equity included assets of $2.664 billion in North America (including Mexico), $2.010 billion in EMEA, $892 million in Latin America, $287 million in Asia, and $5 million in Japan. As of December 31, 2003, Private Equity included assets of $2.535 billion in North America (including Mexico), $1.790 billion in EMEA, $961 million in Latin America, $317 million in Asia, and $7 million in Japan.

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Revenues, net of interest expense for Private Equity, are composed of the following:

In millions of dollars	**2004**	2003	2002
Net realized gains[1]	**$ 452**	$ 388	$ 180
Public mark-to-market	**(44)**	258	(209)
Net unrealized gains (losses)[2]	**517**	(240)	(670)
Other[3]	**399**	500	243
Revenues, net of interest expense	**$1,324**	$ 906	$(456)

(1) Includes the changes in net unrealized gains (losses) related to mark-to-market reversals for investments sold during the year.
(2) Includes valuation adjustments and other than temporary impairments on private equity investments.
(3) Includes other investment income (including dividends), management fees, and funding costs.

Revenues, net of interest expense, of $1,324 billion in 2004 increased $418 million from 2003, primarily reflecting higher net unrealized gains of $757 million and higher net realized gains of $64 million, partially offset by lower public mark-to-market results of $302 million and lower other revenues of $101 million resulting from decreased dividends and fees. The higher net unrealized gains were driven by lower net impairments in emerging market investments and higher net valuations in CVC Equity Partners Fund, Emerging Markets and Europe. The increase in the CVC Equity Partners Fund was due to a valuation adjustment in an underlying German investment. The Emerging Markets improvements were primarily from the Opportunity Fund investment, driven by the absence of prior year losses and improvements in an Asian private equity fund. The Europe results reflect improved performance in many of the underlying investments, an improving European private equity market, and the impact of foreign exchange. The lower public mark-to-market results were primarily due to an investment in an Indian software company, reflecting a general decline in public market values in the Indian software sector. The lower Other revenues were primarily driven by lower dividends and fees in the CVC Equity Partners Fund.

Revenues, net of interest expense, of $906 million in 2003 increased $1.362 billion from 2002, primarily relating to higher net mark-to-market gains on public securities of $467 million, lower net unrealized losses of $430 million, higher other revenues of $257 million, and higher net realized gains on sales of investments of $208 million. The higher net mark-to-market gains on public securities primarily resulted from the improved equity market conditions that existed in 2003. The lower net unrealized losses were driven by valuation adjustments on Emerging Market investments, lower impairments on other Private Equity investments, and higher valuation revenues in 2003 from the recapitalization of certain Private Equity investments held within the CVC Equity Partners Fund. The lower net unrealized losses in Emerging Markets included $264 million in lower impairments in Argentina and lower other Latin America impairments, partially offset by lower revenues on the Opportunity fund investment of $210 million. Other revenues increased $257 million due to higher dividends and fees, largely the result of the recapitalization of certain Private Equity investments and from an investment that had an initial public offering, all of which are held within the CVC Equity Partners Fund, as well as the impact of lower capital funding costs. The increase in net realized gains on sales of investments of $208 million was driven by higher sales of venture capital and emerging market investments, including the liquidation of the remaining Banamex holdings.

Other Investment Activities includes CAI, various proprietary investments, including Citigroup's ownership interest in The St. Paul Travelers Companies' (formerly TPC) outstanding equity securities, certain hedge fund investments and the LDC Debt/Refinancing portfolios. The LDC Debt/Refinancing portfolios include investments in certain countries that refinanced debt under the 1989 Brady Plan or plans of a similar nature and earnings are generally derived from interest and restructuring gains/losses.

Other Investment Activities investments are primarily carried at fair value, with impairment write-downs recognized in income for "other than temporary" declines in value. On April 1, 2004, the merger of TPC and the St. Paul Companies was completed. Existing shares of TPC common stock were converted to 0.4334 shares of common stock of the St. Paul Travelers Companies (St. Paul). As of December 31, 2004, the Company held approximately 39.8 million shares or approximately 6.0% of St. Paul's outstanding equity securities. The St. Paul common stock position is classified as available-for-sale. As of December 31, 2004, Other Investment Activities included assets of $3.009 billion, including $1.482 billion in St. Paul shares, $1.135 billion in hedge funds, $163 million in the LDC Debt/Refinancing portfolios, and $229 million in other assets. As of December 31, 2003, total assets of Other Investment Activities were $2.909 billion, including $1.693 billion in St. Paul shares, $692 million in hedge funds, the majority of which represented money managed for TPC, $365 million in the LDC Debt/Refinancing portfolios, and $159 million in other assets.

The major components of Other Investment Activities revenues, net of interest expense, are as follows:

In millions of dollars	**2004**	2003	2002
LDC Debt/Refinancing portfolios	**$ 1**	$ 7	$ 11
Hedge fund investments	**12**	80	70
Other[1]	**326**	229	622
Revenues, net of interest expense	**$339**	$316	$703

(1) Consists primarily of revenues earned by CAI as well as realized gains and other revenue earned relating to Citigroup's ownership interest in St. Paul. The pretax profit revenues less operating expenses) of the CAI business are reflected in the respective Citigroup distributor's (*Asset Management, Smith Barney,* and *Private Bank*) income statement as revenues.

Revenues, net of interest expense, of $339 million in 2004 increased $23 million from 2003, primarily relating to higher other revenues of $97 million, partially offset by lower hedge fund results of $68 million. The higher other revenues reflected higher revenues of $47 million from investment activity relating to Citigroup's ownership interest in St. Paul, a $33 million increase in CAI revenues and higher revenues of $17 million from real estate investments. Revenues, net of interest expense, of $316 million in 2003 decreased $387 million from the prior year due to the absence of a $527 million gain in 2002 from the sale of 399 Park Avenue, partially offset by a $96 million increase in CAI revenues due to improved investment performance and business growth and a $50 million increase in revenue from TPC shares, including dividends and net realized gains.

Proprietary Investment Activities results may fluctuate in the future as a result of market and asset-specific factors.

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CORPORATE/OTHER

In millions of dollars	2004	2003	2002
Revenues, net of interest expense	**$(447)**	$ 744	$ 858
Operating expenses	**(61)**	798	972
Provisions for benefits, claims, and credit losses	**(1)**	(3)	(22)
Loss from continuing operations before taxes, minority interest, and cumulative effect of accounting change	**(385)**	(51)	(92)
Income tax benefits	**(319)**	(227)	(101)
Minority interest, after-tax	**(10)**	10	2
Income (loss) from continuing operations	**(56)**	166	7
Income from discontinued operations	**—**	—	1,875
Cumulative effect of accounting change	**—**	—	(47)
Net income (loss)	**$ (56)**	$ 166	$1,835

Corporate/Other reported a net loss of $56 million in 2004, a decrease in income of $222 million, which was primarily due to lower net treasury results, partially offset by the gain on the sale of EFS, which resulted in an after-tax gain of $180 million in the 2004 first quarter. Net income of $166 million in 2003 was down $1,669 billion from 2002, primarily due to the absence of income from discontinued operations of $1.875 billion, partially offset by increased tax benefits of $126 million and the absence of the impact from the cumulative effect of accounting change of $47 million in the prior year.

Revenues, net of interest expense, of ($447) million in 2004, decreased $1.191 billion from 2003, primarily due to lower net treasury results, lower intersegment eliminations and the absence of the prior-year revenues earned in the EFS business, partially offset by the gain on the sale of EFS. The treasury decrease resulted from increased funding costs, due to both higher interest rates as well as higher debt levels, and the absence of the prior-year gain on the sale of a convertible bond. Revenues, net of interest expense, of $744 million in 2003 decreased $114 million from 2002, primarily due to lower intersegment eliminations, partially offset by higher net treasury results. The treasury increase resulted from a gain on the sale of a convertible bond and favorable interest rate positioning, partially offset by lower realized gains on fixed income investments.

Operating expenses of ($61) million in 2004 decreased $859 million from 2003, primarily due to lower intersegment eliminations, the absence of prior-year operating expenses in EFS and lower employee-related costs. Operating expenses of $798 million in 2003 decreased $174 million from 2002, primarily due to lower intersegment eliminations, partially offset by higher unallocated corporate costs and a $50 million pretax expense for the contribution of appreciated venture capital securities to the Citigroup Foundation. The increase in unallocated corporate costs included higher insurance, employee-related, and legal costs. The Citigroup Foundation contributions had minimal impact on Citigroup's earnings after related tax benefits.

Income tax benefits of $319 million in 2004 included the impact of a $147 million tax reserve release due to the closing of a tax audit. Income tax benefits of $227 million in 2003 included the impact of a tax reserve release of $200 million that had been held at the legacy Associates' businesses and was deemed to be in excess of expected tax liabilities. Income tax benefits of $101 million in 2002 included the tax benefit resulting from the loss incurred on the sale of the Associates property and casualty operations to TPC, which was spun-off in the 2002 third quarter.

Discontinued operations (see Note 3 to the Consolidated Financial Statements) includes the operations of TPC through August 20, 2002. Income from discontinued operations in 2002 also included gains on the sale of stock by a subsidiary of $1.270 billion ($1.158 billion after-tax), primarily consisting of an after-tax gain of $1.061 billion as a result of the TPC IPO of 231 million shares of its class A common stock.

The 2002 cumulative effect of accounting change of $47 million reflected the 2002 impact of adopting SFAS 142 relating to goodwill and indefinite-lived intangible assets. See Note 1 to the Consolidated Financial Statements for further details of the cumulative effect of accounting change.

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MANAGING GLOBAL RISK

The Citigroup risk management framework recognizes the diversity of Citigroup's global business activities by balancing strong corporate oversight with well-defined independent risk management functions within each business.

The risk management framework is grounded on the following six principles, which apply universally across all businesses and all risk types:

- Risk management is integrated within the business plan and strategy.
- All risks and resulting returns are owned and managed by an accountable business unit.
- All risks are managed within a limit framework; risk limits are endorsed by business management and approved by independent risk management.
- All risk management policies are clearly and formally documented.
- All risks are measured using defined methodologies, including stress testing.
- All risks are comprehensively reported across the organization.

The Citigroup Senior Risk Officer is responsible for establishing standards for the measurement, approval, reporting and limiting of risk, for managing, evaluating, and compensating the senior independent risk managers at the business level, for approving business-level risk management policies, for approving business risk-taking authority through the allocation of limits and capital, and for reviewing, on an ongoing basis, major risk exposures and concentrations across the organization. Risks are regularly reviewed with the independent business-level risk managers, the Citigroup senior business managers, and as appropriate, the Citigroup Board of Directors.

The independent risk managers at the business level are responsible for establishing and implementing risk management policies and practices within their business, while ensuring consistency with Citigroup standards. As noted above, the independent risk managers report directly to the Citigroup Senior Risk Officer, however they remain accountable, on a day-to-day basis, for appropriately meeting and responding to the needs and issues of their business unit, and for overseeing the risks present.

The following sections summarize the processes for managing credit, market, operational and country risks within Citigroup's major businesses.

RISK CAPITAL

In 2004, the Company implemented methodologies to quantify risk capital requirements within and across Citigroup businesses.

Risk capital is defined at Citigroup as the amount of capital required to absorb potential unexpected economic losses resulting from extremely severe events over a one year time period.

- "Economic losses" include losses that appear on the income statement and fair value adjustments to the financial statements, as well as any further declines in the value of assets or increases in the value of liabilities not captured on the income statement.
- "Unexpected losses" are the difference between potential extremely severe losses and Citigroup's expected (average) loss over a one-year time period.
- "Extremely severe" is defined as potential loss at a 99.97% confidence level, as extrapolated from the distribution of observed events and scenario analysis.

Risk capital facilitates both the quantification of risk levels and the tradeoff of risk and return. The risk capital calculated for each business approximates the amount of tangible equity that would typically be ascribed. Risk capital is used in the calculation of Return on Risk Capital (RORC) and Return on Invested Capital (ROIC) measures that are used in assessing business performance and allocating Citigroup's balance sheet and risk taking capacity.

RORC, calculated as net income divided by average risk capital, compares business income with the capital required to absorb the risks. This is similar to a return on tangible equity calculation. It is used to assess businesses' operating performance and to determine incremental allocation of capital for organic growth.

ROIC is calculated using income adjusted to exclude a net internal funding cost Citigroup levies on the intangible assets of each business. This adjusted income is divided by the sum of each business's average risk capital and intangible assets (excluding mortgage servicing rights, which are captured in risk capital). ROIC thus compares business income with the total invested capital—risk capital and intangible assets created through acquisitions—used to generate that income. ROIC is used to assess returns on potential acquisitions and divestitures, and to compare long-term performance of businesses with differing proportions of organic and acquired growth.

Methodologies to measure risk capital are jointly developed by risk management, the financial division and Citigroup businesses, and approved by the Citigroup Senior Risk Officer and Citigroup Chief Financial Officer. It is expected, due to the evolving nature of risk capital, that these methodologies will continue to be refined.

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The drivers of "economic losses" are risks, which can be broadly categorized as credit risk (including cross-border risk), market risk, operational risk, and insurance risk:

- Credit risk losses primarily result from a borrower's or counterparty's inability to meet its obligations.
- Market risk losses arise from fluctuations in the market value of trading and non-trading positions, including changes in value resulting from fluctuation in rates.
- Operational risk losses result from inadequate or failed internal processes, people, systems or from external events.
- Insurance risks arise from unexpectedly high payouts on insurance liabilities.

These risks are measured and aggregated within businesses and across Citigroup to facilitate the understanding of the Company's exposure to extreme downside events and any changes in its level or its composition.

At December 31, 2004 and 2003, risk capital for Citigroup was comprised of the following risk types:

In billions of dollars	**2004**	2003
Credit risk	**$33.2**	$28.7
Market risk	**16.0**	16.8
Operational risk	**8.1**	6.1
Insurance risk	**0.2**	0.3
Intersector diversification (1)	**(5.3)**	(5.2)
Total Citigroup	**$52.2**	$46.7
Return on risk capital	**34%**	39%
Return on invested capital	**17%**	20%

(1) Reduction in Risk represents diversification between risk sectors.

The increase in Citigroup's risk capital during 2004 was primarily driven by an increase in operational and credit risk, partially offset by lower market risk as defined above. Operational risk capital increased primarily as a result of the WorldCom and Litigation Reserve Charge. Credit risk capital rose primarily due to the acquisition of KorAm and increased volumes in the credit portfolio.

CREDIT RISK MANAGEMENT PROCESS

Credit risk is the potential for financial loss resulting from the failure of a borrower or counterparty to honor its financial or contractual obligations. Credit risk arises in many of the Company's business activities including lending activities, sales and trading activities, derivatives activities, securities transactions, settlement activities, and when the Company acts as an intermediary on behalf of its clients and other third parties. The credit risk management process at Citigroup relies on corporate-wide standards to ensure consistency and integrity, with business-specific policies and practices to ensure applicability and ownership.

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LOANS OUTSTANDING

In millions of dollars at year end	2004	2003	2002	2001	2000
Consumer loans					
In U.S. offices:					
Mortgage and real estate	**$161,832**	$129,507	$121,178	$ 80,099	$ 73,166
Installment, revolving credit, and other	**134,784**	136,725	113,620	100,801	95,643
Lease financing	**6,030**	8,523	12,027	13,206	12,993
	302,646	274,755	246,825	194,106	181,802
In offices outside the U.S.:					
Mortgage and real estate	**39,601**	28,743	26,564	28,588	24,988
Installment, revolving credit, and other	**93,523**	76,718	65,343	57,681	56,557
Lease financing	**1,619**	2,216	2,123	2,143	2,092
	134,743	107,677	94,030	88,512	83,637
	437,389	382,432	340,855	282,618	265,439
Unearned income	**(2,163)**	(2,500)	(3,174)	(4,644)	(5,390)
Consumer loans—net	**435,226**	379,932	337,681	277,974	260,049
Corporate loans					
In U.S. offices:					
Commercial and industrial	**14,437**	15,207	22,041	15,997	19,594
Lease financing	**1,879**	2,010	2,017	4,473	812
Mortgage and real estate [1]	**100**	95	2,573	2,784	3,490
	16,416	17,312	26,631	23,254	23,896
In offices outside the U.S.:					
Commercial and industrial	**77,052**	62,884	67,456	72,515	68,069
Mortgage and real estate	**3,928**	1,751	1,885	1,874	1,720
Loans to financial institutions	**12,921**	12,063	8,583	10,163	9,559
Lease financing	**2,485**	2,859	2,784	2,036	2,024
Governments and official institutions	**1,100**	1,496	3,081	4,033	1,952
	97,486	81,053	83,789	90,621	83,324
	113,902	98,365	110,420	113,875	107,220
Unearned income	**(299)**	(291)	(296)	(455)	(247)
Corporate loans—net	**113,603**	98,074	110,124	113,420	106,973
Total loans—net of unearned income	**548,829**	478,006	447,805	391,394	367,022
Allowance for credit losses—on drawn exposures	**(11,269)**	(12,643)	(11,101)	(9,388)	(8,561)
Total loans—net of unearned income and allowance for credit losses	**$537,560**	$465,363	$436,704	$381,706	$358,461

(1) Excludes loans held by the insurance subsidiaries which are included within Other Assets on the Consolidated Balance Sheet in 2004 and 2003.

OTHER REAL ESTATE OWNED AND OTHER REPOSSESSED ASSETS

In millions of dollars at year end	2004	2003	2002	2001	2000
Other real estate owned [1]	**$320**	$437	$495	$393	$366
Consumer	**126**	105	75	147	189
Corporate [2]	**—**	—	—	8	8
Corporate/Other					
Total other real estate owned	**$446**	$542	$570	$548	$563
Other repossessed assets [3]	**$ 93**	$151	$230	$439	$292

(1) Represents repossessed real estate, carried at lower of cost or fair value, less costs to sell.
(2) Excludes Other Real Estate Owned for the insurance subsidiaries businesses in the amount of $36 million, $118 million and $102 million for 2002, 2001 and 2000, respectively, which are included in Other Assets on the Consolidated Balance Sheet in 2004 and 2003.
(3) Primarily commercial transportation equipment and manufactured housing, carried at lower of cost or fair value, less costs to sell.

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DETAILS OF CREDIT LOSS EXPERIENCE

In millions of dollars	**2004**	2003	2002	2001	2000
Allowance for credit losses at beginning of year	**$12,643**	$11,101	$ 9,688	$ 8,561	$8,453
Provision for credit losses					
Consumer	**7,205**	7,316	7,714	5,947	4,997
Corporate	**(972)**	730	2,281	853	342
	6,233	8,046	9,995	6,800	5,339
Gross credit losses					
Consumer [1]					
In U.S. offices	**6,937**	5,783	5,826	4,991	3,827
In offices outside the U.S.	**3,304**	3,270	2,865	2,132	1,973
Corporate					
Mortgage and real estate	**—**	—	5	13	10
In U.S. offices	**6**	27	23	3	22
In offices outside the U.S.	**—**	111	—	—	—
Governments and official institutions outside the U.S.					
Loans to financial institutions	**—**	—	—	10	—
In U.S. offices	**3**	13	4	—	—
In offices outside the U.S.					
Commercial and industrial	**52**	383	825	572	149
In U.S. offices	**571**	939	1,018	567	277
In offices outside the U.S.					
	10,873	10,526	10,566	8,288	6,258
Credit recoveries					
Consumer [1]	**1,079**	763	729	543	544
In U.S. offices	**691**	735	510	423	404
In offices outside the U.S.					
Corporate [2]					
Mortgage and real estate	**—**	—	1	1	9
In U.S. offices	**3**	1	—	1	1
In offices outside the U.S.	**1**	—	2	—	1
Governments and official institutions outside the U.S.					
Loans to financial institutions	**6**	—	—	—	—
In U.S. offices	**35**	12	6	9	9
In offices outside the U.S.					
Commercial and industrial	**100**	34	147	154	27
In U.S. offices	**357**	215	168	129	69
In offices outside the U.S.					
	2,272	1,760	1,563	1,260	1,064
Net credit losses	**5,804**	5,369	5,779	4,888	3,406
In U.S. offices	**2,797**	3,397	3,224	2,140	1,788
In offices outside the U.S.					
	8,601	8,766	9,003	7,028	5,194
Other—net [3]	**994**	2,262	421	1,355	(37)
Allowance for credit losses at end of year	**$11,269**	$12,643	$11,101	$ 9,688	$8,561
Allowance for unfunded lending commitments [4]	**600**	600	567	450	450
Total allowance for loans, leases, and unfunded lending commitments	**$11,869**	$13,243	$11,668	$10,138	$9,011
Net consumer credit losses	**$ 8,471**	$ 7,555	$ 7,452	$ 6,157	$4,852
As a percentage of average consumer loans	**2.13%**	2.22%	2.55%	2.33%	2.03%
Net corporate credit losses	**$ 130**	$ 1,211	$ 1,551	$ 871	$ 342
As a percentage of average corporate loans	**0.11%**	1.17%	1.44%	0.76%	0.35%

(1) Consumer credit losses and recoveries primarily relate to revolving credit and installment loans.
(2) Amounts in 2003, 2002 and 2001 include $12 million (through the 2003 third quarter), $114 million and $52 million, respectively, of collections from credit default swaps purchased from third parties. From the 2003 fourth quarter forward, collections from credit default swaps are included within Principal Transactions on the Consolidated Statement of Income.
(3) 2004 primarily includes the addition of $715 million of credit loss reserves related to the acquisition of KorAm and the addition of $148 million of credit loss reserves related to the acquisition of WMF. 2003 primarily includes the addition of $2.1 billion of credit loss reserves related to the acquisition of the Sears credit card business. 2002 primarily includes the addition of $452 million of credit loss reserves related to the acquisition of GSB. 2001 primarily includes the addition of credit loss reserves related to the acquisitions of Banamex and EAB. 2000 includes the addition of credit loss reserves related to other acquisitions. All periods also include the impact of foreign currency translation.
(4) Represents additional credit loss reserves for unfunded corporate lending commitments and letters of credit recorded within Other Liabilities on the Consolidated Balance Sheet.

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CASH-BASIS, RENEGOTIATED, AND PAST DUE LOANS

In millions of dollars at year end	2004	2003	2002	2001	2000
Corporate cash-basis loans					
Collateral dependent (at lower of cost or collateral value)[1]	**$ 7**	$ 8	$ 64	$ 365	$ 108
Other[2]	**1,899**	3,411	3,931	2,522	1,436
Total	**$1,906**	$3,419	$3,995	$2,887	$1,544
Corporate cash-basis loans[2][3]					
In U.S. offices	**$ 254**	$ 640	$ 887	$ 678	$ 293
In offices outside the U.S.	**1,652**	2,779	3,108	2,209	1,251
Total	**$1,906**	$3,419	$3,995	$2,887	$1,544
Corporate renegotiated loans[4]					
In U.S. offices	**$ 63**	$ 107	$115	$ 263	$ 305
In offices outside the U.S.	**20**	33	55	74	94
Total	**$ 83**	$ 140	$170	$ 337	$ 399
Consumer loans on which accrual of interest had been suspended[5]					
In U.S. offices	**$2,485**	$3,127	$3,114	$3,101	$2,158
In offices outside the U.S.	**2,978**	2,958	2,792	2,266	1,626
Total	**$5,463**	$6,085	$5,906	$5,367	$3,784
Accruing loans 90 or more days delinquent[5][6]					
In U.S. offices	**$3,153**	$3,298	$2,639	$1,822	$1,247
In offices outside the U.S.	**401**	576	447	776	385
Total	**$3,554**	$3,874	$3,086	$2,598	$1,632

(1) A cash-basis loan is defined as collateral dependent when repayment is expected to be provided solely by the liquidation of the underlying collateral and there are no other available and reliable sources of repayment, in which case the loans are written down to the lower of cost or collateral value.
(2) The December 31, 2002 balance includes GSB data. The December 31, 2001 balance includes Banamex data.
(3) Cash-basis loans for the insurance subsidiaries and Proprietary Investment Activities businesses were $62 million, $21 million and $46 million for 2002, 2001 and 2000, respectively, which are included in Other Assets on the Consolidated Balance Sheet in 2003 and 2004.
(4) Includes corporate and Commercial Business loans.
(5) The December 31, 2004 balance includes the PRMI data. The December 31, 2003 balance includes the Sears and Home Depot data. The December 31, 2002 balance includes GSB data. The December 31, 2001 balance includes Banamex data.
(6) Substantially comprised of consumer loans of which $1,367 million, $1,643 million, $1,764 million, $920 million, and $503 million are government-guaranteed student loans and Federal Housing Authority mortgages at December 31, 2004, 2003, 2002, 2001, and 2000, respectively.

FOREGONE INTEREST REVENUE ON LOANS[1]

In millions of dollars	In U.S. offices	In non-U.S. offices	2004 total
Interest revenue that would have been accrued at original contractual rates[2]	$423	$577	**$1,000**
Amount recognized as interest revenue[2]	60	210	**270**
Foregone interest revenue	$363	$367	**$ 730**

(1) Relates to corporate cash-basis, renegotiated loans and consumer loans on which accrual of interest had been suspended.
(2) Interest revenue in offices outside the U.S. may reflect prevailing local interest rates, including the effects of inflation and monetary correction in certain countries.

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CONSUMER CREDIT RISK

Within Global Consumer, business-specific credit risk policies and procedures are derived from the following risk management framework:

- Each business must develop a plan, including risk/return tradeoffs, as well as risk acceptance criteria and policies appropriate to their activities.
- Senior Business Managers are responsible for managing risk/return tradeoffs in their business.
- Senior Business Managers, in conjunction with Senior Credit Officers, implement business-specific risk management policies and practices.
- Approval policies for a product or business are tailored to internal audit ratings, profitability, and credit risk management performance.
- Independent credit risk management is responsible for establishing the Global Consumer Policy, approving business-specific policies and procedures, monitoring business risk management performance, providing ongoing assessment of portfolio credit risks, and approving new products and new risks.

CONSUMER PORTFOLIO REVIEW

Citigroup's consumer loan portfolio is well diversified by both customer and product. Consumer loans comprise 79% of the total loan portfolio. These loans represent thousands of borrowers with relatively small individual balances. The loans are diversified with respect to the location of the borrower, with 70% originated in the United States and 30% originated from offices outside the United States. Mortgage and real estate loans constitute 46% of the total consumer loan portfolio; and installment, revolving credit and other consumer loans and leases constitute 54% of the portfolio.

In the Consumer portfolio, credit loss experience is often expressed in terms of annualized net credit losses as a percentage of average loans. Pricing and credit policies reflect the loss experience of each particular product and country. Consumer loans are generally written off no later than a predetermined number of days past due on a contractual basis, or earlier in the event of bankruptcy. The specific write-off criteria are set according to loan product and country (see Note 1 to the Consolidated Financial Statements).

Commercial Business, which is included within *Retail Banking*, includes loans and leases made principally to small- and middle-market businesses. Commercial Business loans, which comprise 9% of the total consumer loan portfolio, are placed on a non-accrual basis when it is determined that the payment of interest or principal is doubtful of collection or when interest or principal is past due for 90 days or more, except when the loan is well secured and in the process of collection. Commercial Business non-accrual loans are not strictly determined on a delinquency basis; therefore, they have been presented as a separate component in the consumer credit disclosures.

The following table summarizes delinquency and net credit loss experience in both the managed and on-balance sheet loan portfolios in terms of loans 90 days or more past due, net credit losses, and as a percentage of related loans. The table also summarizes the accrual status of Commercial Business loans as a percentage of related loans. The managed loan portfolio includes credit card receivables held-for-sale and securitized, and the table reconciles to a held basis, the comparable GAAP measure. Only North America Cards from a product view and North America from a regional view are impacted. Although a managed basis presentation is not in conformity with GAAP, the Company believes it provides a representation of performance and key indicators of the credit card business that is consistent with the way management reviews operating performance and allocates resources. For example, the *Cards* business considers both on-balance sheet and securitized cards (together, their managed portfolio), when determining compensation, capital allocation and general management decisions. Furthermore, investors utilize information about the credit quality of the entire managed portfolio, as the results of both the held and securitized portfolios impact the overall performance of the *Cards* business. For a further discussion of managed basis reporting, see the *Cards* business on page 50 and Note 12 to the Consolidated Financial Statements.

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Consumer Loan Delinquency Amounts, Net Credit Losses, and Ratios

In millions of dollars, except total and average loan amounts in billions	Total loans	90 days or more past due[1]			Average loans	Net credit losses[1]		
Product View:	**2004**	**2004**	2003	2002	**2004**	**2004**	2003	2002
Cards	**$165.7**	**$ 2,944**	$ 3,392	$ 2,397	**$155.3**	**$ 9,219**	$ 7,894	$ 7,169
Ratio		**1.78%**	2.14%	1.84%		**5.94%**	5.90%	5.93%
North America Cards	**147.8**	**2,667**	3,133	2,185	**139.6**	**8,658**	7,171	6,669
Ratio		**1.80%**	2.18%	1.85%		**6.20%**	6.08%	6.05%
International Cards	**17.9**	**277**	259	212	**15.7**	**561**	523	500
Ratio		**1.55%**	1.76%	1.78%		**3.57%**	4.19%	4.68%
Consumer Finance	**105.8**	**2,014**	2,221	2,197	**100.0**	**3,431**	3,517	3,026
Ratio		**1.90%**	2.36%	2.48%		**3.43%**	3.88%	3.69%
North America Consumer Finance	**82.8**	**1,525**	1,683	1,786	**78.4**	**2,065**	2,059	1,865
Ratio		**1.84%**	2.32%	2.64%		**2.63%**	2.94%	3.00%
International Consumer Finance	**23.0**	**489**	538	411	**21.6**	**1,366**	1,458	1,161
Ratio		**2.13%**	2.50%	1.98%		**6.32%**	7.02%	5.88%
Retail Banking	**165.5**	**4,094**	3,802	3,647	**144.5**	**693**	614	644
Ratio		**2.47%**	3.07%	3.18%		**0.48%**	0.52%	0.71%
North America Retail Banking	**115.4**	**2,515**	2,299	2,419	**101.9**	**131**	139	268
Ratio		**2.18%**	2.60%	2.90%		**0.13%**	0.17%	0.45%
International Retail Banking	**50.1**	**1,579**	1,503	1,228	**42.6**	**562**	475	376
Ratio		**3.15%**	4.24%	3.91%		**1.32%**	1.42%	1.20%
Private Bank[2]	**39.0**	**127**	121	174	**36.9**	**(5)**	18	14
Ratio		**0.33%**	0.35%	0.56%		**(0.02)%**	0.05%	0.05%
Other Consumer	**1.3**	**—**	—	1	**1.1**	**(2)**	—	10
Managed loans (excluding Commercial Business)[3]	**$477.3**	**$ 9,179**	$ 9,536	$ 8,416	**$437.8**	**$13,336**	$11,843	$10,863
Ratio		**1.92%**	2.31%	2.30%		**3.05%**	3.18%	3.36%
Securitized receivables (all in North America Cards)	**(85.3)**	**(1,296)**	(1,421)	(1,285)	**(77.9)**	**(4,865)**	(4,529)	(3,760)
Credit card receivables held-for-sale[4]	**(2.5)**	**(32)**	—	(121)	**(3.1)**	**(214)**	(221)	(363)
On-balance sheet loans (excluding Commercial Business)	**$389.5**	**$ 7,851**	$ 8,115	$ 7,010	**$356.8**	**$ 8,257**	$ 7,093	$ 6,740
Ratio		**2.02%**	2.42%	2.40%		**2.31%**	2.38%	2.67%
		Cash-basis loans				**Net credit losses**		
Commercial Business Groups[5]	**$41.2**	**$ 735**	$ 1,350	$ 1,299	**$40.1**	**$ 214**	$ 462	$ 712
Ratio		**1.78%**	3.38%	2.90%		**0.53%**	1.09%	1.76%
Total Consumer Loans[6]	**$430.7**				**$396.9**	**8,471**	7,555	7,452
Regional View:								
North America (excluding Mexico)	**$360.7**	**$ 6,327**	$ 6,794	$ 6,135	**$333.3**	**$10,735**	$ 9,322	$ 8,623
Ratio		**1.75%**	2.14%	2.18%		**3.22%**	3.27%	3.55%
Mexico	**8.8**	**433**	388	355	**7.9**	**118**	55	195
Ratio		**4.93%**	5.65%	5.43%		**1.49%**	0.82%	2.85%
EMEA	**39.3**	**1,781**	1,669	1,253	**35.2**	**850**	617	440
Ratio		**4.53%**	4.90%	4.47%		**2.41%**	2.04%	1.77%
Japan	**16.1**	**308**	355	258	**16.8**	**1,210**	1,331	1,035
Ratio		**1.91%**	2.04%	1.46%		**7.22%**	7.91%	5.71%
Asia (excluding Japan)	**49.1**	**299**	286	340	**41.6**	**413**	398	393
Ratio		**0.61%**	0.86%	1.19%		**0.99%**	1.30%	1.42%
Latin America	**3.3**	**31**	44	75	**3.0**	**10**	120	177
Ratio		**0.93%**	1.50%	2.48%		**0.34%**	4.10%	5.08%
Managed loans (excluding Commercial Business)[3]	**$477.3**	**$ 9,179**	$ 9,536	$ 8,416	**$437.8**	**$13,336**	$11,843	$10,863
Ratio		**1.92%**	2.31%	2.30%		**3.05%**	3.18%	3.36%

(1) The ratios of 90 days or more past due and net credit losses are calculated based on end of period and average loans, respectively, both net of unearned income.
(2) *Private Bank* results are reported as part of the Global Wealth Management segment.
(3) This table presents credit information on a managed basis (a non-GAAP measure) and shows the impact of securitizations to reconcile to a held basis, the comparable GAAP measure. Only North America Cards from a product view, and North America from a regional view, are impacted. See a discussion of managed basis reporting on page 77.
(4) Included within Other Assets on the Consolidated Balance Sheet.
(5) Includes CitiCapital collateral-dependent loans.
(6) Total loans and total average loans exclude certain interest and fees on credit cards of approximately $4 billion and $4 billion, respectively, which are included in Consumer Loans on the Consolidated Balance Sheet.

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Consumer Loan Balances, Net of Unearned Income

In billions of dollars	End of period			Average		
	2004	2003	2002	**2004**	2003	2002
Total managed(1) (including the Commercial Business)	**$518.5**	$452.0	$410.3	**$477.9**	$414.2	$364.1
Securitized receivables (all in North America Cards)	**(85.3)**	(76.1)	(67.1)	**(77.9)**	(71.4)	(65.2)
Credit card receivables held-for-sale(2)	**(2.5)**	—	(6.5)	**(3.1)**	(3.2)	(6.5)
On-balance sheet(3) (including Commercial Business)	**$430.7**	$375.9	$336.7	**$396.9**	$339.6	$292.4

(1) This table presents loan information on a managed basis (a non-GAAP measure) and shows the impact of securitizations to reconcile to a held basis, the comparable GAAP measure. See a discussion of managed basis reporting on page 77.
(2) Included within Other Assets on the Consolidated Balance Sheet.
(3) Total loans and total average loans exclude certain interest and fees on credit cards of approximately $4 billion and $4 billion, respectively, for 2004, $4 billion and $2 billion, respectively, for 2003 and approximately $1 billion and $1 billion, respectively, for 2002, which are included in Consumer Loans on the Consolidated Balance Sheet.

Total delinquencies 90 days or more past due (excluding the Commercial Business) in the managed portfolio were $9.179 billion or 1.92% of loans at December 31, 2004, compared to $9.536 billion or 2.31% at December 31, 2003 and $8.416 billion or 2.30% at December 31, 2002. Total cash-basis loans in the Commercial Business were $735 million or 1.78% of loans at December 31, 2004, compared to $1.350 billion or 3.38% at December 31, 2003 and $1.299 billion or 2.90% at December 31, 2002. Total managed net credit losses (excluding the Commercial Business) in 2004 were $13.336 billion and the related loss ratio was 3.05%, compared to $11.843 billion and 3.18% in 2003 and $10.863 billion and 3.36% in 2002. In the Commercial Business, total net credit losses were $214 million and the related loss ratio was 0.53% in 2004, compared to $462 million and 1.09% in 2003 and $712 million and 1.76% in 2002. For a discussion of trends by business, see business discussions on pages 49 to 55 and pages 61 to 62.

Citigroup's total allowance for loans, leases and unfunded lending commitments of $11.869 billion is available to absorb probable credit losses inherent in the entire portfolio. For analytical purposes only, the portion of Citigroup's allowance for credit losses attributed to the Consumer portfolio was $8.379 billion at December 31, 2004, $9.088 billion at December 31, 2003 and $7.021 billion at December 31, 2002. The decrease in the allowance for credit losses from 2003 was primarily due to the impact of reserve releases of $1.182 billion in 2004 related to improving credit conditions in North America, Latin America, Asia and Japan. Offsetting this decrease in the allowance for credit losses were additions of $274 million and $148 million associated with the acquisitions of KorAm and WMF, respectively, the impact of reserve builds of $78 million, primarily related to Germany and the impact of foreign currency translation. The increase in the allowance for credit losses in 2003 was primarily due to an addition of $2.1 billion associated with the acquisition of Sears and the impact of foreign currency translation, partially offset by the write-off of Argentine compensation notes in the 2003 third quarter.

On-balance sheet consumer loans of $430.7 billion increased $54.8 billion or 15% from December 31, 2003, primarily driven by growth in mortgage and other real-estate-secured loans in Prime Home Finance, *Consumer Finance* and *Private Bank*, the addition of the KorAm and WMF portfolios, and the impact of strengthening currencies. Growth in student loans in North America and margin lending in *Private Bank* also contributed to the growth in consumer loans. Credit card receivables declined, primarily due to the impact of higher securitization levels and higher payment rates by customers. In the North America Commercial Business (excluding Mexico), loans continued to decline in both 2004 and 2003, reflecting the continued liquidation of non core portfolios, a $2.0 billion reclassification of operating leases from loans to other assets in 2004 and a decline of approximately $1.2 billion resulting from the 2003 sale of the Fleet Services portfolio. Loans in Japan also declined mainly reflecting continued contraction in the *Consumer Finance* portfolio. The increase in 2003 was primarily driven by the addition of the Sears and Home Depot portfolios, combined with the impact of strengthening currencies and growth in mortgage and other real-estate-secured loans.

Net credit losses, delinquencies and the related ratios are affected by the credit performance of the portfolios, including bankruptcies, unemployment, global economic conditions, portfolio growth and seasonal factors, as well as macro-economic and regulatory policies.

Consumer credit loss ratios for 2005 are expected to remain relatively constant to the fourth quarter 2004 levels. Full-year loss ratios for 2005 are expected to improve against prior-year levels due to credit loss rates that declined during 2004. This paragraph contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act. See "Forward-Looking Statements" on page 100.

CORPORATE CREDIT RISK

For corporate clients and investment banking activities across the organization, the credit process is grounded in a series of fundamental policies, including:

- Ultimate business accountability for managing credit risks;
- Joint business and independent risk management responsibility for establishing limits and risk management practices;
- Single center of control for each credit relationship that coordinates credit activities with that client, directly approves or co-approves all extensions of credit to that client, reviews aggregate exposures, and ensures compliance with exposure limits;
- Portfolio limits, including obligor limits by risk rating and by maturity, to ensure diversification and maintain risk/capital alignment;
- A minimum two-authorized credit officer-signature requirement on extensions of credit—one from a sponsoring credit officer in the business and one from a credit officer in independent credit risk management;
- Uniform risk measurement standards, including risk ratings, which must be assigned to every obligor and facility in accordance with Citigroup standards; and
- Consistent standards for credit origination, measurement and documentation, as well as problem recognition, classification and remedial action.

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These policies apply universally across corporate clients and investment banking activities. Businesses that require tailored credit processes, due to unique or unusual risk characteristics in their activities, may only do so under a Credit Program that has been approved by independent credit risk management. In all cases, the above policies must be adhered to, or specific exceptions must be granted by independent credit risk management.

The following table presents the corporate credit portfolio, before consideration of collateral, by maturity at December 31, 2004. The Corporate portfolio is broken out by direct outstandings, which include drawn loans, overdrafts, interbank placements, banker's acceptances, certain investment securities and leases, and unfunded commitments which include unused commitments to lend, letters of credit and financial guarantees.

In billions of dollars	Within 1 year	Greater than 1 year but within 5	Greater than 5 years	Total exposure
Direct outstandings	$131	$ 41	$13	$185
Unfunded commitments	148	99	13	260
Total	$279	$140	$26	$445

Credit Exposure Arising from Derivatives and Foreign Exchange

The following table summarizes the components of derivatives receivables, representing the fair value of the derivative contracts before taking into account the effects of legally enforceable master netting agreements at December 31, 2004 and 2003. The fair value represents the cost to replace the contracts at current market rates should the counterparty default.

Type of Derivative

In millions of dollars	2004	2003
Interest rate	**$190,655**	$163,446
Foreign exchange	**83,040**	72,239
Credit derivatives	**4,722**	2,101
Equity	**11,150**	7,564
Commodity and other	**7,047**	4,945
Total	**$296,614**	$250,295

Legally enforceable master netting agreements are in place which permit the Company to net receivables and payables with the same counterparty across different underlying derivative contracts. The amount of netting under these agreements at December 31, 2004 and 2003 was $232.9 billion and $186.1 billion, respectively. In addition, the Company obtained cash collateral from counterparties that further served to reduce exposure. After taking into account the benefit of netting and collateral, derivatives receivables recorded on the balance sheet as Trading Account Assets at December 31, 2004 and 2003 were $57.5 billion and $55.3 billion, respectively.

The Company's credit exposure on derivatives and foreign exchange contracts is primarily to professional counterparties in the financial sector, with 78% arising from transactions with banks, investment banks, governments and central banks, and other financial institutions.

For purposes of managing credit exposure on derivative and foreign exchange contracts, particularly when looking at exposure to a single counterparty, the Company measures and monitors credit exposure taking into account the current mark-to-market value of each contract plus a prudent estimate of its potential change in value over its life. This measurement of the potential future exposure for each credit facility is based on a stressed simulation of market rates and generally takes into account legally enforceable risk-mitigating agreements for each obligor such as netting and margining. The following table presents the global derivatives portfolio by internal obligor credit rating at December 31, 2004 and 2003, as a percentage of credit exposure:

	2004	2003
AAA/AA/A	**79%**	78%
BBB	**12%**	12%
BB/B	**8%**	8%
Unrated	**1%**	2%

The following table presents the global derivative portfolio by industry of the obligor as a percentage of credit exposure:

	2004	2003
Financial institutions	**70%**	70%
Governments	**8%**	9%
Corporations	**22%**	21%

Portfolio Mix

The corporate credit portfolio is geographically diverse by region. The following table shows direct outstandings and unfunded commitments by region:

	Dec. 31, 2004	Dec. 31, 2003
North America	**42%**	41%
EMEA	**29%**	30%
Japan	**3%**	3%
Asia	**15%**	14%
Latin America	**4%**	5%
Mexico	**7%**	7%
Total	**100%**	100%

It is corporate credit policy to maintain accurate and consistent risk ratings across the corporate credit portfolio. This facilitates the comparison of credit exposures across all lines of business, geographic region and product. All internal risk ratings must be derived in accordance with the applicable Business' Risk Rating Policy. Independent Risk Management must approve any exception to the policy. The Risk Rating Policy establishes standards for the derivation of obligor and facility risk ratings that are generally consistent with the approaches used by the major rating agencies.

Obligor risk ratings reflect an estimated probability of default for an obligor, and are derived primarily through the use of statistical models, which are validated periodically, external rating agencies (under defined circumstances), or approved scoring or judgmental methodologies. Facility risk ratings are assigned, using the obligor risk rating, and then taken into consideration are factors that affect the loss-given-default of the facility such as parent support, collateral, or structure.

Internal obligor ratings equivalent to BBB and above are considered investment-grade. Ratings below the equivalent of BBB are considered non-investment-grade.

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The following table presents the corporate credit portfolio by facility risk rating at December 31, 2004 and 2003, as a percentage of the total portfolio:

	Direct outstandings and unfunded commitments	
	2004	2003
AAA/AA/A	**54%**	54%
BBB	**29%**	27%
BB/B	**15%**	16%
CCC or below	**1%**	2%
Unrated	**1%**	1%
	100%	100%

The corporate credit portfolio is diversified by industry with a concentration only to the financial sector which includes banks, other financial institutions, investment banks, and government and central banks. The following table shows the allocation of direct outstandings and unfunded commitments to industries as a percentage of the total Corporate portfolio:

	Direct outstandings and unfunded commitments	
	2004	2003
Government and central banks	**10%**	14%
Other financial institutions	**8%**	9%
Banks	**7%**	6%
Investment banks	**6%**	5%
Utilities	**5%**	5%
Insurance	**4%**	5%
Agricultural and food preparation	**4%**	4%
Telephone and cable	**4%**	4%
Petroleum	**4%**	3%
Industrial machinery and equipment	**3%**	3%
Autos	**2%**	3%
Freight transportation	**2%**	2%
Global information technology	**2%**	2%
Chemicals	**2%**	2%
Retail	**2%**	2%
Metals	**2%**	2%
Other industries (1)	**33%**	29%
Total	**100%**	100%

(1) Includes all other industries, none of which exceeds 2% of total outstandings.

Credit Risk Mitigation

As part of its overall risk management activities, the Company makes use of credit derivatives and other risk mitigants to hedge portions of the credit risk in its portfolio, in addition to outright asset sales. The effect of these transactions is to transfer credit risk to creditworthy, independent third parties. Beginning in the fourth quarter of 2003, the results of the mark-to-market and any realized gains or losses on credit derivatives are reflected in the Principal Transactions line on the Consolidated Statement of Income. At December 31, 2004 and 2003, $27.3 billion and $11.1 billion, respectively, of credit risk exposure was economically hedged. The reported amounts of direct outstandings and unfunded commitments in this report do not reflect the impact of these hedging transactions. At December 31, 2004 and 2003, the credit protection was economically hedging underlying credit exposure with the following risk rating distribution:

Rating of Hedged Exposure

	2004	2003
AAA/AA/A	**48%**	32%
BBB	**43%**	57%
BB/B	**8%**	10%
CCC or below	**1%**	1%
	100%	100%

At December 31, 2004 and 2003, the credit protection was economically hedging underlying credit exposure with the following industry distribution:

Industry of Hedged Exposure

	2004	2003
Utilities	**11%**	14%
Agriculture and food preparation	**7%**	8%
Industrial machinery and equipment	**7%**	5%
Other financial institutions	**7%**	11%
Telephone and cable	**7%**	9%
Autos	**6%**	7%
Airlines	**5%**	3%
Chemicals	**4%**	3%
Global information technology	**4%**	5%
Natural gas distribution	**4%**	3%
Pharmaceuticals	**4%**	1%
Retail	**4%**	3%
Business services	**3%**	4%
Banks	**3%**	4%
Petroleum	**3%**	4%
Forest products	**3%**	2%
Freight transportation	**3%**	2%
Metals	**3%**	1%
Entertainment	**2%**	2%
Insurance	**2%**	2%
Investment banks	**2%**	3%
Other (1)	**6%**	4%
	100%	100%

(1) Includes all other industries none of which is greater than 2% of the total hedged amount.

GLOBAL CORPORATE PORTFOLIO REVIEW

Corporate loans are identified as impaired and placed on a non-accrual basis when it is determined that the payment of interest or principal is doubtful of collection or when interest or principal is past due for 90 days or more, except when the loan is well secured and in the process of collection. Impaired corporate loans are written down to the extent that principal is judged to be uncollectible. Impaired collateral-dependent loans are written down to the lower of cost or collateral value, less disposal costs.

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The following table summarizes corporate cash-basis loans and net credit losses:

In millions of dollars	**2004**	2003	2002
Corporate cash-basis loans(1)			
Capital Markets and Banking	**$1,794**	$3,263	$3,423
Transaction Services	**112**	156	572
Total corporate cash-basis loans	**$1,906**	$3,419	$3,995
Net credit losses			
Capital Markets and Banking	**$ 148**	$1,191	$1,349
Transaction Services	**(18)**	23	165
Smith Barney(2)	**—**	—	6
Investment activities(3)	**—**	(3)	31
Total net credit losses	**$ 130**	$1,211	$1,551
Corporate allowance for credit losses	**$2,890**	$3,555	$4,080
Corporate allowance for credit losses on unfunded lending commitments(4)	**600**	600	567
Total corporate allowance for loans, leases and unfunded lending commitments	**$3,490**	$4,155	$4,647
As a percentage of total corporate loans(5)	**2.54%**	3.62%	3.70%

(1) Cash-basis loans for the insurance subsidiaries and Proprietary Investment Activities businesses were $62 million for 2002, which are included in Other Assets on the Consolidated Balance Sheet in 2003 and 2004.
(2) *Smith Barney* is included within the Global Wealth Management segment.
(3) Investment Activities results are reported in the Proprietary Investment Activities segment.
(4) Represents additional reserves recorded within Other Liabilities on the Consolidated Balance Sheet.
(5) Does not include the allowance for unfunded lending commitments.

Corporate cash-basis loans were $1.906 billion, $3.419 billion and $3.995 billion at December 31, 2004, 2003 and 2002, respectively. Cash-basis loans decreased $1.513 billion from December 31, 2003 due to a $1.469 billion decrease in *Capital Markets and Banking* and a $44 million decrease in *Transaction Services*. *Capital Markets and Banking* decreased primarily due to charge-offs in North America, Argentina and Mexico, partially offset by the addition of KorAm. *Transaction Services* decreased primarily due to decreases in corporate borrowers in Poland and Argentina.

Cash-basis loans decreased $576 million in 2003 due to decreases in *Capital Markets and Banking* and *Transaction Services*. *Capital Markets and Banking* primarily reflects decreases to corporate borrowers in Argentina and New Zealand, as well as reductions in the telecommunications industry, partially offset by a reclassification of cash-basis loans ($248 million) in Mexico from *Transaction Services* and increases related to Parmalat and the energy industry. *Transaction Services* decreased primarily due to the reclassification of cash-basis loans ($248 million) in Mexico to *Capital Markets and Banking* and charge-offs in Argentina and Poland.

Total corporate Other Real Estate Owned (OREO) was $126 million, $105 million and $75 million at December 31, 2004, 2003 and 2002, respectively. The $21 million increase in 2004 from 2003 reflects net foreclosures in the North America real estate portfolio.

Total corporate loans outstanding at December 31, 2004 were $114 billion as compared to $98 billion and $110 billion at December 31, 2003 and 2002, respectively.

Total corporate net credit losses of $130 million in 2004 decreased $1.081 billion compared to 2003, primarily due to improvements in the overall credit environment, and the absence of exposure to Parmalat. Total corporate net credit losses of $1.211 billion in 2003 decreased $340 million compared to 2002 primarily due to the absence of prior-year net credit losses in Argentina and exposures in the energy and telecommunications industries, reflecting improvements in the overall credit environment, partially offset by $345 million of credit losses related to Parmalat and credit losses to corporate borrowers in Poland.

Citigroup's allowance for credit losses for loans, leases and lending commitments of $11.869 billion is available to absorb probable credit losses inherent in the entire portfolio. For analytical purposes only, the portion of Citigroup's allowance for credit losses attributed to the Corporate portfolio was $3.490 billion at December 31, 2004, compared to $4.155 billion at December 31, 2003 and $4.647 billion at December 31, 2002. The allowance attributed to corporate loans and leases as a percentage of corporate loans was 2.54% at December 31, 2004, as compared to 3.62% and 3.70% at December 31, 2003 and 2002, respectively. The $665 million decrease in the total allowance at December 31, 2004 from December 31, 2003 primarily reflects reserve releases of $900 million due to continued improvement in the portfolio, partially offset by the addition of KorAm. The $492 million decrease in the total allowance at December 31, 2003 from December 31, 2002 primarily reflects reserve releases of $300 million due to continued improvement in the portfolio. Losses on corporate lending activities and the level of cash-basis loans can vary widely with respect to timing and amount, particularly within any narrowly defined business or loan type. Although, the 2004 credit environment led to benefits from loan loss releases and declines in cash-basis loans, it is unlikely these benefits will repeat in 2005. This statement is a forward-looking statement within the meaning of the Private Securities Litigation Reform Act. See "Forward-Looking Statements" on page 100.

LOAN MATURITIES AND FIXED/VARIABLE PRICING

In millions of dollars at year end	Due within 1 year	Over 1 year but within 5 years	Over 5 years	Total
Corporate maturities of the corporate loan portfolio				
In U.S. offices				
Commercial and industrial loans	$ 4,647	$ 7,113	$2,677	$ 14,437
Mortgage and real estate	32	49	19	100
Lease financing	604	924	348	1,876
In offices outside the U.S.	62,861	27,830	6,798	97,489
Total corporate loans	$68,144	$35,916	$9,842	$113,902
Fixed/variable pricing of corporate loans due after one year with maturities(1)				
Loans at fixed interest rates		$11,086	$4,098	
Loans at floating or adjustable interest rates		24,830	5,744	
Total		$35,916	$9,842	

(1) Based on contractual terms. Repricing characteristics may effectively be modified from time to time using derivative contracts. See Note 24 to the Consolidated Financial Statements.

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MARKET RISK MANAGEMENT PROCESS

Market risk at Citigroup—like credit risk—is managed through corporate-wide standards and business policies and procedures. Market risks are measured in accordance with established standards to ensure consistency across businesses and the ability to aggregate like risks at the Citigroup-level. Each business is required to establish, and have approved by independent market risk management, a market risk limit framework, including risk measures, limits and controls, that clearly defines approved risk profiles and is within the parameters of Citigroup's overall risk appetite.

Businesses, working in conjunction with independent Market Risk Management, must ensure that market risks are independently measured, monitored, and reported to ensure transparency in risk-taking activities and integrity in risk reports. In all cases, the businesses are ultimately responsible for the market risks that they take and for remaining within their defined limits.

Market risk encompasses liquidity risk and price risk, both of which arise in the normal course of business of a global financial intermediary. Liquidity risk is the risk that some entity, in some location and in some currency, may be unable to meet a financial commitment to a customer, creditor, or investor when due. Liquidity risk is discussed in the "Capital Resources and Liquidity" section on page 90. Price risk is the risk to earnings that arises from changes in interest rates, foreign exchange rates, equity and commodity prices, and in their implied volatilities. Price risk arises in non-trading portfolios, as well as in trading portfolios.

Non-Trading Portfolios

Interest rate risk in non-trading portfolios is inherent in many client-related activities, primarily lending and deposit taking to both corporations and individuals. Interest rate risk arises from these client activities as a function of a number of factors. These include the timing of rate resetting and maturity between assets and liabilities, the change in the profile for those assets and liabilities whose maturity changes in response to changes in market interest rates, changes in the shape of the yield curve and changes in the spread between various market rate indices among other factors.

The exposure generated by client-related activities is actively managed by business treasury units throughout Citigroup. The treasury units manage exposure to the key factors within limits approved by independent risk management, primarily by altering the repricing characteristics of the portfolio either directly through on-balance sheet instruments or through the use of off-balance sheet instruments including derivatives and by modifying product pricing strategies.

To ensure consistency across businesses, Citigroup's non-trading portfolios are managed under a single set of standards for defining, measuring, limiting and reporting market risk. While business risk management is directly responsible for employing appropriate risk management techniques that are appropriate for each specific portfolio, there are a number of Citigroup-wide reporting metrics, both earnings-based and valuation-based, that are common to all business units.

The principal earnings measure is Interest Rate Exposure (IRE). IRE is calculated for all non-trading portfolios for all currencies where Citigroup has significant interest rate exposure. IRE is calculated as the pretax earnings impact of an instantaneous, parallel increase or decrease in the yield curve. In order to stress test the portfolios, IRE is calculated for +/-50 basis points (bps), +/-100 bps and +/-200 bps rate shocks for each currency. IRE is supplemented with additional measurements, including stress testing the impact on earnings and equity for non-linear interest rate movements, and analysis of portfolio duration, basis risk, spread risk, volatility risk, and cost-to-close.

IRE is interpreted as the potential change in income that would result from the instantaneous change in rates on a static portfolio at a point in time. This is a measure of exposure, not a simulation of income or forecasted income. It assumes no additional changes in rates or positions, although in practice, business treasurers may react to a change or expected change in rates by altering their portfolio mix, repricing characteristics, hedge positions and customer pricing which could significantly impact reported earnings. IRE is used as an indicative measure of exposure to a severe rate change, and not as a predictor of changes in reported earnings.

The table below illustrates the impact to Citigroup's pretax earnings over a one-year and five-year time horizon from an instantaneous 100 bps increase and a 100 bps decrease in the yield curves applicable to various currencies, the primary scenarios evaluated by senior management. The five-year horizon amounts are discounted back to current amounts.

Citigroup Interest Rate Exposure (Impact on Pretax Earnings) (1)

	December 31, 2004		December 31, 2003	
In millions of dollars	**Increase**	**Decrease**	Increase	Decrease
U.S. dollar				
Twelve months and less	**$(462)**	**$ 279**	$(793)	$ 266
Discounted five year	**325**	**(1,580)**	558	(2,739)
Mexican peso				
Twelve months and less	**$ 46**	**$ (46)**	$ 55	$ (55)
Discounted five year	**206**	**(208)**	226	(226)
Euro				
Twelve months and less	**$ (89)**	**$ 89**	$ (86)	$ 86
Discounted five year	**120**	**(121)**	32	(32)
Japanese yen				
Twelve months and less	**$ 36**	**NM** (2)	$ 65	NM (2)
Discounted five year	**89**	**NM** (2)	142	NM (2)
Pound sterling				
Twelve months and less	**$ 22**	**$ (22)**	$ 31	$ (31)
Discounted five year	**178**	**(181)**	142	(142)

(1) Excludes the insurance companies (see below).
(2) Not meaningful. A 100 bps decrease in interest rates would imply negative rates for the Japanese yen yield curve.

The changes in U.S. dollar Interest Rate Exposure from the prior year reflect changes in the aggregate asset/liability mix, changes in actual and projected pre-payments for mortgages and mortgage-related investments, the impact on stockholders' equity of retained earnings net of the WorldCom and Litigation Reserve Charge, as well as Citigroup's view of prevailing interest rates.

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Insurance Companies

The table below reflects the estimated decrease in the fair value of financial instruments held in the insurance companies as of December 31, 2004 and 2003, as a result of a 100 bps increase in interest rates.

In millions of dollars	2004	2003
Assets		
Investments	**$(2,387)**	$(2,226)
Liabilities		
Long-term debt	**$ (5)**	$ (8)
Contractholder funds	**(1,102)**	(996)

A significant portion of the insurance companies' liabilities (insurance policy and claims reserves) are not financial instruments and are excluded from the above sensitivity analysis. The corresponding changes in the fair values of the insurance policy and claim reserves are decreases of $756 million and $681 million at December 31, 2004 and 2003, respectively. Furthermore, the analysis does not change the economics of asset-liability matching risk mitigation strategies employed by the insurance businesses. The durations of invested assets are closely matched with the related insurance liabilities, diminishing the exposure to interest rate generated volatility. Including insurance policy and claim liabilities, along with the aforementioned duration matching techniques, significantly decreases the impact implied in the above table.

Trading Portfolios

Price risk in trading portfolios is measured through a complementary set of tools, including factor sensitivities, value-at-risk, and stress testing. Each trading portfolio has its own market risk limit framework, encompassing these measures and other controls, including permitted product lists and a new product approval process for complex products, established by the business and approved by independent market risk management.

Factor sensitivities are defined as the change in the value of a position for a defined change in a market risk factor (e.g., the change in the value of a Treasury bill for a 1 basis point change in interest rates). It is the responsibility of independent market risk management to ensure that factor sensitivities are calculated, monitored and, in most cases, limited, for all relevant risks taken in a trading portfolio.

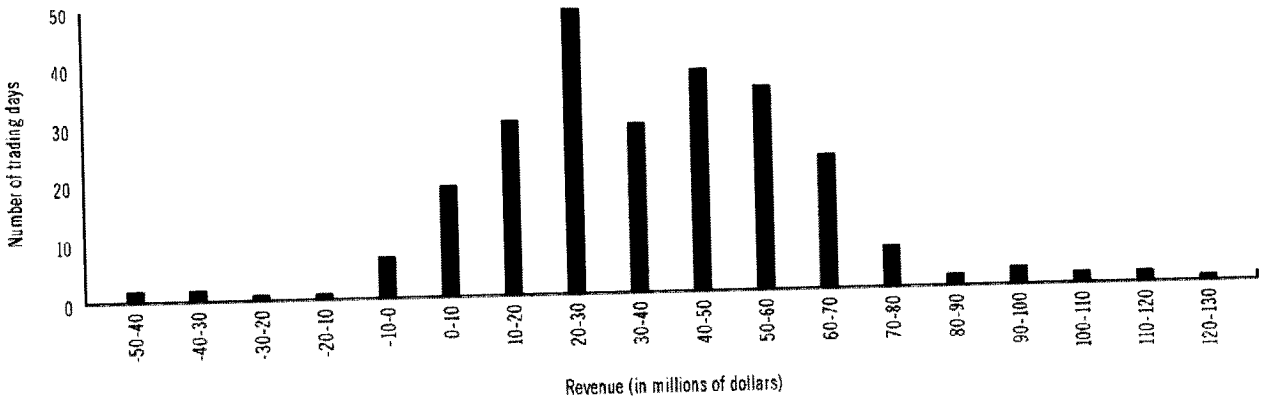
Value-at-Risk estimates the potential decline in the value of a position or a portfolio, under normal market conditions, over a one-day holding period, at a 99% confidence level. The Value-at-Risk method incorporates the factor sensitivities of the trading portfolio with the volatilities and correlations of those factors. Citigroup's Value-at-Risk is based on the volatilities of, and correlations between, approximately 250,000 market risk factors, including factors that track the specific issuer risk in debt and equity securities.

Stress testing is performed on trading portfolios on a regular basis, to estimate the impact of extreme market movements. Stress testing is performed on individual trading portfolios, as well as on aggregations of portfolios and businesses, as appropriate. It is the responsibility of independent market risk management, in conjunction with the businesses, to develop stress scenarios, review the output of periodic stress testing exercises, and utilize the information to make judgments as to the ongoing appropriateness of exposure levels and limits.

Risk Capital for market risk in trading portfolios is based on an annualized value-at-risk figure, with adjustments for intra-day trading activity.

Total revenue of the trading business consists of customer revenue, which includes spreads from customer flow and positions taken to facilitate customer orders, proprietary trading activities in both cash and derivative transactions, and net interest revenue. All trading positions are marked-to-market with the result reflected in earnings. Even if a desk experiences a mark-to-market loss equivalent to its value-at-risk, its daily profit and loss could still be positive, primarily due to customer flow revenue. In 2004, negative trading-related revenue was recorded for 13 of 253 trading days. Of the 13 days on which negative revenue was recorded, only four were greater than $30 million. The following histogram of total daily revenue or loss captures trading volatility and shows the number of days in which the Company's trading-related revenues fell within particular ranges.

Histogram of Daily Trading-Related Revenue – Twelve Months Ended December 31, 2004



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Citigroup periodically performs extensive back-testing of many hypothetical test portfolios as one check on the accuracy of its Value-at-Risk (VAR). Back-testing is the process in which the daily Value-at-Risk of a test portfolio is compared to the ex-post daily change in the market value of its transactions. Back-testing is conducted to ascertain if in fact we are measuring potential market loss at the 99% confidence level. A daily market value loss in excess of a 99% confidence level Value-at-Risk should occur, on average, only 1% of the time. The VAR calculation for the hypothetical test portfolios, with different degrees of risk concentration, meets this statistical criteria.

New and/or complex products in the global corporate and investment banking business are required to be reviewed and approved by the Capital Markets Approval Committee (CMAC). The CMAC is responsible for ensuring that relevant risks are identified and understood, and can be measured, managed and reported in accordance with applicable business policies and practices. The CMAC is made up of senior representatives from market and credit risk management, legal, accounting, operations, and other support areas.

The level of price risk exposure at any given point in time depends on the market environment and expectations of future price and market movements, and will vary from period to period.

For Citigroup's major trading centers, the aggregate pretax Value-at-Risk in the trading portfolios was $116 million at December 31, 2004 and $83 million at December 31, 2003. Daily exposures averaged $101 million in 2004 and ranged from $80 million to $212 million.

The following table summarizes Value-at-Risk in the trading portfolios as of December 31, 2004 and 2003, along with the averages:

In millions of dollars	**Dec. 31, 2004**	**2004 Average**	Dec. 31, 2003	2003 Average
Interest rate	**$103**	**$ 96**	$ 83	$ 79
Foreign exchange	**22**	**16**	14	21
Equity	**32**	**29**	17	15
Commodity	**15**	**16**	13	8
Covariance adjustment	**(56)**	**(56)**	(44)	(43)
Total—All market risk factors, including general and specific risk	**$116**	**$101**	$ 83	$ 80
Specific risk component	**$ 9**	**$ 9**	$ 8	$ 7
Total—General market factors only	**$107**	**$ 92**	$ 75	$ 73

The specific risk component represents the level of issuer-specific risk embedded in the Value-at-Risk, arising from both debt and equity securities. Citigroup's specific risk model conforms with the 4x multiplier treatment approved by the Federal Reserve and is subject to extensive hypothetical back testing (performed on an annual basis), including many portfolios with position concentrations.

The table below provides the range of Value-at-Risk in the trading portfolios that was experienced during 2004 and 2003:

	2004		2003	
In millions of dollars	**Low**	**High**	Low	High
Interest rate	**$76**	**$133**	$55	$107
Foreign exchange	**8**	**29**	11	34
Equity	**15**	**180**	7	87
Commodity	**8**	**22**	2	32

OPERATIONAL RISK MANAGEMENT PROCESS

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people or systems, or from external events. It includes reputation and franchise risks associated with business practices or market conduct that the Company may undertake with respect to activities in a fiduciary role, as principal, as well as agent, or through a special-purpose vehicle.

The management of operational risk is continuing to evolve into a distinct discipline with its own risk management structure, tools, and process, much like credit and market risk. The Citigroup Self-Assessment and Operational Risk Framework (the Framework) includes the Citigroup Risk and Control Self-Assessment Policy and the Citigroup Operational Risk Policy, which define Citigroup's approach to operational risk management. The Citigroup Operational Risk Policy (the Policy) codifies the core governing principles for operational risk management and provides the framework to identify, evaluate, control, measure, monitor, and report operational risks in a consistent manner across the Company. The Framework requires each business to identify its operational risks as well as the controls established to mitigate those risks and to ensure compliance with laws, regulations, regulatory administrative actions, and Citigroup policies. It also requires that all businesses report their operational risk losses in accordance with Policy definitions into a standardized database.

Citigroup's Framework includes the following core operational risk principles, which apply to all of Citigroup's businesses (certain newly acquired businesses are granted temporary exemptions to this policy):

- Senior Business Managers are accountable for managing Operational Risk.
- Citigroup has a system of checks and balances in place for operational risk management including:
  - —an independent operational risk oversight function, reporting to the Citigroup Senior Risk Officer;
  - —a formal governance structure established by the Citigroup Controller and Chief Accounting Officer, to provide direction, oversight, and monitoring of Citigroup's Risk and Control Self-Assessment (RCSA) programs;
  - —an independent Audit and Risk Review function.
- Each major Citigroup business segment must have approved business-specific procedures for managing operational risk including risk identification, evaluation, control, measurement, monitoring, and reporting, as well as processes for ensuring compliance with corporate policies and applicable laws and regulations.

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The Policy and its requirements facilitate the aggregation of operational risks across products and businesses and promote effective communication of those risks to management. Information about the businesses' operational risks and losses is reported regularly to Senior Management and to the Citigroup Board of Directors. This includes information about the allocation of Risk Capital for operational risk to each business. Risk Capital is calculated based on an estimate of the operational loss potential for each major line of business adjusted for the quality of its control environment. Citigroup's methodologies for calculating capital continue to evolve to accommodate use of the increasing amounts of data that are becoming available as a product of the Framework. Citigroup's Framework facilitates the Company's response to the requirements of emerging regulatory guidance on operational risk, including those related to Basel 2 capital calculations.

Risk and Control Self-Assessment

A formal governance structure has been established through the Risk and Control Self-Assessment Policy (RCSA Policy) to provide direction, oversight, and monitoring of Citigroup's RCSA programs. The RCSA Policy incorporates standards for risk and control self-assessment that are applicable to all businesses and establishes RCSA as the process whereby risks that are inherent in a business' strategy, objectives, and activities are identified and the effectiveness of the controls over those risks are evaluated and monitored. RCSA is based on COSO (The Committee of Sponsoring Organizations of the Treadway Commission) principles, which have been adopted as the minimum standards for all internal control reviews that comply with Sarbanes-Oxley, FDICIA or operational risk requirements. The policy requires, on a quarterly basis, businesses and staff functions to perform an RCSA that includes documentation of the control environment and policies, assessing the risks and controls, testing commensurate with risk level, corrective action tracking for control breakdowns or deficiencies and periodic reporting, including reporting to Senior Management and the Audit Committee. The entire process is subject to audit by Citigroup's Audit and Risk Review with reporting to the Audit and Risk Management Committee of the Board.

Information Security and Continuity of Business

In the fall of 2004, Citigroup created the function of Chief Information Technology Risk Officer to enhance risk management practices between information security and continuity of business. This is an important step in Citigroup's strategy to better manage and aggregate risk on an enterprise-wide basis.

The Information Security Program complies with the Gramm-Leach-Bliley Act and other regulatory guidance. During 2004, the Citigroup Information Security Office conducted an end-to-end review of Company-wide risk management processes for mitigating, monitoring, and responding to information security risk.

During 2004, Citigroup continued to mitigate business continuity risks by reviewing and testing recovery procedures. The Corporate Office of Business Continuity with the support of the Global Senior Continuity of Business Committee monitors compliance with all internal and external regulatory standards to enhance Citigroup's resilience in the financial markets.

COUNTRY AND CROSS-BORDER RISK MANAGEMENT PROCESS

Country Risk

The Citigroup Country Risk Committee is chaired by senior international business management, and includes as its members business managers and independent risk managers from around the world. The committee's primary objective is to strengthen the management of country risk, defined as the total risk to the Company of an event that impacts a country. The committee regularly reviews all risk exposures within a country, makes recommendations as to actions, and follows up to ensure appropriate accountability.

Cross-Border Risk

The Company's cross-border outstandings reflect various economic and political risks, including those arising from restrictions on the transfer of funds as well as the inability to obtain payment from customers on their contractual obligations as a result of actions taken by foreign governments such as exchange controls, debt moratorium, and restrictions on the remittance of funds.

Management oversight of cross-border risk is performed through a formal country risk review process that includes setting of cross-border limits, at least annually, in each country in which Citigroup has cross-border exposure, monitoring of economic conditions globally and within individual countries with proactive action as warranted, and the establishment of internal risk management policies. Under FFIEC guidelines, total cross-border outstandings include cross-border claims on third parties as well as investments in and funding of local franchises. Cross border claims on third parties (trade, short-term, and medium- and long-term claims) include cross-border loans, securities, deposits with banks, investments in affiliates, and other monetary assets, as well as net revaluation gains on foreign exchange and derivative products.

The cross-border outstandings are reported by assigning externally guaranteed outstandings to the country of the guarantor and outstandings for which tangible, liquid collateral is held outside of the obligor's country to the country in which the collateral is held. For securities received as collateral, outstandings are assigned to the domicile of the issuer of the securities.

Investments in and funding of local franchises represent the excess of local country assets over local country liabilities. Local country assets are claims on local residents recorded by branches and majority-owned subsidiaries of Citigroup domiciled in the country, adjusted for externally guaranteed outstandings and certain collateral. Local country liabilities are obligations of branches and majority-owned subsidiaries of Citigroup domiciled in the country, for which no cross-border guarantee is issued by Citigroup offices outside the country.

In regulatory reports under FFIEC guidelines, cross-border resale agreements are presented based on the domicile of the issuer of the securities that are held as collateral. However, for purposes of the following table, cross-border resale agreements are presented based on the domicile of the counterparty because the counterparty has the legal obligation for repayment. Similarly, under FFIEC guidelines, long trading securities positions are required to be reported on a gross basis. However, for purposes of the following table, certain long and short securities positions are presented on a net basis consistent with internal cross-border risk management policies, reflecting a reduction of risk from offsetting positions.

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The table below shows all countries where total FFIEC cross-border outstandings exceed 0.75% of total Citigroup assets for the periods presented:

	December 31, 2004									December 31, 2003	
	Cross-border claims on third parties				Investments in local franchises						
In billions of dollars	Trading and short-term claims[1]	Resale agreements	All other	Total	Local country assets	Local country liabilities	Net investments in local franchises[2]	Total cross-border outstandings	Commitments[3]	Total cross-border outstandings	Commitments[3]
United Kingdom	$ 6.2	$23.3	$3.4	$32.9	$37.4	$72.4	$ —	$32.9	$82.2	$32.4	$28.3
Germany	18.2	1.7	2.0	21.9	22.9	19.8	3.1	25.0	19.7	21.7	14.5
France	9.0	6.9	1.4	17.3	0.4	0.6	—	17.3	19.4	14.8	7.9
South Korea	2.2	0.3	0.2	2.7	46.9	34.7	12.2	14.9	2.2	4.8	0.2
Netherlands	10.3	1.0	1.6	12.9	—	0.9	—	12.9	4.9	8.4	3.7
Canada	4.1	0.9	1.5	6.5	14.8	9.3	5.5	12.0	2.6	10.2	2.2
Italy	6.1	1.4	0.4	7.9	3.6	1.0	2.6	10.5	2.7	14.2	2.3
Japan	2.0	3.2	1.2	6.4	30.6	43.4	—	6.4	0.8	11.7	0.5
Australia	1.3	0.3	0.8	2.4	19.1	19.7	—	2.4	0.6	8.2	0.2

(1) Trading and short-term claims include cross-border debt and equity securities held in the trading account, trade finance receivables, net revaluation gains on foreign exchange and derivative contracts, and other claims with a maturity of less than one year.
(2) If local country liabilities exceed local country assets, zero is used for net investments in and funding of local franchises.
(3) Commitments (not included in total cross-border outstandings) include legally binding cross-border letters of credit and other commitments and contingencies as defined by the FFIEC.

Total cross-border outstandings under FFIEC guidelines, including cross-border resale agreements based on the domicile of the issuer of the securities that are held as collateral, and long securities positions reported on a gross basis at December 31, 2004, 2003, and 2002, respectively, were (in billions): the United Kingdom ($13.2, $14.6, and $9.9), Germany ($39.1, $41.4, and $26.5), France ($16.2, $17.5, and $11.7), South Korea ($15.1, $4.1, and $4.1), the Netherlands ($14.9, $10.0, and $7.8), Canada ($13.0, $11.5, and $7.3), Italy ($14.0, $18.7, and $20.3), Japan ($7.9, $11.9, and $9.3), and Australia ($4.3, $9.8, and $3.4).

Cross-border commitments (in billions) at December 31, 2002 were $26.3 for the United Kingdom, $10.9 for Germany, $5.9 for France, $0.3 for South Korea, $4.1 for the Netherlands, $2.1 for Canada, $1.6 for Italy, $0.4 for Japan, and $0.2 for Australia.

The sector percentage allocation for bank, public and private cross-border claims, respectively, on third parties under FFIEC guidelines at December 31, 2004 was: the United Kingdom (28%, 18%, and 54%), Germany (35%, 48%, and 17%), France (23%, 39%, and 38%), South Korea (24%, 23%, and 53%), the Netherlands (23%, 23%, and 54%), Canada (14%, 19%, and 67%), Italy (9%, 58%, and 33%), Japan (4%, 54%, and 42%), and Australia (13%, 44%, and 43%).

The following table shows cross-border outstandings to our 10 largest non-OECD countries for the current period:

	December 31, 2004									December 31, 2003	
	Cross-border claims on third parties				Investments in local franchises						
In billions of dollars	Trading and short-term claims[1]	Resale agreements	All other	Total	Local country assets	Local country liabilities	Net investments in local franchises[2]	Total cross-border outstandings	Commitments[3]	Total cross border outstandings	Commitments[3]
Taiwan	$1.8	$5.1	$0.3	$7.2	$ 9.1	$12.5	$ —	$7.2	$0.9	$6.4	$0.2
Brazil	2.3	1.0	1.2	4.5	5.7	4.1	1.6	6.1	0.2	5.5	0.1
India	2.1	—	0.9	3.0	8.5	6.2	2.3	5.3	0.3	3.9	0.4
Thailand	0.2	0.7	—	0.9	2.9	2.1	0.8	1.7	0.2	1.5	0.1
Chile	0.2	—	0.7	0.9	3.4	2.7	0.7	1.6	0.1	1.6	0.2
Hong Kong	1.4	—	0.1	1.5	11.4	23.7	—	1.5	0.1	1.1	0.1
Singapore	1.2	0.1	0.1	1.4	15.9	25.8	—	1.4	0.5	1.2	0.2
Malaysia	0.5	0.1	0.1	0.7	8.7	8.2	0.5	1.2	0.1	0.9	—
Russia	0.4	0.3	0.4	1.1	1.8	1.7	0.1	1.2	0.3	1.5	0.1
Colombia	0.7	—	0.2	0.9	1.4	1.2	0.2	1.1	0.1	0.8	0.1

(1) Trading and short-term claims include cross-border debt and equity securities held in the trading account, trade finance receivables, net revaluation gains on foreign exchange and derivative contracts, and other claims with a maturity of less than one year.
(2) If local country liabilities exceed local country assets, zero is used for net investments in and funding of local franchises.
(3) Commitments (not included in total cross border outstandings) include legally binding cross border letters of credit and other commitments and contingencies as defined by the FFIEC.

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BALANCE SHEET REVIEW

General

At December 31, 2004, total assets were $1.5 trillion, an increase of $220.1 billion or 17% from the prior year. At December 31, 2004, total assets were primarily composed of loans (net of unearned income) of $548.8 billion or 37% of total assets, trading assets of $280.2 billion or 19% of total assets, investments of $213.2 billion or 14% of total assets, and federal funds sold and securities borrowed or purchased under agreements to resell of $200.7 billion or 14% of total assets. Total average interest-earning assets were $1,195.5 billion compared to $1,007.1 billion in 2003. Supporting this asset growth was an $88.1 billion or 19% increase in total deposits, a $43.3 billion or 20% increase in debt, a $28.4 billion or 16% increase in federal funds purchased and securities loaned or sold under agreements to repurchase, a $13.6 billion or 11% increase in trading account liabilities, and a $10.4 billion or 18% increase in contractholder funds and separate and variable accounts. In addition, at December 31, 2004, total stockholders' equity increased $11.3 billion to $109.3 billion, up 12% from the prior year. See "Capital Resources and Liquidity" on page 90 for further discussions on capital and liquidity.

Factors Affecting Assets and Liabilities

2004

On April 30, 2004, Citigroup completed its tender offer to purchase all the outstanding shares of KorAm for $2.7 billion. This transaction resulted in an increase in assets of $37 billion at June 30, 2004. See Note 2 to the Consolidated Financial Statements.

On January 9, 2004, Citigroup completed the acquisition of Washington Mutual Finance Corporation (WMF) for $1.25 billion in cash. The acquisition included 427 WMF offices located in 26 states, and total assets of $3.8 billion. The results of WMF are included in the Consolidated Financial Statements from January 2004 forward. See Note 2 to the Consolidated Financial Statements.

2003

On November 3, 2003, Citigroup acquired the Sears' Credit Card and Financial Products business (Sears). This transaction resulted in an increase in assets at December 31, 2003 of approximately $32.4 billion, primarily composed of $28.6 billion in credit card receivables and $5.8 billion in intangible assets and goodwill, slightly offset by the addition of $2.1 billion in credit loss reserves. The transaction also resulted in an increase in long-term debt of approximately $10.0 billion. See Note 2 to the Consolidated Financial Statements.

In July 2003, Citigroup completed the acquisition of The Home Depot private-label portfolio (Home Depot), which added $6.0 billion in receivables and 12 million accounts. See Note 2 to the Consolidated Financial Statements.

ASSETS

Cash and Due from Banks

At December 31, 2004, the balance was $23.6 billion, an increase of $2.4 billion from the prior year. Net cash used in operating and investing activities of continuing operations was $2.4 billion and $79.2 billion, respectively, while net cash provided by financing activities of continuing operations was $83.3 billion. The effect of exchange rate changes on cash and cash equivalents was $731 million in 2004 and $579 million in 2003.

Federal Funds Sold and Securities Borrowed or Purchased Under Agreements to Resell

At December 31, 2004, the balance was $200.7 billion, an increase of $28.6 billion from the prior year, attributable to increases in deposits paid for securities borrowed of $21.0 billion, and resales and federal funds sold of $7.6 billion. Resale agreements increased primarily to cover trading liability positions. The increase in securities borrowed related to conduit and prime brokerage activities. Average domestic federal funds sold and securities borrowed or purchased under agreements to resell were $129.5 billion yielding 2.3% in 2004, compared to $105.4 billion and 2.1% in 2003, while average foreign balances were $73.8 billion yielding 2.6% in 2004, compared to $64.5 billion and 2.9% in 2003. Average federal funds sold and securities borrowed or purchased under agreements to resell represented 17% of total average interest-earning assets during 2004. See Note 6 to the Consolidated Financial Statements.

Trading Account Assets

At December 31, 2004, the balance was $280.2 billion, an increase of $44.8 billion or 19% from the prior year. The increase was attributable to portfolio growth of $32.8 billion in equity securities, $7.4 billion in corporate and other debt securities, $6.9 billion in mortgage loans and collateralized mortgage securities (CMS), $5.8 billion in other (primarily gold and silver contracts), $5.3 billion in foreign government securities, and $4.7 billion in state and municipal securities, partially offset by decreases of $20.3 billion in U.S. Treasury securities. Additionally, there was a $2.2 billion increase in revaluation gains (primarily interest rate and FX contracts). See Note 8 to the Consolidated Financial Statements.

Investments

At December 31, 2004, the balance was $213.2 billion, an increase of $30.4 billion from the prior year. The Company was primarily invested in fixed maturity securities, including mortgage-backed securities, U.S. Treasury and federal agencies securities, state and municipal securities, foreign government securities, and U.S. corporate securities. The increase in the investment portfolio was primarily due to growth in fixed maturity securities of $28.2 billion. Average investments represented 17% of total interest-earning assets at December 31, 2004. The average rate earned on these investments in 2004 was 4.6%, compared to 4.3% in the prior year. See Note 5 to the Consolidated Financial Statements.

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Loans

Total loans outstanding (net of unearned income) at December 31, 2004 were $548.8 billion compared to $478.0 billion in the prior year, an increase of $70.8 billion or 15%. Total average loans comprised 43% of total interest-earning assets in 2004, compared to 44% in the prior year.

The increase represents significant growth in the consumer loan portfolio of $55.3 billion reflecting acquisitions, an increase in loan originations during the year due to the favorable interest rate environment, and the impact of FX. The 15% increase in the consumer loan portfolio was composed of a $43.2 billion or 27% increase in mortgage and real estate loans, and a $14.9 billion or 7% increase in installment, revolving credit, and other, slightly offset by a $3.1 billion or 29% decrease in lease financing. For more information, see "Loans Outstanding" on page 74.

In addition, there was a $15.5 billion increase in the corporate loan portfolio. The 16% increase in the Corporate portfolio was driven by increases of $13.4 billion or 17% in commercial and industrial loans, $2.2 billion in mortgage and real estate loans, and $0.9 billion or 7% in loans to financial institutions. These increases are partially offset by a $0.5 billion or 10% decrease in lease financing and a $0.4 billion or 26% decrease in governments and official institutions. For further information, see "Loans Outstanding" on page 74.

During 2004, average consumer loans of $401.3 billion yielded an average rate of 9.2%, compared to $341.4 billion and 9.3% in the prior year. Average corporate loans of $109.4 billion yielded an average rate of 6.7% in 2004, compared to $103.8 billion and 6.2% in the prior year. See Note 10 to the Consolidated Financial Statements.

Total loans held-for-sale, included in other assets at December 31, 2004, were $11.4 billion compared to $9.2 billion in the prior year, an increase of $2.2 billion or 24%. The increase is attributable to an increase in credit cards of $2.5 billion, partially offset by a decrease in mortgages of $0.3 billion.

LIABILITIES

Deposits

The Company's largest source of funding is derived from its large, geographically diverse deposit base. At December 31, 2004, total deposits were $562.1 billion, an increase of $88.1 billion or 19% from the prior year. This increase was driven by increases in corporate, retail and private banking deposits. The growth in corporate deposits held by the Transaction Services business primarily reflects the effects of organic growth, acquisition growth (KorAm) and the impact of foreign currency translation. The increase in retail deposits resulted primarily from growth in higher-margin demand deposits in the consumer businesses in North America, Asia, EMEA and Japan, as well as the impact of foreign currency translation. Private banking deposit growth resulted from increases in banking and fiduciary deposits. Interest-bearing foreign deposits comprise 61% of total deposits, interest-bearing domestic deposits comprise 29%, and both non-interest-bearing domestic deposits and non-interest-bearing foreign deposits comprise 5% of total deposits. Average deposits increased $70.2 billion to $464.3 billion in 2004 yielding an average rate of 1.9%, compared to 1.8% in the prior year.

Federal Funds Purchased and Securities Loaned or Sold Under Agreements to Repurchase

At December 31, 2004, federal funds purchased and securities loaned or sold under agreements to repurchase increased $28.4 billion or 16% to $209.6 billion, compared to $181.2 billion at the prior year end. This increase is attributable to increases of $22.3 billion in federal funds purchased and repurchase agreements and an increase of $6.1 billion in deposits received for securities loaned. Average volume in 2004 increased to $214.1 billion yielding 2.7%, compared to $180.2 billion and 2.7% in 2003. See Note 6 to the Consolidated Financial Statements.

Trading Account Liabilities

At December 31, 2004, trading account liabilities of $135.5 billion increased $13.6 billion from the prior year. The 11% increase includes a $7.7 billion increase in securities sold, not yet purchased, and a $5.9 billion increase in revaluation losses (primarily on foreign exchange derivative transactions). The increase in securities sold is attributable to an increase of $6.9 billion in debt securities and an increase of $0.8 billion in U.S. Treasury securities. See Note 8 to the Consolidated Financial Statements.

Debt

At December 31, 2004, total Citigroup debt was $264.7 billion, composed of long-term debt of $207.9 billion, short-term borrowings of $31.0 billion, and investment banking and brokerage borrowings of $25.8 billion, up 20% from $221.3 billion in the prior year. During 2004, the Company continued to take advantage of low interest rates and the positive credit environment to extend the maturities of new borrowings. This $43.3 billion increase from 2003 includes increases of $45.2 billion in long term debt and $3.3 billion in investment banking and brokerage borrowings, partially offset by a $5.2 billion decrease in short-term borrowings.

The long-term debt balance at December 31, 2004 includes $181.4 billion of senior notes, $19.1 billion of subordinated notes, with maturities ranging from 2005 to 2098, and $6.4 billion of junior subordinated notes relating to trust preferred securities. During 2004, U.S. dollar- and non-U.S. dollar-denominated fixed and variable rate senior debt increased by $35.6 billion, and subordinated debt increased by $3.2 billion. Average long-term debt outstanding during 2004 was $188.4 billion.

The 15% increase in investment banking and brokerage borrowings in 2004 includes a $3.6 billion increase in other short-term and bank borrowings and a $0.3 billion decrease in commercial paper.

The 14% decrease in short-term borrowings in 2004 includes a decrease of $6.8 billion in commercial paper, partially offset by an increase of $1.6 billion in other funds borrowed.

For more information on debt, see Note 13 to the Consolidated Financial Statements and "Capital Resources and Liquidity" beginning on page 90.

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CAPITAL RESOURCES AND LIQUIDITY

CAPITAL RESOURCES

Overview

Citigroup's capital management framework is designed to ensure the capital position and ratios of Citigroup and its subsidiaries are consistent with the Company's risk profile, all applicable regulatory standards or guidelines, and external ratings considerations. The capital management process embodies centralized senior management oversight and ongoing review at the entity and country level as applicable.

The capital plans, forecasts, and positions of Citigroup and its principal subsidiaries are reviewed by, and subject to oversight of, Citigroup's Finance and Capital Committee. Current members of this committee include Citigroup's Chief Executive Officer, President and Chief Operating Officer, Chief Financial Officer, Corporate Treasurer, Senior Risk Officer, and several senior business managers.

The Finance and Capital Committee's capital management responsibilities include: determination of the overall financial structure of Citigroup and its principal subsidiaries, including debt/equity ratios and asset growth guidelines; ensuring appropriate actions are taken to maintain capital adequacy for Citigroup and its regulated entities; determination and monitoring of hedging of capital and foreign exchange translation risk associated with non-dollar earnings; and review and recommendation of share repurchase levels and dividends on common and preferred stock. The Finance and Capital Committee establishes applicable capital targets for Citigroup on a consolidated basis and for significant subsidiaries. These targets exceed applicable regulatory standards.

Citigroup and Citicorp are subject to risk-based capital guidelines issued by the Board of Governors of the Federal Reserve System (FRB). These guidelines are used to evaluate capital adequacy based primarily on the perceived credit risk associated with balance sheet assets, as well as certain off-balance sheet exposures such as unfunded loan commitments, letters of credit, and derivative and foreign exchange contracts. The risk-based capital guidelines are supplemented by a leverage ratio requirement. To be "well capitalized" under federal bank regulatory agency definitions, a bank holding company must have a Tier 1 Capital Ratio of at least 6%, a combined Tier 1 and Tier 2 Capital Ratio of at least 10%, and a leverage ratio of at least 3%, and not be subject to a directive, order, or written agreement to meet and maintain specific capital levels.

As noted in the table below, Citigroup maintained a "well capitalized" position during both 2004 and 2003. See also Note 19 to the Consolidated Financial Statements.

Citigroup Regulatory Capital Ratios

At year end	**2004**	2003
Tier 1 Capital	**8.74%**	8.91%
Total Capital (Tier 1 and Tier 2)	**11.85%**	12.04%
Leverage (1)	**5.20%**	5.56%
Common stockholders' equity	**7.29%**	7.67%

(1) Tier 1 Capital divided by adjusted average assets.

Components of Capital Under Regulatory Guidelines

In millions of dollars at year end	**2004**	2003
Tier 1 Capital		
Common stockholders' equity	**$108,166**	$ 96,889
Qualifying perpetual preferred stock	**1,125**	1,125
Qualifying mandatorily redeemable securities of subsidiary trusts	**6,209**	6,257
Minority interest	**937**	1,158
Less: Net unrealized gains on securities available-for-sale (1)	**(2,633)**	(2,908)
Accumulated net gains on cash flow hedges, net of tax	**(173)**	(751)
Intangible assets: (2)		
Goodwill	**(31,992)**	(27,581)
Other disallowed intangible assets	**(6,794)**	(6,725)
50% investment in certain subsidiaries (3)	**(68)**	(45)
Other	**(362)**	(548)
Total Tier 1 Capital	**74,415**	66,871
Tier 2 Capital		
Allowance for credit losses (4)	**10,785**	9,545
Qualifying debt (5)	**15,383**	13,573
Unrealized marketable equity securities gains (1)	**384**	399
Less: 50% investment in certain subsidiaries (3)	**(68)**	(45)
Total Tier 2 Capital	**26,484**	23,472
Total Capital (Tier 1 and Tier 2)	**$100,899**	$ 90,343
Risk-adjusted assets (6)	**$851,563**	$750,293

(1) Tier 1 Capital excludes unrealized gains and losses on debt securities available for-sale in accordance with regulatory risk based capital guidelines. The federal bank regulatory agencies permit institutions to include in Tier 2 Capital up to 45% of pretax net unrealized holding gains on available for sale equity securities with readily determinable fair values. Institutions are required to deduct from Tier 1 Capital net unrealized holding losses on available-for-sale equity securities with readily determinable fair values, net of tax.

(2) The increase in intangible assets during 2004 was primarily due to the acquisitions of PRMI in July 2004, KorAm in May 2004, and WMF in January 2004.

(3) Represents unconsolidated banking and finance subsidiaries.

(4) Includable up to 1.25% of risk-adjusted assets. Any excess allowance is deducted from risk-adjusted assets.

(5) Includes qualifying subordinated debt in an amount not exceeding 50% of Tier 1 Capital.

(6) Includes risk weighted credit equivalent amounts, net of applicable bilateral netting agreements, of $47.6 billion for interest rate, commodity and equity derivative contracts and foreign exchange contracts as of December 31, 2004, compared with $39.1 billion as of December 31, 2003. Market risk-equivalent assets included in risk-adjusted assets amounted to $39.4 billion and $40.6 billion at December 31, 2004 and 2003, respectively. Risk-adjusted assets also include the effect of other off-balance sheet exposures, such as unused loan commitments and letters of credit, and reflects deductions for certain intangible assets and any excess allowance for credit losses.

Common stockholders' equity increased approximately $11.3 billion during the year to $108.2 billion at December 31, 2004, representing 7.3% of assets, compared to $96.9 billion and 7.7% at year-end 2003. The increase in common stockholders' equity during the year principally reflected net income of $17.0 billion, $2.7 billion related to the issuance of shares pursuant to employee benefit plans and other activity and $0.5 billion related to the after-tax net change in equity from nonowner sources. These increases were offset by dividends declared on common and preferred stock of $8.4 billion, and treasury stock acquired of $0.5 billion, including shares repurchased from the Citigroup Employee Pension Fund. The decrease in the common stockholders' equity ratio during the year reflected the above items and the 17% increase in total assets.

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Total mandatorily redeemable securities of subsidiary trusts (trust preferred securities), which qualify as Tier 1 Capital, at December 31, 2004 and December 31, 2003 were $6.209 billion and $6.257 billion, respectively. The amount outstanding at December 31, 2003 included $5.217 billion of parent-obligated securities and $840 million of subsidiary-obligated securities. During the 2004 first quarter, the Company deconsolidated the subsidiary issuer trusts in accordance with FIN 46-R. On September 27, 2004, Citigroup issued $600 million in Trust Preferred Securities (Citigroup XI). On October 14, 2004, Citigroup redeemed for cash all of the $600 million Trust Preferred Securities of Citigroup Capital VI, at the redemption price of $25 per preferred security plus any accrued distribution up to but excluding the date of redemption. The FRB has issued interim guidance that continues to recognize trust preferred securities as a component of Tier 1 Capital. On May 6, 2004, the FRB issued a proposed rule that would retain trust preferred securities in Tier 1 Capital of Bank Holding Companies (BHCs), subject to conditions. See "Regulatory Capital and Accounting Standards Developments" on page 92. If Tier 2 Capital treatment of trust preferred securities had been required at December 31, 2004, Citigroup would have continued to be "well capitalized."

On July 20, 2004, the federal banking and thrift regulatory agencies issued the final rule on capital requirements for asset-backed commercial paper (ABCP) programs. The final rule, which generally became effective September 30, 2004, increased the capital requirement on most short-term liquidity facilities that provide support to ABCP programs by imposing a 10% credit conversion factor on such facilities. Additionally, the final rule permanently excludes ABCP program assets consolidated under FIN 46-R and any minority interests from the calculation of risk-weighted assets and Tier 1 Capital, respectively. The denominator of the leverage ratio calculation remains unaffected by the final rule, as the risk-based capital treatment does not alter the reporting of the on-balance sheet assets under GAAP guidelines. The impact of adopting the final rule on Citigroup's Tier 1 Capital ratio was 4 basis points.

Citicorp's subsidiary depository institutions in the United States are subject to risk-based capital guidelines issued by their respective primary federal bank regulatory agencies, which are similar to the FRB's guidelines. To be "well capitalized" under federal bank regulatory agency definitions, Citicorp's depository institutions must have a Tier 1 Capital Ratio of at least 6%, a combined Tier 1 and Tier 2 Capital Ratio of at least 10%, and a leverage ratio of at least 5%, and not be subject to a directive, order, or written agreement to meet and maintain specific capital levels. At December 31, 2004, all of Citicorp's subsidiary depository institutions were "well capitalized" under the federal regulatory agencies' definitions.

Similar to Citigroup, Citicorp's capital ratios include the benefit of the inclusion of trust preferred securities. See Note 13 to Consolidated Financial Statements.

Citicorp Ratios

At year end	**2004**	2003
Tier 1 Capital	**8.69%**	8.44%
Total Capital (Tier 1 and Tier 2)	**12.59%**	12.68%
Leverage[1]	**6.74%**	6.70%
Common stockholder's equity	**9.93%**	9.97%

(1) Tier 1 Capital divided by adjusted average assets.

Citicorp Components of Capital Under Regulatory Guidelines

In billions of dollars at year end	**2004**	2003
Tier 1 Capital	**$60.1**	$50.7
Total Capital (Tier 1 and Tier 2)	**$87.1**	$76.2

Other Subsidiary Capital Considerations

Certain of the Company's U.S. and non-U.S. broker/dealer subsidiaries, including Citigroup Global Markets Inc., an indirect wholly owned subsidiary of Citigroup Global Markets Holdings Inc. (CGMHI), are subject to various securities and commodities regulations and capital adequacy requirements promulgated by the regulatory and exchange authorities of the countries in which they operate. The Company's U.S. registered broker/dealer subsidiaries are subject to the Securities and Exchange Commission's Net Capital Rule, Rule 15c3-1 (the Net Capital Rule), promulgated under the Exchange Act. The Net Capital Rule requires the maintenance of minimum net capital, as defined. The Net Capital Rule also limits the ability of broker/dealers to transfer large amounts of capital to parent companies and other affiliates. Compliance with the Net Capital Rule could limit those operations of the Company that require the intensive use of capital, such as underwriting and trading activities and the financing of customer account balances, and also could restrict CGMHI's ability to withdraw capital from its broker/dealer subsidiaries, which in turn could limit CGMHI's ability to pay dividends and make payments on its debt. See Notes 13 and 19 to the Consolidated Financial Statements. CGMHI monitors its leverage and capital ratios on a daily basis. Certain of the Company's broker/dealer subsidiaries are also subject to regulation in the countries outside of the U.S. in which they do business. Such regulations may include requirements to maintain specified levels of net capital or its equivalent. The Company's U.S. and non-U.S. broker/dealer subsidiaries were in compliance with their respective capital requirements at December 31, 2004.

Certain of the Company's Insurance Subsidiaries are subject to regulatory capital requirements. The National Association of Insurance Commissioners (NAIC) adopted risk-based capital (RBC) requirements for life insurance companies. The RBC requirements are to be used as minimum capital requirements by the NAIC and states to identify companies that merit further regulatory action. The formulas have not been designed to differentiate among adequately capitalized companies that operate with levels of capital higher than RBC requirements. Therefore, the Company believes it is not appropriate to use the formulas to rate or to rank such companies. At December 31, 2004 and 2003, all of the Company's life insurance companies had adjusted capital in excess of amounts requiring Company or any regulatory action.

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Share Repurchases

Under its long-standing repurchase program, the Company buys back common shares in the market or otherwise from time to time, primarily to provide shares for use under its equity compensation plans.

The following table summarizes the Company's share repurchases during 2004:

In millions, except per share amounts	Total shares repurchased	Average price paid per share	Dollar value of remaining authorized repurchase program
First quarter 2004			
Open market repurchases[1]	0.5	$48.89	
Employee transactions[2]	22.0	$48.02	
Private equity transactions[3]	10.0	$50.22	
Total first quarter 2004	32.5	$48.71	$2,208
Second quarter 2004			
Open market repurchases	—	—	
Employee transactions	1.2	$50.57	
Private equity transactions	—	—	
Total second quarter 2004	1.2	$50.57	$2,208
Third quarter 2004			
Open market repurchases	0.1	$44.19	
Employee transactions	2.5	$45.69	
Private equity transactions	—	—	
Total third quarter 2004	2.6	$45.66	$2,206
October 2004			
Employee transactions	0.1	$44.72	
November 2004			
Employee transactions	0.2	$45.62	
December 2004			
Employee transactions	0.5	$46.56	
Fourth quarter 2004			
Open market repurchases	—	—	
Employee transactions	0.8	$46.10	
Private equity transactions	—	—	
Total fourth quarter 2004	0.8	$46.10	$2,206
Full year 2004			
Open market repurchases	0.6	$48.39	
Employee transactions	26.5	$47.86	
Private equity transactions	10.0	$50.22	
Total full year 2004	**37.1**	**$48.50**	**$2,206**

(1) All repurchases were transacted under an existing authorized share repurchase plan which was publicly announced on July 17, 2002 with a total repurchase authority of $7.5 billion. *Smith Barney*, which is included within the Global Wealth Management segment, executes all transactions in the open market.
(2) Shares added to treasury stock related to activity on employee stock option plan reload exercises where the employee delivers existing shares to cover the reload option exercise or under the Company's employee Restricted Stock Program where employees utilize certain shares that have vested to satisfy tax requirements.
(3) 10.0 million shares were repurchased from the Citigroup Employee Pension Fund in January 2004 at prevailing market prices.

Regulatory Capital and Accounting Standards Developments

The Basel Committee on Banking Supervision (the Basel Committee), consisting of central banks and bank supervisors from 13 countries, has developed a new set of risk-based capital standards (the New Accord), on which it has received significant input from Citigroup and other major banking organizations. The Basel Committee published the text of the New Accord on June 26, 2004, specified that parallel testing will be necessary, and designated a new implementation date of year-end 2007. The U.S. banking regulators issued an advance notice of proposed rulemaking in August 2003, and subsequently issued additional guidance in October 2004, relating to the new Basel standards. Citigroup, along with other major banking organizations and associations, are continuing to provide significant input into these proposed rules. In addition, Citigroup is participating in certain quantitative studies of these proposed rules, discussing the proposed rules with banking regulators and developing overall implementation plans. The final version of these new capital rules will apply to Citigroup, as well as to other large U.S. banks and BHCs. Citigroup continues to assess the impact and participate in efforts to refine these future capital standards.

On May 6, 2004, the FRB issued a proposed rule that would retain trust preferred securities in the Tier 1 Capital of BHCs, but with stricter quantitative limits and clearer qualitative standards. Under the proposal, after a three-year transition period, the aggregate amount of trust preferred securities and certain other capital elements includable in Tier 1 Capital would be limited to 25% of Tier 1 Capital elements, net of goodwill. Under these proposed rules, Citigroup currently would have less than 11% against this limit. The amount of trust preferred securities and certain other elements in excess of the limit could be included in Tier 2 Capital, subject to restrictions. Internationally-active BHCs (such as Citigroup) would generally be expected to limit trust preferred securities and certain other capital elements to 15% of Tier 1 Capital elements, net of goodwill. Under this 15% limit, Citigroup would be able to retain the full amount of its trust preferred securities within Tier 1 Capital.

Additionally, from time to time, the FRB and the FFIEC propose amendments to, and issue interpretations of, risk-based capital guidelines and reporting instructions. Such proposals or interpretations could, if implemented in the future, affect reported capital ratios and net risk-adjusted assets. This statement is a forward-looking statement within the meaning of the Private Securities Litigation Reform Act. See "Forward-Looking Statements" on page 100.

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LIQUIDITY

Management of Liquidity

Management of liquidity at Citigroup is the responsibility of the Corporate Treasurer. A uniform liquidity risk management policy exists for Citigroup and its major operating subsidiaries. Under this policy, there is a single set of standards for the measurement of liquidity risk in order to ensure consistency across businesses, stability in methodologies and transparency of risk. Management of liquidity at each operating subsidiary and/or country is performed on a daily basis and is monitored by Corporate Treasury.

A primary tenet of Citigroup's liquidity management is strong decentralized liquidity management at each of its principal operating subsidiaries and in each of its countries, combined with an active corporate oversight function. Along with the role of the Corporate Treasurer, the Global Asset and Liability Committee (ALCO) undertakes this oversight responsibility. The Global ALCO functions as an oversight forum composed of Citigroup's Chief Financial Officer, Senior Risk Officer, Corporate Treasurer, independent Senior Treasury Risk Officer, Head of Risk Architecture and the senior corporate and business treasurers and business chief financial officers. One of the objectives of the Global ALCO is to monitor and review the overall liquidity and balance sheet positions of Citigroup and its principal subsidiaries and to address corporate-wide policies and make recommendations back to senior management and the business units. Similarly, ALCOs are also established for each country and/or major line of business.

Each principal operating subsidiary and/or country must prepare an annual funding and liquidity plan for review by the Corporate Treasurer and approval by the independent Senior Treasury Risk Officer. The funding and liquidity plan includes analysis of the balance sheet, as well as the economic and business conditions impacting the liquidity of the major operating subsidiary and/or country. As part of the funding and liquidity plan, liquidity limits, liquidity ratios, market triggers, and assumptions for periodic stress tests are established and approved.

Liquidity limits establish boundaries for potential market access in business-as-usual conditions and are monitored against the liquidity position on a daily basis. These limits are established based on the size of the balance sheet, depth of the market, experience level of local management, stability of the liabilities, and liquidity of the assets. Finally, the limits are subject to the evaluation of the entities' stress test results. Generally, limits are established such that in stress scenarios, entities need to be self-funded or net providers of liquidity.

A series of standard corporate-wide liquidity ratios have been established to monitor the structural elements of Citigroup's liquidity. For bank entities, these include cash capital (defined as core deposits, long-term liabilities, and capital compared with illiquid assets), liquid assets against liquidity gaps, core deposits to loans, long-term assets to long-term liabilities and deposits to loans. Several measures exist to review potential concentrations of funding by individual name, product, industry, or geography. For the Parent Company, Insurance Entities and CGMHI, there are ratios established for liquid assets against short-term obligations. Triggers to elicit management discussion, which may result in other actions, have been established against these ratios. In addition, each individual major operating subsidiary or country establishes targets against these ratios and may monitor other ratios as approved in its funding and liquidity plan.

Market triggers are internal or external market or economic factors that may imply a change to market liquidity or Citigroup's access to the markets. Citigroup market triggers are monitored by the Corporate Treasurer and the independent Senior Treasury Risk Officer and are discussed with the Global ALCO. Appropriate market triggers are also established and monitored for each major operating subsidiary and/or country as part of the funding and liquidity plans. Local triggers are reviewed with the local country or business ALCO and independent risk management.

Simulated liquidity stress testing is periodically performed for each major operating subsidiary and/or country. The scenarios include assumptions about significant changes in key funding sources, credit ratings, contingent uses of funding, and political and economic conditions in certain countries. The results of stress tests of individual countries and operating subsidiaries are reviewed to ensure that each individual major operating subsidiary or country is either self-funded or a net provider of liquidity. In addition, a Contingency Funding Plan is prepared on a periodic basis for Citigroup. The plan includes detailed policies, procedures, roles and responsibilities, and the results of corporate stress tests. The product of these stress tests is a menu of alternatives that can be utilized by the Corporate Treasurer in a liquidity event.

Citigroup maintains sufficient liquidity at the Parent Company to meet all maturing unsecured debt obligations due within a one-year time horizon without incremental access to the unsecured markets.

On February 11, 2005 Citigroup announced plans to merge its two intermediate bank holding companies, Citigroup Holdings Company and Citicorp, into Citigroup Inc. This transaction is subject to regulatory approval and is expected to take place by the end of the 2005 third quarter. Citigroup will assume all existing indebtedness and outstanding guarantees of Citicorp.

Citigroup also announced it would consolidate its capital markets funding activities in two legal entities: i) Citigroup Inc., which will continue to issue long-term debt, trust preferred securities, preferred and common stock, and ii) Citigroup Funding Inc. ("CFI") a newly formed, fully guaranteed, first-tier subsidiary of Citigroup, which will issue commercial paper and medium-term notes. It is anticipated that this funding consolidation will commence during the 2005 second quarter.

As part of the funding consolidation, it is expected that Citigroup will unconditionally guarantee Citigroup Global Markets Holdings Inc.'s outstanding public indebtedness. Upon issuance of the guarantee, CGMHI will no longer file periodic reports with the Securities and Exchange Commission and will continue to be rated on the basis of a guarantee of its financial obligations from Citigroup.

Certain of the statements above are forward looking statements within the meaning of the Private Securities Litigation Reform Act. See "Forward-Looking Statements" on page 100.

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Funding

As a financial holding company, substantially all of Citigroup's net earnings are generated within its operating subsidiaries. These subsidiaries make funds available to Citigroup, primarily in the form of dividends. Certain subsidiaries' dividend paying abilities may be limited by covenant restrictions in credit agreements, regulatory requirements and/or rating agency requirements that also impact their capitalization levels.

Citicorp is a legal entity separate and distinct from Citibank, N.A. and its other subsidiaries and affiliates. There are various legal limitations on the extent to which Citicorp's banking subsidiaries may extend credit, pay dividends or otherwise supply funds to Citicorp. The approval of the Office of the Comptroller of the Currency is required if total dividends declared by a national bank in any calendar year exceed net profits (as defined) for that year combined with its retained net profits for the preceding two years. In addition, dividends for such a bank may not be paid in excess of the bank's undivided profits. State-chartered bank subsidiaries are subject to dividend limitations imposed by applicable state law.

As of December 31, 2004, Citicorp's national and state-chartered bank subsidiaries can declare dividends to their respective parent companies, without regulatory approval, of approximately $11.6 billion. In determining whether and to what extent to pay dividends, each bank subsidiary must also consider the effect of dividend payments on applicable risk-based capital and leverage ratio requirements, as well as policy statements of the federal regulatory agencies that indicate that banking organizations should generally pay dividends out of current operating earnings. Consistent with these considerations, Citicorp estimates that, as of December 31, 2004, its bank subsidiaries can directly or through their parent holding company distribute dividends to Citicorp of approximately $10.6 billion of the available $11.6 billion.

Citicorp also receives dividends from its nonbank subsidiaries. These nonbank subsidiaries are generally not subject to regulatory restrictions on their payment of dividends except that the approval of the Office of Thrift Supervision (OTS) may be required if total dividends declared by a savings association in any calendar year exceed amounts specified by that agency's regulations.

As discussed in the "Capital Resources" section beginning on page 90, the ability of CGMHI to declare dividends could be restricted by capital considerations of its broker/dealer subsidiaries.

The Travelers Insurance Company (TIC) is subject to various regulatory restrictions that limit the maximum amount of dividends available to its parent without prior approval of the Connecticut Insurance Department. A maximum of $908 million of statutory surplus is available by the end of the year 2005 for such dividends without the prior approval of the Connecticut Insurance Department.

During 2005, it is not anticipated that any restrictions on the subsidiaries' dividending capability will restrict Citigroup's ability to meet its obligations as and when they become due. This statement is a forward-looking statement within the meaning of the Private Securities Litigation Reform Act. See "Forward-Looking Statements" on page 100.

Primary sources of liquidity for Citigroup and its principal subsidiaries include deposits, collateralized financing transactions, senior and subordinated debt, issuance of commercial paper, proceeds from issuance of trust preferred securities, and purchased/wholesale funds. Citigroup and its principal subsidiaries also generate funds through securitizing financial assets, including credit card receivables and single-family or multi-family residences. Finally, Citigroup's net earnings provide a significant source of funding to the corporation.

Citigroup's funding sources are well diversified across funding types and geography, a benefit of the strength of the global franchise. Funding for the Parent and its major operating subsidiaries includes a large geographically diverse retail and corporate deposit base of $562.1 billion. A significant portion of these deposits have been, and are expected to be, long-term and stable and are considered core.

Citigroup and its subsidiaries have a significant presence in the global capital markets. A substantial portion of the publicly underwritten debt issuance is originated in the name of Citigroup. Debt is also issued in the name of CGMHI, which issues medium-term notes and structured notes, primarily in response to specific investor inquiries. Publicly underwritten debt was also formerly issued by Citicorp, Associates First Capital Corporation (Associates) and CitiFinancial Credit Company, which includes the underwritten debt previously issued by WMF. Citicorp has guaranteed various debt obligations of Associates and of CitiFinancial Credit Company, each an indirect subsidiary of Citicorp. Other significant elements of long-term debt in the Consolidated Balance Sheet include advances from the Federal Home Loan Bank system, asset-backed outstandings related to the purchase of Sears, and debt of foreign subsidiaries.

Citigroup's borrowings are diversified by geography, investor, instrument and currency. Decisions regarding the ultimate currency and interest rate profile of liquidity generated through these borrowings can be separated from the actual issuance through the use of derivative financial products.

Citigroup, Citicorp, and CGMHI are the primary legal entities issuing commercial paper directly to investors. Citigroup and Citicorp, both of which are bank holding companies, maintain liquidity reserves of cash and securities to support their combined outstanding commercial paper. CGMHI maintains liquidity reserves of cash and liquid securities to support its outstanding commercial paper. See Note 13 of the Consolidated Financial Statements for additional detail on outstandings under the commercial paper program.

At December 31, 2004, long-term debt and commercial paper outstanding for Citigroup Parent Company, Citicorp, and CGMHI were as follows:

In billions of dollars	Citigroup Parent Company	Citicorp and subsidiaries	CGMHI
Long-term debt	$87.9	$73.8	$45.2
Commercial paper	$ —	$ 8.3	$17.4

Citigroup's ability to access the capital markets and other sources of wholesale funds, as well as the cost of these funds, is highly dependent on its credit ratings. The accompanying chart indicates the current ratings for Citigroup. As of December 31, 2004, the ratings outlook for these ratings is "stable."

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Citigroup Debt Ratings as of December 31, 2004

	Moody's	Standard & Poor's	Fitch
Senior debt	Aa1	AA–	AA+
Subordinated debt	Aa2	A+	AA
Commercial paper	P-1	A-1+	F1+

The debt ratings of Citicorp and CGMHI at December 31, 2004 were identical to those shown above for Citigroup and the outlook for such debt ratings is "stable."

Some of Citigroup's affiliates have credit facilities outstanding. Details of these facilities can be found in Note 13 of the Consolidated Financial Statements.

Citicorp, CGMHI, and some of their nonbank subsidiaries have credit facilities with Citicorp's subsidiary banks, including Citibank, N.A. Borrowings under these facilities must be secured in accordance with Section 23A of the Federal Reserve Act. There are various legal restrictions on the extent to which a bank holding company and certain of its nonbank subsidiaries can borrow or otherwise obtain credit from banking subsidiaries or engage in certain other transactions with or involving those banking subsidiaries. In general, these restrictions require that any such transactions must be on terms that would ordinarily be offered to unaffiliated entities and secured by designated amounts of specified collateral.

Citigroup uses its liquidity to service debt obligations, to pay dividends to its stockholders, to support organic growth, to fund acquisitions and to repurchase its shares in the market or otherwise, pursuant to Board-of-Directors approved plans.

Each of Citigroup's major operating subsidiaries finances its operations on a basis consistent with its capitalization, regulatory structure and the environment in which it operates. Additional liquidity considerations for Citigroup's principal subsidiaries follow.

Citicorp

Citicorp, a U.S. bank holding company with no significant operating activities of its own, is a wholly owned indirect subsidiary of Citigroup. While Citicorp is a separately rated entity, it did not access external markets for any long-term debt or equity issuance in 2004. Citicorp continues to issue commercial paper and other short-term debt instruments within board-established limits and certain management guidelines.

On a combined basis, at the Holding Company level, Citigroup and Citicorp maintain sufficient liquidity to meet all maturing unsecured debt obligations due within a one-year time horizon without incremental access to the unsecured markets. In aggregate, bank subsidiaries maintain "cash capital," defined as core deposits, long-term liabilities, and capital, in excess of their illiquid assets.

Citicorp's assets and liabilities, which are principally held through its bank and nonbank subsidiaries, are diversified across many currencies, geographic areas, and businesses. Particular attention is paid to those businesses that for tax, sovereign risk, or regulatory reasons cannot be freely and readily funded in the international markets. Citicorp's assets consist primarily of consumer and corporate loans, available-for-sale and trading securities, and placements.

A diversity of funding sources, currencies, and maturities is used to gain a broad access to the investor base. Citicorp's deposits, which represent 59% of total funding at December 31, 2004 and December 31, 2003, are broadly diversified by both geography and customer segments.

Asset securitization programs remain an important source of liquidity. See Note 12 to the Consolidated Financial Statements for additional information about securitization activities.

Citigroup Finance Canada Inc., a wholly owned subsidiary of Associates, has an unutilized credit facility of Canadian $1.0 billion as of December 31, 2004 that matures in October 2005. The facility is guaranteed by Citicorp. In connection therewith, Citicorp is required to maintain a certain level of consolidated stockholder's equity (as defined in the credit facility's agreements). At December 31, 2004, this requirement was exceeded by approximately $76.5 billion.

CGMHI

CGMHI's total assets were $428 billion at December 31, 2004, an increase from $351 billion at year-end 2003. Due to the nature of CGMHI's trading activities, it is not uncommon for CGMHI's asset levels to fluctuate significantly from period to period.

CGMHI's consolidated statement of financial condition is highly liquid, with the vast majority of its assets consisting of marketable securities and collateralized short-term financing agreements arising from securities transactions. The highly liquid nature of these assets provides CGMHI with flexibility in financing and managing its business. CGMHI monitors and evaluates the adequacy of its capital and borrowing base on a daily basis in order to allow for flexibility in its funding, to maintain liquidity, and to ensure that its capital base supports the regulatory capital requirements of its subsidiaries.

CGMHI funds its operations through the use of collateralized and uncollateralized short-term borrowings, long-term borrowings, and its equity. Collateralized short-term financing, including repurchase agreements and secured loans, is CGMHI's principal funding source. Such borrowings are reported net by counterparty, when applicable, pursuant to the provisions of Financial Accounting Standards Board Interpretation No. 41, "Offsetting of Amounts Related to Certain Repurchase and Reverse Repurchase Agreements" (FIN 41). Excluding the impact of FIN 41, short-term collateralized borrowings totaled $250.9 billion at December 31, 2004. Uncollateralized short-term borrowings provide CGMHI with a source of short-term liquidity and are also utilized as an alternative to secured financing when they represent a less expensive source. Sources of short-term uncollateralized borrowings include commercial paper, unsecured bank borrowings, promissory notes and corporate loans. Short-term uncollateralized borrowings totaled $25.8 billion at December 31, 2004.

CGMHI has credit facilities outstanding. Details of these facilities can be found in Note 13 to the Consolidated Financial Statements.

Unsecured term debt is a significant component of CGMHI's long-term capital. Long-term debt totaled $45.2 billion at December 31, 2004 and $35.6 billion at December 31, 2003. CGMHI utilizes interest rate swaps to convert the majority of its fixed-rate long-term debt used to fund inventory-related working capital requirements into variable rate obligations. Long-term debt issuances denominated in currencies other than the U.S. dollar that

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are not used to finance assets in the same currency are effectively converted to U.S. dollar obligations through the use of cross-currency swaps and forward currency contracts.

CGMHI's borrowing relationships are with a broad range of banks, financial institutions and other firms, including affiliates, from which it draws funds. The volume of CGMHI's borrowings generally fluctuates in response to changes in the level of CGMHI's financial instruments, commodities and contractual commitments, customer balances, the amount of securities purchased under agreements to resell, and securities borrowed transactions. As CGMHI's activities increase, borrowings generally increase to fund the additional activities. Availability of financing to CGMHI can vary depending upon market conditions, credit ratings and the overall availability of credit to the securities industry. CGMHI seeks to expand and diversify its funding mix as well as its creditor sources. Concentration levels for these sources, particularly for short-term lenders, are closely monitored both in terms of single investor limits and daily maturities.

CGMHI monitors liquidity by tracking asset levels, collateral and funding availability to maintain flexibility to meet its financial commitments. As a policy, CGMHI attempts to maintain sufficient capital and funding sources in order to have the capacity to finance itself on a fully collateralized basis in the event that CGMHI's access to uncollateralized financing is temporarily impaired. This is documented in CGMHI's contingency funding plan. This plan is reviewed periodically to keep the funding options current and in line with market conditions. The management of this plan includes an analysis used to determine CGMHI's ability to withstand varying levels of stress, including ratings downgrades, which could impact its liquidation horizons and required margins. CGMHI maintains a loan value of unencumbered securities in excess of its outstanding short-term unsecured liabilities. This is monitored on a daily basis. CGMHI also ensures that long-term illiquid assets are funded with long-term liabilities.

The Travelers Insurance Company (TIC)

At December 31, 2004, TIC had $48.2 billion of life and annuity product deposit funds and reserves. Of that total, $27.7 billion is not subject to discretionary withdrawal based on contract terms. The remaining $20.5 billion is for life and annuity products that are subject to discretionary withdrawal by the contractholder. Included in the amount that is subject to discretionary withdrawal is $7.5 billion of liabilities that are surrenderable with market value adjustments. Also included is an additional $4.9 billion of the life insurance and individual annuity liabilities which are subject to discretionary withdrawals at an average surrender charge of 6.5%. In the payout phase, these funds are credited at significantly reduced interest rates. The remaining $8.1 billion of liabilities is surrenderable without charge. Approximately 6% of this relates to individual life products. These risks would have to be underwritten again if transferred to another carrier, which is considered a significant deterrent against withdrawal by long-term policyholders. Insurance liabilities that are surrendered or withdrawn are reduced by outstanding policy loans and related accrued interest prior to payout.

Scheduled maturities of guaranteed investment contracts (GICs) in 2005, 2006, 2007, 2008, 2009 and thereafter are $5.243 billion, $1.862 billion, $1.561 billion, $1.343 billion, $1.393 billion and $2.835 billion, respectively. At December 31, 2004, the interest rates credited on GICs had a weighted average rate of 4.23%.

TIC's primary tool for liquidity management is a cash reporting tool and forecast performed on a daily basis. In addition, TIC monitors its ability to cover contractual obligations under extreme stress conditions through the use of liquid securities in its investment portfolio.

Contractual Obligations

The following table includes aggregated information about Citigroup's contractual obligations. These contractual obligations impact the Company's short- and long-term liquidity and capital resource needs. The table includes information about payments due under specified contractual obligations, aggregated by type of contractual obligation, including the maturity profile of the Company's consolidated long-term debt, operating leases and other long-term liabilities reported on the Company's Consolidated Balance Sheet at December 31, 2004. The Company's capital lease obligations are not material and are included within purchase obligations in the table.

Citigroup's contractual obligations include purchase obligations that are enforceable and legally binding on the Company. For the purposes of the table below, purchase obligations are included through the termination date specified in the respective agreements, even if the contract is renewable. Many of the purchase agreements for goods or services include clauses that would allow the Company to cancel the agreement prior to the expiration of the contract within a specified notice period; however, the table includes the Company's obligations without regard to such termination clauses (unless actual notice of the Company's intention to terminate the agreement has been communicated to the counterparty).

In the following table, other liabilities reflected on the Company's Consolidated Balance Sheet include obligations for goods and services which have already been received and litigation settlements, as well as other long-term liabilities that have already been incurred and will ultimately be paid in cash. The table excludes deposit liabilities, as a majority of the deposits are payable on demand or within one year. The table also excludes certain insurance and investment contracts that are subject to mortality and morbidity risks or do not have defined maturities, such that the timing of payments and withdrawals is uncertain. The liabilities related to these insurance and investment contracts are included on the Consolidated Balance Sheet as Insurance Policy and Claims Reserves and Contractholder Funds and Separate and Variable Accounts.

Citigroup's funding policy for U.S. and non-U.S. pension plans is generally to fund to the amounts of accumulated benefit obligations. At December 31, 2004, there were no minimum required contributions and no discretionary or non-cash contributions are currently planned for U.S. pension plans. Accordingly, no amounts have been included in the table below for future contributions to the U.S. pension plan. For the non-U.S. plans, discretionary contributions in 2005 are anticipated to be approximately $173 million and this amount has been included within purchase obligations in the table below. The estimated pension plan contributions are subject to change since contribution decisions are affected by various factors such as market performance, regulatory and legal requirements, and management's ability to change funding policy. For additional information regarding the Company's retirement benefit obligations see Note 23 to the Consolidated Financial Statements.

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Contractual Obligations by Year

In millions of dollars	2005	2006	2007	2008	2009	Thereafter
Long-term debt obligations[1]	$ 36,632	$38,253	$28,774	$20,250	$21,477	$62,524
Operating lease obligations	1,297	988	861	743	626	2,967
Purchase obligations	3,826	1,031	508	367	305	676
Other liabilities reflected on the Company's Consolidated Balance Sheet:						
Securities sold with agreements to repurchase	191,340	907	1,708	484	1,409	2,000
Guaranteed investment contracts[2]	5,243	1,862	1,561	1,343	1,393	2,835
Other[3]	35,901	1,172	1,309	1,106	113	608
Total	**$274,239**	**$44,213**	**$34,721**	**$24,293**	**$25,323**	**$71,610**

(1) For additional information about long-term debt and trust preferred securities, see Note 13 to the Consolidated Financial Statements.
(2) Guaranteed investment contract liabilities are included on the Consolidated Balance Sheet within Contractholder Funds.
(3) Other primarily relates to accounts payable and accrued expenses included within Other Liabilities in the Company's Consolidated Balance Sheet. Also included are various litigation settlements.

OFF-BALANCE SHEET ARRANGEMENTS

Citigroup and its subsidiaries are involved with several types of off-balance sheet arrangements, including special purpose entities (SPEs), lines and letters of credit, and loan commitments. The principal uses of SPEs are to obtain sources of liquidity by securitizing certain of Citigroup's financial assets, to assist our clients in securitizing their financial assets, and to create other investment products for our clients.

SPEs may be organized as trusts, partnerships, or corporations. In a securitization, the Company transferring assets to an SPE converts those assets into cash before they would have been realized in the normal course of business. The SPE obtains the cash needed to pay the transferor for the assets received by issuing securities to investors in the form of debt and equity instruments, certificates, commercial paper, and other notes of indebtedness. Investors usually have recourse to the assets in the SPE and often benefit from other credit enhancements, such as a cash collateral account or overcollateralization in the form of excess assets in the SPE, or from a liquidity facility, such as a line of credit or asset purchase agreement. Accordingly, the SPE can typically obtain a more favorable credit rating from rating agencies, such as Standard & Poor's, Moody's Investors Service, or Fitch Ratings, than the transferor could obtain for its own debt issuances, resulting in less expensive financing costs. The transferor can use the cash proceeds from the sale to extend credit to additional customers or for other business purposes. The SPE may also enter into derivative contracts in order to convert the yield or currency of the underlying assets to match the needs of the SPE's investors or to limit or change the credit risk of the SPE. The Company may be the counterparty to any such derivative. The securitization process enhances the liquidity of the financial markets, may spread credit risk among several market participants, and makes new funds available to extend credit to consumers and commercial entities.

Citigroup also acts as intermediary or agent for its corporate clients, assisting them in obtaining sources of liquidity by selling the clients' trade receivables or other financial assets to an SPE. The Company also securitizes clients' debt obligations in transactions involving SPEs that issue collateralized debt obligations. In yet other arrangements, the Company packages and securitizes assets purchased in the financial markets in order to create new security offerings for institutional and private bank clients as well as retail customers. In connection with such arrangements, Citigroup may purchase and temporarily hold assets designated for subsequent securitization.

Our credit card receivable and mortgage loan securitizations are organized as Qualifying SPEs (QSPEs) and are, therefore, not VIEs subject to FASB Interpretation No. 46, "Consolidation of Variable Interest Entities (revised December 2003)," (FIN 46-R). SPEs may be QSPEs or VIEs or neither. When an entity is deemed a variable interest entity (VIE) under FIN 46-R, the entity in question must be consolidated by the primary beneficiary; however, we are not the primary beneficiary of most of these entities and as such do not consolidate most of them.

Securitization of Citigroup's Assets

In certain of these off-balance sheet arrangements, including credit card receivable and mortgage loan securitizations, Citigroup is securitizing assets that were previously recorded in its Consolidated Balance Sheet. A summary of certain cash flows received from and paid to securitization trusts is included in Note 12 to the Consolidated Financial Statements.

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Credit Card Receivables

Credit card receivables are securitized through trusts, which are established to purchase the receivables. Citigroup sells receivables into the trusts on a non-recourse basis. After securitization of credit card receivables, the Company continues to maintain credit card customer account relationships and provides servicing for receivables transferred to the SPE trusts. As a result, the Company considers both the securitized and unsecuritized credit card receivables to be part of the business it manages. The documents establishing the trusts generally require the Company to maintain an ownership interest in the trusts. The Company also arranges for third parties to provide credit enhancement to the trusts, including cash collateral accounts, subordinated securities, and letters of credit. As specified in certain of the sale agreements, the net revenue with respect to the investors' interest collected by the trusts each month is accumulated up to a predetermined maximum amount and is available over the remaining term of that transaction to make payments of interest to trust investors, fees, and transaction costs in the event that net cash flows from the receivables are not sufficient. If the net cash flows are insufficient, Citigroup's loss is limited to its seller's interest, retained securities, and an interest-only strip that arises from the calculation of gain or loss at the time receivables are sold to the SPE. When the predetermined amount is reached, net revenue with respect to the investors' interest is passed directly to the Citigroup subsidiary that sold the receivables. Credit card securitizations are revolving securitizations; that is, as customers pay their credit card balances, the cash proceeds are used to purchase new receivables and replenish the receivables in the trust. CGMHI is one of several underwriters that distribute securities issued by the trusts to investors. The Company relies on securitizations to fund approximately 60% of its Citi Cards business.

At December 31, 2004 and 2003, total assets in the credit card trusts were $101 billion and $89 billion, respectively. Of those amounts at December 31, 2004 and 2003, $82 billion and $76 billion, respectively, has been sold to investors via trust-issued securities, and of the remaining seller's interest, $15.8 billion and $11.9 billion, respectively, is recorded in Citigroup's Consolidated Balance Sheet as Consumer Loans. Additional retained securities issued by the trusts totaling $2.9 billion and $1.1 billion at December 31, 2004 and 2003, respectively, are included in Citigroup's Consolidated Balance Sheet as Available-for-Sale securities. Citigroup retains credit risk on its seller's interest, retained securities, and reserves for expected credit losses. Amounts receivable from the trusts were $1.4 billion and $1.4 billion, respectively, and amounts due to the trusts were $1.3 billion and $1.1 billion, respectively, at December 31, 2004 and 2003. The Company also recognized an interest only strip of $1.1 billion and $836 million at December 31, 2004 and 2003, respectively, that arose from the calculation of gain or loss at the time assets were sold to the QSPE. In 2004, the Company recorded net gains of $234 million and, in 2003, recorded net gains of $342 million, primarily related to the securitization of credit card receivables as a result of changes in estimates in the timing of revenue recognition on securitizations.

Mortgages and Other Assets

The Company provides a wide range of mortgage and other loan products to a diverse customer base. In addition to providing a source of liquidity and less expensive funding, securitizing these assets also reduces the Company's credit exposure to the borrowers. In connection with the securitization of these loans, the Company may retain servicing rights that entitle the Company to a future stream of cash flows based on the outstanding principal balances of the loans and the contractual servicing fee. Failure to service the loans in accordance with contractual servicing obligations may lead to a termination of the servicing contracts and the loss of future servicing fees. In non-recourse servicing, the principal credit risk to the servicer arises from temporary advances of funds. In recourse servicing, the servicer agrees to share credit risk with the owner of the mortgage loans, such as FNMA, FHLMC, GNMA, or with a private investor, insurer or guarantor. The Company's mortgage loan securitizations are primarily non-recourse, thereby effectively transferring the risk of future credit losses to the purchasers of the securities issued by the trust. In addition to servicing rights, the Company also retains a residual interest in its auto loan, student loan and other asset securitizations, consisting of securities and interest-only strips that arise from the calculation of gain or loss at the time assets are sold to the SPE. The Company recognized gains related to the securitization of mortgages and other assets of $435 million, $588 million, and $331 million in 2004, 2003, and 2002, respectively.

Securitizations of Client Assets

The Company acts as an intermediary or agent for its corporate clients, assisting them in obtaining sources of liquidity by selling the clients' trade receivables or other financial assets to an SPE.

The Company administers several third-party owned, special purpose, multi-seller finance companies that purchase pools of trade receivables, credit cards, and other financial assets from third-party clients of the Company. As administrator, the Company provides accounting, funding, and operations services to these conduits. The Company has no ownership interest in the conduits. Generally, the clients continue to service the transferred assets. The conduits' asset purchases are funded by issuing commercial paper and medium-term notes. Clients absorb the first losses of the conduits by providing collateral in the form of excess assets or residual interest. The Company, along with other financial institutions, provides liquidity facilities, such as commercial paper backstop lines of credit to the conduits. The Company also provides loss enhancement in the form of letters of credit and other guarantees. All fees are charged on a market basis. During 2003, to comply with FIN 46, all but two of the conduits issued "first loss" subordinated notes, such that one third-party investor in each conduit would be deemed the primary beneficiary and would consolidate that conduit. At December 31, 2004 and 2003, total assets and liabilities in the unconsolidated conduits were $54 billion and $44 billion, respectively. One conduit with assets of $656 million is consolidated at December 31, 2004, compared with $823 million consolidated at December 31, 2003. For 2004 and 2003, the Company's revenues for these activities amounted to $197 million and $217 million, and estimated expenses before taxes were $34 million and $37 million. Expenses have been estimated based upon a percentage of product revenues to business revenues.

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Creation of Other Investment and Financing Products

In addition to securitizations of mortgage loans originated by the Company, the Company also securitizes purchased mortgage loans, creating collateralized mortgage obligations (CMOs) and other mortgage-backed securities (MBSs) and distributes them to investors. In 2004, the Company had organized 29 mortgage securitizations with assets of $24 billion. For 2004, the Company's revenues for these activities were $464 million, and estimated expenses before taxes were $78 million. Expenses have been estimated based upon a percentage of product revenues to total business revenues.

The Company packages and securitizes assets purchased in the financial markets in order to create new security offerings, including hedge funds, mutual funds, unit investment trusts, and other investment funds, for institutional and private bank clients as well as retail customers, that match the clients' investment needs and preferences. The SPEs may be credit-enhanced by excess assets in the investment pool or by third-party insurers assuming the risks of the underlying assets, thus reducing the credit risk assumed by the investors and diversifying investors' risk to a pool of assets as compared with investments in individual assets. The Company typically manages the SPEs for market-rate fees. In addition, the Company may be one of several liquidity providers to the SPEs and may place the securities with investors.

The Company packages and securitizes assets purchased in the financial markets in order to create new security offerings, including arbitrage collateralized debt obligations (CDOs) and synthetic CDOs for institutional clients and retail customers, that match the clients' investment needs and preferences. Typically these instruments diversify investors' risk to a pool of assets as compared with investments in an individual asset. The VIEs, which are issuers of CDO securities, are generally organized as limited liability corporations. The Company typically receives fees for structuring and/or distributing the securities sold to investors. In some cases, the Company may repackage the investment with higher-rated debt CDO securities or U.S. Treasury securities to provide a greater or a very high degree of certainty of the return of invested principal. A third-party manager is typically retained by the VIE to select collateral for inclusion in the pool and then actively manage it or, in other cases, only to manage work-out credits. The Company may also provide other financial services and/or products to the VIEs for market-rate fees. These may include: the provision of liquidity or contingent liquidity facilities, interest rate or foreign exchange hedges and credit derivative instruments, as well as the purchasing and warehousing of securities until they are sold to the SPE. The Company is not the primary beneficiary of these VIEs under FIN 46-R due to its limited continuing involvement and, as a result, we do not consolidate their assets and liabilities in our financial statements.

See Note 12 to the Consolidated Financial Statements for additional information about off-balance sheet arrangements.

Credit Commitments and Lines of Credit

The table below summarizes Citigroup's credit commitments. Further details are included in the footnotes.

In millions of dollars at year end	**2004**	2003
Financial standby letters of credit and foreign office guarantees	**$ 45,796**	$ 36,402
Performance standby letters of credit and foreign office guarantees	**9,145**	8,101
Commercial and similar letters of credit	**5,811**	4,411
One- to four-family residential mortgages	**4,559**	3,599
Revolving open-end loans secured by one- to four-family residential properties	**15,705**	14,007
Commercial real estate, construction and land development	**2,084**	1,382
Credit card lines[1]	**776,281**	739,162
Commercial and other consumer loan commitments[2]	**256,670**	210,751
Total	**$1,116,051**	$1,017,815

(1) Credit card lines are unconditionally cancelable by the issuer.
(2) Includes commercial commitments to make or purchase loans, to purchase third-party receivables, and to provide note issuance or revolving underwriting facilities. Amounts include $131 billion and $119 billion with original maturity of less than one year at December 31, 2004 and 2003, respectively.

See Note 27 to the Consolidated Financial Statements for additional information on credit commitments and lines of credit.

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CORPORATE GOVERNANCE AND CONTROLS AND PROCEDURES

Citigroup has had a long-standing process whereby business and financial officers throughout the Company attest to the accuracy of financial information reported in corporate systems as well as the effectiveness of internal controls over financial reporting and disclosure processes. The Sarbanes-Oxley Act of 2002 requires CEOs and CFOs to make certain certifications with respect to this report and to the Company's disclosure control and procedures and internal control over financial reporting.

The Company has a Disclosure Committee, which has responsibility for ensuring that there is an adequate and effective process for establishing, maintaining, and evaluating disclosure controls and procedures for the Company in connection with its external disclosures. Citigroup has a Code of Conduct that expresses the values that drive employee behavior and maintains the Company's commitment to the highest standards of conduct. The Company has established an ethics hotline for employees. In addition, the Company adopted a Code of Ethics for Financial Professionals that applies to all finance, accounting, treasury, tax and investor relations professionals worldwide and that supplements the Company-wide Code of Conduct. Both the Code of Conduct and the Code of Ethics for Financial Professionals can be found on the Citigroup Web site at www.citigroup.com by clicking on the "Corporate Governance" page. The Company's Corporate Governance Guidelines and the charters for the Audit and Risk Management Committee, the Nomination and Governance Committee, the Personnel and Compensation Committee, and the Public Affairs Committee of the Board are available free of charge on our Web site under the "Corporate Governance" page or by writing to Citigroup Inc., Corporate Governance, 425 Park Avenue, 2nd floor, New York, New York 10043.

Disclosure Controls and Procedures

The Company's management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures (as such term is defined in Rules 13a-15 (e) and 15d-15 (e) under the Securities Exchange Act of 1934) as of the end of the period covered by this report. Based on such evaluation, the Company's Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of such period, the Company's disclosure controls and procedures are effective in recording, processing, summarizing, and reporting, on a timely basis, information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act.

INTERNAL CONTROL OVER FINANCIAL REPORTING

There have not been any changes in the Company's internal control over financial reporting (as such term is defined in Rules 13a-15 (f) and 15d-15 (f) under the Exchange Act) during the fiscal quarter ended December 31, 2004 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

FORWARD-LOOKING STATEMENTS

Certain of the statements contained herein that are not historical facts are forward-looking statements within the meaning of the Private Securities Litigation Reform Act. The Company's actual results may differ materially from those included in the forward-looking statements. Forward-looking statements are typically identified by words or phrases such as "believe," "expect," "anticipate," "intend," "estimate," "may increase," "may fluctuate," and similar expressions or future or conditional verbs such as "will," "should," "would," and "could." These forward-looking statements involve risks and uncertainties including, but not limited to: changing economic conditions—U.S., global, regional, or related to specific issuers or industries; movements in interest rates and foreign exchange rates; the credit environment, inflation, and geopolitical risks; the ability to gain market share in both new and established markets internationally; levels of activity in the global capital markets; macro-economic factors and political policies and developments in the countries in which the Company's businesses operate; the level of bankruptcy filings and unemployment rates; the continued threat of terrorism; changes in assumptions underlying the fair value of investments and trading account assets and liabilities; changes in management's estimates of probable losses inherent in the lending portfolio; the performance of pension plans' assets; costs associated with the implementation of the Japan Private Bank Exit Plan; the ability of *Cards* to continue brand development, private-label expansion, new product launches, and organic growth; the effect of Citi Cards raising minimum required payments; the ability of *Retail Banking* to continue to expand into select markets; the ability of Prime Home Finance to continue leveraging Citigroup distribution channels; Primerica's ability to benefit from cross-selling relationships; possible legislative and regulatory reforms in the mutual fund industry; the ability of *Smith Barney* to grow its franchise; the ability of the *Asset Management* business to leverage its global investment capabilities; the credit performance of the portfolios, portfolio growth and seasonal factors; the Company's subsidiaries' dividending capabilities; the effect of banking and financial services reforms; possible amendments to, and interpretations of, Risk-Based Capital guidelines and reporting instructions; the ability of states to adopt more extensive consumer privacy protections through legislation or regulation; and the resolution of legal and regulatory proceedings and related matters.

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GLOSSARY

Accumulated Benefit Obligation (ABO)—The actuarial present value of benefits (vested and non-vested) attributed to employee services rendered up to the calculation date.

Additional Minimum Liability (AML)—Recognition of an additional minimum liability is required when the ABO exceeds pension plan assets and a liability for accrued pension cost has already been recognized.

Annuity—A contract that pays a periodic benefit for the life of a person (the annuitant), for the lives of two or more persons or for a specified period of time. Investments grow tax-deferred and annuitants do not pay taxes on earnings until they begin to withdraw their funds.

Assets Under Management—Assets held by Citigroup in a fiduciary capacity for clients. These assets are not included on Citigroup's balance sheet.

Cash-Basis Loans—Loans in which the borrower has fallen behind in interest payments, and are considered impaired and are classified as nonperforming or non-accrual assets. In situations where the lender reasonably expects that only a portion of the principal and interest owed ultimately will be collected, payments are credited directly to the outstanding principal.

Claim—Request by an insured for a benefit from an insurance company for an insurable event.

Credit Default Swap—An agreement between two parties whereby one party pays the other a fixed coupon over a specified term. The other party makes no payment unless a specified credit event such as a default occurs, at which time a payment is made and the swap terminates.

Deferred Acquisition Costs (DAC)—Primarily commissions, which vary with and are primarily related to the production of new insurance business, that are deferred and amortized to achieve a matching of revenues and expenses when reported in financial statements prepared in accordance with GAAP.

Deferred Tax Asset—An asset attributable to deductible temporary differences and carryforwards. A deferred tax asset is measured using the applicable enacted tax rate and provisions of the enacted tax law.

Deferred Tax Liability—A liability attributable to taxable temporary differences. A deferred tax liability is measured using the applicable enacted tax rate and provisions of the enacted tax law.

Derivative—A contract or agreement whose value is derived from changes in interest rates, foreign exchange rates, prices of securities or commodities, or financial or commodity indices.

Federal Funds—Non-interest-bearing deposits held by member banks at the Federal Reserve Bank.

Foregone Interest—Interest on cash-basis loans that would have been earned at the original contractual rate if the loans were on accrual status.

Generally Accepted Accounting Principles (GAAP)—Accounting rules and conventions defining acceptable practices in preparing financial statements in the United States of America. The Financial Accounting Standards Board (FASB), an independent self-regulatory organization, is the primary source of accounting rules.

Leverage Ratio—The leverage ratio is calculated by dividing Tier 1 Capital by leverage assets. Leverage assets are defined as quarterly average total assets, net of goodwill, intangibles and certain other items as required by the Federal Reserve.

Managed Loans—Includes loans classified as Loans on the balance sheet plus loans held-for-sale that are included in other assets and securitized receivables, primarily credit card receivables.

Managed Net Credit Losses—Net credit losses adjusted for the effect of credit card securitizations. See Managed Loans.

Market-Related Value of Plan Assets—A balance used to calculate the expected return on pension plan assets. Market-related value can be either fair value or a calculated value that recognizes changes in fair value in a systematic and rational manner over not more than five years.

Minority Interest—When a parent owns a majority (but less than 100%) of a subsidiary's stock, the Consolidated Financial Statements must reflect the minority's interest in the subsidiary. The minority interest as shown in the Consolidated Statement of Income is equal to the minority's proportionate share of the subsidiary's net income and, as included within other liabilities on the Consolidated Balance Sheet, is equal to the minority's proportionate share of the subsidiary's net assets.

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Net Credit Losses—Gross credit losses (write-offs) less gross credit recoveries.

Net Credit Loss Ratio—Annualized net credit losses divided by average loans outstanding.

Net Credit Margin – Revenues less net credit losses.

Net Written Premiums—Direct written premiums plus assumed reinsurance premiums, less premiums ceded to reinsurers.

Premiums—The amount charged during the year on policies and contracts issued, renewed, or reinsured by an insurance company.

Projected Benefit Obligation (PBO)—The actuarial present value of all benefits accrued on employee service rendered prior to the calculation date, including allowance for future salary increases if the pension benefit is based on future compensation levels.

Reinsurance—A transaction in which a reinsurer (*assuming enterprise*), for a consideration (*premium*), assumes all or part of a risk undertaken originally by another insurer (*ceding enterprise*).

Retention—The amount of exposure an insurance company retains on any one risk or group of risks.

Return on Assets—Annualized income divided by average assets.

Return on Common Equity—Annualized income less preferred stock dividends, divided by average common equity.

SB Bank Deposit Program—Smith Barney's Bank Deposit Program provides eligible clients with FDIC insurance on their cash deposits. Accounts enrolled in the program automatically have their cash balances invested, or "swept," into interest-bearing, FDIC-insured deposit accounts at up to 10 participating Citigroup-affiliated banks.

SB Consulting Group—Smith Barney Consulting Group works with financial consultants and their clients to develop sound investment strategies, select the appropriate third-party portfolio managers to carry out those strategies, and monitor manager performance over time.

Securities Purchased Under Agreements to Resell (Reverse Repo Agreements)—An agreement between a seller and a buyer, generally of government or agency securities, whereby the buyer agrees to purchase the securities and the seller agrees to repurchase them at an agreed-upon price at a future date.

Securities Sold Under Agreements to Repurchase (Repurchase Agreements)—An agreement between a seller and a buyer, generally of government or agency securities, whereby the seller agrees to repurchase the securities at an agreed-upon price at a future date.

Standby Letter of Credit—An obligation issued by a bank on behalf of a bank customer to a third party where the bank promises to pay the third party, contingent upon the failure by the bank's customer to perform under the terms of the underlying contract with the beneficiary or obligates the bank to guarantee or stand as surety for the benefit of the third party to the extent permitted by law or regulation.

Statutory Surplus—As determined under Statutory Accounting Practices, the amount remaining after all liabilities, including insurance reserves, are subtracted from all admitted assets. Admitted assets are assets of an insurer prescribed or permitted by a state to be recognized on the statutory balance sheet. Statutory surplus is also referred to as "surplus" or "surplus as regards policyholders" for statutory accounting purposes.

Tier 1 and Tier 2 Capital—Tier 1 Capital includes common stockholders' equity (excluding certain components of other comprehensive income), qualifying perpetual preferred stock, qualifying mandatorily redeemable securities of subsidiary trusts, and minority interest that are held by others, less certain intangible assets. Tier 2 Capital includes, among other items, perpetual preferred stock to the extent it does not qualify for Tier 1, qualifying senior and subordinated debt, limited life preferred stock, and the allowance for credit losses, subject to certain limitations.

Unearned Compensation—The unamortized portion of a grant to employees of restricted or deferred stock measured at the market value on the date of grant. Unearned compensation is displayed as a reduction of stockholders' equity on the Consolidated Balance Sheet.

Unfunded Commitments—Legally binding agreements to provide financing at a future date.

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MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The management of Citigroup is responsible for establishing and maintaining adequate internal control over financial reporting. Citigroup's internal control system was designed to provide reasonable assurance to the Company's management and Board of Directors regarding the preparation and fair presentation of published financial statements in accordance with U.S. generally accepted accounting principles. All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Management maintains a comprehensive system of controls intended to ensure that transactions are executed in accordance with management's authorization, assets are safeguarded, and financial records are reliable. Management also takes steps to see that information and communication flows are effective and to monitor performance, including performance of internal control procedures.

Citigroup management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2004 based on the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control-Integrated Framework. Based on this assessment, management believes that, as of December 31, 2004, the Company's internal control over financial reporting is effective.

Management's assessment of the effectiveness of the Company's internal control over financial reporting as of December 31, 2004 has been audited by KPMG LLP, the Company's independent registered public accounting firm, as stated in their report appearing on page 104, which expresses unqualified opinions on management's assessment and on the effectiveness of the Company's internal control over financial reporting as of December 31, 2004.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM – INTERNAL CONTROL OVER FINANCIAL REPORTING

The Board of Directors and Stockholders
Citigroup Inc.:

We have audited management's assessment, included in Management's Report on Internal Control over Financial Reporting appearing on page 103, that Citigroup Inc. and subsidiaries (the "Company" or "Citigroup") maintained effective internal control over financial reporting as of December 31, 2004, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management's assessment that Citigroup maintained effective internal control over financial reporting as of December 31, 2004, is fairly stated, in all material respects, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Also, in our opinion, Citigroup maintained, in all material respects, effective internal control over financial reporting as of December 31, 2004, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Citigroup as of December 31, 2004 and 2003, and the related consolidated statements of income, changes in stockholders' equity and cash flows for each of the years in the three-year period ended December 31, 2004, and our report dated February 25, 2005 expressed an unqualified opinion on those consolidated financial statements.

KPMG LLP

New York, New York
February 25, 2005

OPP00690

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM – CONSOLIDATED FINANCIAL STATEMENTS

The Board of Directors and Stockholders
Citigroup Inc.:

We have audited the accompanying consolidated balance sheets of Citigroup Inc. and subsidiaries (the "Company" or "Citigroup") as of December 31, 2004 and 2003, and the related consolidated statements of income, changes in stockholders' equity and cash flows for each of the years in the three-year period ended December 31, 2004. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Citigroup as of December 31, 2004 and 2003, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2004, in conformity with U.S. generally accepted accounting principles.

As discussed in Note 1 to the consolidated financial statements, in 2003 the Company changed its methods of accounting for variable interest entities and stock-based compensation and in 2002 the Company changed its methods of accounting for goodwill and intangible assets and accounting for the impairment or disposal of long-lived assets.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of Citigroup's internal control over financial reporting as of December 31, 2004, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated February 25, 2005 expressed an unqualified opinion on management's assessment of, and the effective operation of, internal control over financial reporting.

KPMG LLP

New York, New York
February 25, 2005

OPP00690

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF INCOME

Citigroup Inc. and Subsidiaries

In millions of dollars, except per share amounts	Year ended December 31 2004	2003	2002
Revenues			
Loan interest, including fees	**$ 43,981**	$38,110	$37,903
Other interest and dividends	**22,728**	18,937	21,036
Insurance premiums	**3,993**	3,749	3,410
Commissions and fees	**16,772**	16,314	15,258
Principal transactions	**3,756**	5,120	4,513
Asset management and administration fees	**6,845**	5,665	5,146
Realized gains (losses) from sales of investments	**831**	510	(485)
Other revenue	**9,370**	6,308	5,775
Total revenues	**108,276**	94,713	92,556
Interest expense	**22,086**	17,271	21,248
Total revenues, net of interest expense	**86,190**	77,442	71,308
Benefits, claims, and credit losses			
Policyholder benefits and claims	**3,801**	3,895	3,478
Provision for credit losses	**6,233**	8,046	9,995
Total benefits, claims, and credit losses	**10,034**	11,941	13,473
Operating expenses			
Non-insurance compensation and benefits	**23,707**	21,288	18,650
Net occupancy expense	**4,847**	4,280	4,005
Technology/communications expense	**3,586**	3,414	3,139
Insurance underwriting, acquisition, and operating	**1,234**	1,063	992
Restructuring-related items	**(5)**	(46)	(15)
Other operating expenses	**18,605**	9,169	10,527
Total operating expenses	**51,974**	39,168	37,298
Income from continuing operations before income taxes, minority interest, and cumulative effect of accounting change	**24,182**	26,333	20,537
Provision for income taxes	**6,909**	8,195	6,998
Minority interest, net of income taxes	**227**	285	91
Income from continuing operations before cumulative effect of accounting change	**17,046**	17,853	13,448
Discontinued operations			
Income from discontinued operations	**—**	—	965
Gain on sale of stock by subsidiary	**—**	—	1,270
Provision for income taxes	**—**	—	360
Income from discontinued operations, net	**—**	—	1,875
Cumulative effect of accounting change, net	**—**	—	(47)
Net income	**$ 17,046**	$17,853	$15,276
Basic earnings per share			
Income from continuing operations	**$ 3.32**	$ 3.49	$ 2.63
Income from discontinued operations, net	**—**	—	0.37
Cumulative effect of accounting change, net	**—**	—	(0.01)
Net income	**$ 3.32**	$ 3.49	$ 2.99
Weighted average common shares outstanding	**5,107.2**	5,093.3	5,078.0
Diluted earnings per share			
Income from continuing operations	**$ 3.26**	$ 3.42	$ 2.59
Income from discontinued operations, net	**—**	—	0.36
Cumulative effect of accounting change, net	**—**	—	(0.01)
Net income	**$ 3.26**	$ 3.42	$ 2.94
Adjusted weighted average common shares outstanding	**5,207.4**	5,193.6	5,166.2

See Notes to the Consolidated Financial Statements.

OPP00690

CONSOLIDATED BALANCE SHEET

Citigroup Inc. and Subsidiaries

In millions of dollars	December 31 2004	2003
Assets		
Cash and due from banks (including segregated cash and other deposits)	**$ 23,556**	$ 21,149
Deposits at interest with banks	**23,889**	19,777
Federal funds sold and securities borrowed or purchased under agreements to resell	**200,739**	172,174
Brokerage receivables	**39,273**	26,476
Trading account assets (including $102,573 and $65,352 pledged to creditors at December 31, 2004 and December 31, 2003, respectively)	**280,167**	235,319
Investments (including $15,587 and $12,066 pledged to creditors at December 31, 2004 and December 31, 2003, respectively)	**213,243**	182,892
Loans, net of unearned income		
Consumer	**435,226**	379,932
Corporate	**113,603**	98,074
	548,829	478,006
Loans, net of unearned income	**(11,269)**	(12,643)
Allowance for credit losses		
Total loans, net	**537,560**	465,363
Goodwill	**31,992**	27,581
Intangible assets	**15,271**	13,881
Reinsurance recoverables	**4,783**	4,577
Separate and variable accounts	**32,264**	27,473
Other assets	**81,364**	67,370
Total assets	**$1,484,101**	$1,264,032
Liabilities		
Non-interest-bearing deposits in U.S. offices	**$ 31,533**	$ 30,074
Interest-bearing deposits in U.S. offices	**161,113**	146,675
Non-interest-bearing deposits in offices outside the U.S.	**28,379**	22,940
Interest-bearing deposits in offices outside the U.S.	**341,056**	274,326
Total deposits	**562,081**	474,015
Federal funds purchased and securities loaned or sold under agreements to repurchase	**209,555**	181,156
Brokerage payables	**50,208**	37,330
Trading account liabilities	**135,487**	121,869
Contractholder funds and separate and variable accounts	**68,801**	58,402
Insurance policy and claims reserves	**19,177**	17,478
Investment banking and brokerage borrowings	**25,799**	22,442
Short-term borrowings	**30,968**	36,187
Long-term debt	**207,910**	162,702
Other liabilities	**64,824**	48,380
Citigroup or subsidiary-obligated mandatorily redeemable securities of		
subsidiary trusts holding solely junior subordinated debt securities of —Parent	**—**	5,217
—Subsidiary	**—**	840
Total liabilities	**1,374,810**	1,166,018
Stockholders' equity		
Preferred stock ($1.00 par value; authorized shares: 30 million), at aggregate liquidation value	**1,125**	1,125
Common stock ($.01 par value; authorized shares: 15 billion),	**55**	55
issued shares: **2004— 5,477,416,086** shares and 2003 —5,477,416,254 shares	**18,851**	17,531
Additional paid-in capital	**102,154**	93,483
Retained earnings	**(10,644)**	(11,524)
Treasury stock, at cost: **2004—282,773,501 shares** and 2003—320,466,849 shares	**(304)**	(806)
Accumulated other changes in equity from nonowner sources	**(1,946)**	(1,850)
Unearned compensation		
Total stockholders' equity	**109,291**	98,014
Total liabilities and stockholders' equity	**$1,484,101**	$1,264,032

See Notes to the Consolidated Financial Statements.

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CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

Citigroup Inc. and Subsidiaries

Year ended December 31

In millions of dollars, except shares in thousands	Amounts			Shares		
	2004	2003	2002	**2004**	2003	2002
Preferred stock at aggregate liquidation value						
Balance, beginning of year	**$ 1,125**	$ 1,400	$ 1,525	**4,250**	5,350	5,850
Redemption or retirement of preferred stock	**—**	(275)	(125)	**—**	(1,100)	(500)
Balance, end of year	**1,125**	1,125	1,400	**4,250**	4,250	5,350
Common stock and additional paid-in capital						
Balance, beginning of year	**17,586**	17,436	23,251	**5,477,416**	5,477,416	5,477,416
Employee benefit plans	**1,212**	133	664	**—**	—	—
Contribution to Citigroup Pension Fund	**—**	—	(83)	**—**	—	—
Other[1]	**108**	17	(6,396)	**—**	—	—
Balance, end of year	**18,906**	17,586	17,436	**5,477,416**	5,477,416	5,477,416
Retained earnings						
Balance, beginning of year	**93,483**	81,403	69,803			
Net income	**17,046**	17,853	15,276			
Common dividends	**(8,307)**	(5,702)	(3,593)			
Preferred dividends	**(68)**	(71)	(83)			
Balance, end of year	**102,154**	93,483	81,403			
Treasury stock, at cost						
Balance, beginning of year	**(11,524)**	(11,637)	(11,099)	**(320,467)**	(336,735)	(328,728)
Issuance of shares pursuant to employee benefit plans	**1,659**	2,437	1,495	**54,121**	75,586	43,242
Contribution to Citigroup Pension Fund	**—**	—	583	**—**	—	16,767
Treasury stock acquired[2]	**(25)**	(1,967)	(5,483)	**(516)**	(52,464)	(151,102)
Shares purchased from Employee Pension Fund	**(502)**	(449)	—	**(10,001)**	(9,556)	—
Other[3]	**(252)**	92	2,867	**(5,911)**	2,702	83,086
Balance, end of year	**(10,644)**	(11,524)	(11,637)	**(282,774)**	(320,467)	(336,735)
Accumulated other changes in equity from nonowner sources						
Balance, beginning of year	**(806)**	(193)	(844)			
Net change in unrealized gains and losses on investment securities, net of tax	**(275)**	951	1,105			
Net change for cash flow hedges, net of tax	**(578)**	(491)	1,074			
Net change in foreign currency translation adjustment, net of tax	**1,355**	(1,073)	(1,528)			
Balance, end of year	**(304)**	(806)	(193)			
Unearned compensation						
Balance, beginning of year	**(1,850)**	(1,691)	(1,389)			
Net issuance of restricted and deferred stock	**(96)**	(159)	(302)			
Balance, end of year	**(1,946)**	(1,850)	(1,691)			
Total common stockholders' equity and common shares outstanding	**108,166**	96,889	85,318	**5,194,642**	5,156,949	5,140,681
Total stockholders' equity	**$109,291**	$ 98,014	$ 86,718			
Summary of changes in equity from nonowner sources						
Net income	**$ 17,046**	$ 17,853	$ 15,276			
Other changes in equity from nonowner sources, net of tax	**502**	(613)	651			
Total changes in equity from nonowner sources	**$ 17,548**	$ 17,240	$ 15,927			

(1) In 2002, primarily represents the $7.0 billion tax-free distribution to Citigroup's stockholders of a majority portion of Citigroup's remaining ownership interest in IPC, offset by $0.7 billion for the issuance of shares in connection with the acquisition of GSB.
(2) In 2003, includes $0.3 billion relating to shares repurchased from Mr. Sanford I. Weill.
(3) In 2004, primarily represents shares redeemed from a legacy employee plan trust. In 2002, primarily represents shares issued in connection with the acquisition of GSB.

See Notes to the Consolidated Financial Statements.

OPP006901

CONSOLIDATED STATEMENT OF CASH FLOWS

Citigroup Inc. and Subsidiaries

In millions of dollars	Year ended December 31 2004	2003	2002
Cash flows from operating activities of continuing operations			
Net income	**$ 17,046**	$ 17,853	$ 15,276
Income from discontinued operations, net of tax	**—**	—	717
Gain on sale of stock by subsidiary, net of tax	**—**	—	1,158
Cumulative effect of accounting changes	**—**	—	(47)
Income from continuing operations	**17,046**	17,853	13,448
Adjustments to reconcile net income to net cash (used in) provided by operating activities of continuing operations			
Amortization of deferred policy acquisition costs and present value of future profits	**687**	547	405
Additions to deferred policy acquisition costs	**(1,303)**	(976)	(865)
Depreciation and amortization	**2,060**	1,574	1,521
Deferred tax (benefit) provision	**(983)**	861	(204)
Provision for credit losses	**6,233**	8,046	9,995
Change in trading account assets	**(43,071)**	(80,111)	(10,625)
Change in trading account liabilities	**13,110**	30,443	10,883
Change in federal funds sold and securities borrowed or purchased under agreements to resell	**(28,131)**	(32,228)	(2,127)
Change in federal funds purchased and securities loaned or sold under agreements to repurchase	**22,966**	19,468	7,176
Change in brokerage receivables, net of brokerage payables	**81**	14,188	(1,070)
Change in insurance policy and claims reserves	**1,699**	1,128	3,272
Net (gains)/losses from sales of investments	**(831)**	(510)	485
Venture capital activity	**(201)**	134	577
Restructuring-related items	**(5)**	(46)	(15)
Other, net	**8,239**	4,775	(6,827)
Total adjustments	**(19,450)**	(32,707)	12,581
Net cash (used in) provided by operating activities of continuing operations	**(2,404)**	(14,854)	26,029
Cash flows from investing activities of continuing operations			
Change in deposits at interest with banks	**(2,175)**	(3,395)	2,935
Change in loans	**(68,451)**	(30,012)	(40,780)
Proceeds from sales of loans	**15,121**	18,553	17,005
Purchases of investments	**(195,903)**	(208,040)	(393,344)
Proceeds from sales of investments	**112,470**	127,277	280,234
Proceeds from maturities of investments	**63,318**	71,730	78,505
Other investments, primarily short-term, net	**(29)**	130	(531)
Capital expenditures on premises and equipment	**(3,011)**	(2,354)	(1,377)
Proceeds from sales of premises and equipment, subsidiaries and affiliates, and repossessed assets	**3,106**	1,260	2,184
Business acquisitions	**(3,677)**	(21,456)	(3,953)
Net cash used in investing activities of continuing operations	**(79,231)**	(46,307)	(59,122)
Cash flows from financing activities of continuing operations			
Dividends paid	**(8,375)**	(5,773)	(3,676)
Issuance of common stock	**912**	686	483
Issuance of mandatorily redeemable securities of parent trusts	**—**	1,600	—
Redemption of mandatorily redeemable securities of parent trusts	**—**	(700)	—
Redemption of mandatorily redeemable securities of subsidiary trusts	**—**	(625)	(400)
Redemption of preferred stock, net	**—**	(275)	(125)
Treasury stock acquired	**(779)**	(2,416)	(5,483)
Stock tendered for payment of withholding taxes	**(511)**	(499)	(475)
Issuance of long-term debt	**75,764**	67,054	39,520
Payments and redemptions of long-term debt	**(49,686)**	(45,800)	(47,169)
Change in deposits	**65,818**	42,136	30,554
Change in short-term borrowings and investment banking and brokerage borrowings	**(4,363)**	6,647	11,988
Contractholder fund deposits	**11,797**	8,346	8,548
Contractholder fund withdrawals	**(7,266)**	(5,976)	(5,815)
Net cash provided by financing activities of continuing operations	**83,311**	64,405	27,950
Effect of exchange rate changes on cash and cash equivalents	**731**	579	98
Discontinued operations	**—**	—	(237)
Net cash used in discontinued operations	**—**	—	4,093
Proceeds from sale of stock by subsidiary	**—**	—	—
Change in cash and due from banks	**2,407**	3,823	(1,189)
Cash and due from banks at beginning of period	**21,149**	17,326	18,515
Cash and due from banks at end of period	**$ 23,556**	$ 21,149	$ 17,326
Supplemental disclosure of cash flow information for continuing operations			
Cash paid during the period for income taxes	**$ 6,808**	$ 6,113	$ 6,834
Cash paid during the period for interest	**$ 18,544**	$ 15,732	$ 20,226
Non-cash investing activities			
Transfers to repossessed assets	**$ 1,046**	$ 1,077	$ 1,180

See Notes to the Consolidated Financial Statements.

OPP006905

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The Consolidated Financial Statements include the accounts of Citigroup and its subsidiaries (the Company). The Company consolidates subsidiaries in which it holds, directly or indirectly, more than 50% of the voting rights or where it exercises control. Entities where the Company holds 20% to 50% of the voting rights and/or has the ability to exercise significant influence, other than investments of designated venture capital subsidiaries, are accounted for under the equity method, and the pro rata share of their income (loss) is included in other income. Income from investments in less than 20%-owned companies is recognized when dividends are received. Citigroup consolidates entities deemed to be variable interest entities (VIEs) when Citigroup is determined to be the primary beneficiary under FASB Interpretation No. 46 (revised December 2003), "Consolidation of Variable Interest Entities" (FIN 46-R). Gains and losses on disposition of branches, subsidiaries, affiliates, buildings, and other investments and charges for management's estimate of impairment in their value that is other than temporary, such that recovery of the carrying amount is deemed unlikely, are included in other income.

The Company recognizes a gain or loss in the Consolidated Statement of Income when a subsidiary issues its own stock to a third party at a price higher or lower than the Company's proportionate carrying amount.

On August 20, 2002, Citigroup completed the distribution to its stockholders of a majority portion of its remaining ownership interest in Travelers Property Casualty Corp. (TPC) (an indirect wholly owned subsidiary of Citigroup on December 31, 2001). Following the distribution, Citigroup began reporting TPC separately as discontinued operations. See Note 3 to the Consolidated Financial Statements for additional discussion of discontinued operations.

Certain amounts in prior years have been reclassified to conform to the current year's presentation.

Foreign Currency Translation

Assets and liabilities denominated in non-U.S. dollar currencies are translated into U.S. dollar equivalents using year-end spot foreign exchange rates. Revenues and expenses are translated monthly at amounts that approximate weighted average exchange rates, with resulting gains and losses included in income. The effects of translating operations with a functional currency other than the U.S. dollar are included in stockholders' equity along with related hedge and tax effects. The effects of translating operations with the U.S. dollar as the functional currency, including those in highly inflationary environments, are included in other income along with related hedge effects. Hedges of foreign currency exposures include forward currency contracts and designated issues of non-U.S. dollar debt.

Use of Estimates

The preparation of the Consolidated Financial Statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the Consolidated Financial Statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash Flows

Cash equivalents are defined as those amounts included in cash and due from banks. Cash flows from risk management activities are classified in the same category as the related assets and liabilities.

Investments

Investments include fixed maturity and equity securities. Fixed maturities include bonds, notes and redeemable preferred stocks, as well as certain loan-backed and structured securities subject to prepayment risk. Equity securities include common and non-redeemable preferred stocks. Fixed maturities classified as "held to maturity" represent securities that the Company has both the ability and the intent to hold until maturity and are carried at amortized cost. Fixed maturity securities and marketable equity securities classified as "available-for-sale" are carried at fair value, which is determined based on quoted market prices when available, or if quoted market prices are not available, on discounted expected cash flows using market rates commensurate with the credit quality and maturity of the investment, with unrealized gains and losses and related hedge effects reported in a separate component of stockholders' equity, net of applicable income taxes. Declines in fair value that are determined to be other than temporary are charged to earnings. Accrual of income is suspended on fixed maturities that are in default, or on which it is likely that future interest payments will not be made as scheduled. Fixed maturities subject to prepayment risk are accounted for using the retrospective method, where the principal amortization and effective yield are recalculated each period based on actual historical and projected future cash flows. Realized gains and losses on sales of investments are included in earnings on a specific identified cost basis.

Citigroup's private equity subsidiaries include subsidiaries registered as Small Business Investment Companies and other subsidiaries that engage exclusively in venture capital activities. Venture capital investments are carried at fair value, with changes in fair value recognized in other income. The fair values of publicly traded securities held by these subsidiaries are generally based upon quoted market prices. In certain situations, including thinly traded securities, large block holdings, restricted shares, or other special situations, the quoted market price is adjusted to produce an estimate of the attainable fair value for the securities. For securities held by these subsidiaries that are not publicly traded, estimates of fair value are made based upon review of the investee's financial results, condition, and prospects, together with comparisons to similar companies for which quoted market prices are available.

Securities Borrowed and Securities Loaned

Securities borrowed and securities loaned are recorded at the amount of cash advanced or received. With respect to securities loaned, the Company receives cash collateral in an amount in excess of the market value of securities loaned. The Company monitors the market value of securities borrowed and loaned on a daily basis with additional collateral obtained as necessary. Interest received or paid is recorded in interest income or interest expense.

OPP00691

Repurchase and Resale Agreements

Repurchase and resale agreements are treated as collateralized financing transactions and are carried at the amounts at which the securities will be subsequently reacquired or resold, including accrued interest, as specified in the respective agreements. The Company's policy is to take possession of securities purchased under agreements to resell. The market value of securities to be repurchased and resold is monitored, and additional collateral is obtained where appropriate to protect against credit exposure.

Trading Account Assets and Liabilities

Trading Account Assets and Liabilities, including securities, commodities, and derivatives, are carried at fair value, which is determined based upon quoted prices when available, or under an alternative approach such as matrix or model pricing when market prices are not readily available. If quoted market prices are not available for fixed maturity securities, derivatives, or commodities, the Company discounts the expected cash flows using market interest rates commensurate with the credit quality and duration of the investment. Obligations to deliver securities sold, not yet purchased are also carried at fair value and included in trading account liabilities. The determination of fair value considers various factors, including: closing exchange or over-the-counter market price quotations; time value and volatility factors underlying options, warrants, and derivatives; price activity for equivalent or synthetic instruments; counterparty credit quality; the potential impact on market prices or fair value of liquidating the Company's positions in an orderly manner over a reasonable period of time under current market conditions; and derivatives transaction maintenance costs during that period. The fair value of aged inventory is actively monitored and, where appropriate, is discounted to reflect the implied illiquidity for positions that have been available-for-immediate-sale for longer than 90 days. Changes in fair value of trading account assets and liabilities are recognized in earnings. Interest expense on trading account liabilities is reported as a reduction of interest revenues.

Commodities include physical quantities of commodities involving future settlement or delivery, and related gains or losses are reported as principal transactions.

Derivatives used for trading purposes include interest rate, currency, equity, credit, and commodity swap agreements, options, caps and floors, warrants, and financial and commodity futures and forward contracts. The fair value of derivatives is determined based upon liquid market prices evidenced by exchange traded prices, broker/dealer quotations, or prices of other transactions with similarly rated counterparties. The fair value includes an adjustment for individual counterparty credit risk and other adjustments, as appropriate, to reflect liquidity and ongoing servicing costs. The fair values of derivative contracts reflect cash the Company has paid or received (for example, option premiums and cash margin in connection with credit support agreements). Derivatives in a net receivable position, as well as options owned and warrants held, are reported as trading account assets. Similarly, derivatives in a net payable position, as well as options written and warrants issued, are reported as trading account liabilities. Revenues generated from derivative instruments used for trading purposes are reported as principal transactions and include realized gains and losses, as well as unrealized gains and losses resulting from changes in the fair value of such instruments. During the fourth quarter of 2002, the Company adopted Emerging Issues Task Force (EITF) Issue No. 02-3, "Issues Involved in Accounting for Derivative Contracts Held for Trading Purposes and Contracts Involved in Energy Trading and Risk Management Activities" (EITF 02-3). Under EITF 02-3, recognition of a trading profit at inception of a derivative transaction is prohibited unless the fair value of that derivative is obtained from a quoted market price, supported by comparison to other observable market transactions, or based upon a valuation technique incorporating observable market data. The Company defers trade date gains or losses on derivative transactions where the fair value is not determined based upon observable market transactions and market data. The deferral is recognized in income when the market data becomes observable or over the life of the transaction.

Commissions, Underwriting, and Principal Transactions

Commissions, Underwriting, and Principal Transactions revenues and related expenses are recognized in income on a trade-date basis.

Consumer Loans

Consumer Loans include loans and leases managed by the Global Consumer business and *Private Bank*. As a general rule, for open-end revolving and closed-end installment and real estate loans, interest accrual ceases when payments are no later than 90 days contractually past due, except for certain open-end revolving products (e.g., credit cards), where the Company accrues interest until payments are 180 days contractually past due and reverse the interest and fees earned, but not collected.

As a general rule, unsecured closed-end installment loans that become 120 days contractually past due and unsecured open-end (revolving) loans that become 180 days contractually past due are charged-off. Loans secured with non-real-estate collateral are written down to the estimated value of the collateral, less costs to sell, at 120 days past due. Real-estate secured loans (both open- and closed-end) are written down to the estimated value of the property, less costs to sell, no later than 180 days past due.

In certain *Consumer Finance* businesses in North America, secured real estate loans are written down to the estimated value of the property, less costs to sell, at the earlier of receipt of title or 12 months in foreclosure (which process must commence when payments are no later than 120 days contractually past due). Closed-end loans secured by non-real-estate collateral are written down to the estimated value of the collateral, less costs to sell, when payments are no later than 180 days contractually past due. Unsecured loans (both open- and closed-end) are charged-off when the loan becomes 180 days contractually past due and 180 days from the last payment, but in no event can these loans exceed 360 days contractually past due.

Certain Western European businesses have exceptions to these charge-off policies due to the local environment in which these businesses operate.

Unsecured loans in bankruptcy are charged-off within 30 days of notification of filing by the bankruptcy court or within the contractual write-off periods, whichever occurs earlier. In the North American *Consumer Finance* business, unsecured loans in bankruptcy are charged-off when they are 30 days contractually past due.

Commercial Business, which is included within *Retail Banking*, includes loans and leases made principally to small- and middle-market businesses. Commercial Business loans are placed on a non-accrual basis when it is determined that the payment of interest or principal is doubtful of collection or when interest or principal is past due for 90 days or more, except when the loan is well-secured and in the process of collection.

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Corporate Loans

Corporate Loans represent loans and leases managed by Global Corporate and Investment Bank (GCIB). Corporate loans are identified as impaired and placed on a cash (non-accrual) basis when it is determined that the payment of interest or principal is doubtful of collection, or when interest or principal is past due for 90 days or more, except when the loan is well-secured and in the process of collection. Any interest accrued on impaired corporate loans and leases is reversed at 90 days and charged against current earnings, and interest is thereafter included in earnings only to the extent actually received in cash. When there is doubt regarding the ultimate collectibility of principal, all cash receipts are thereafter applied to reduce the recorded investment in the loan. Impaired corporate loans and leases are written down to the extent that principal is judged to be uncollectible. Impaired collateral-dependent loans and leases where repayment is expected to be provided solely by the sale of the underlying collateral and there are no other available and reliable sources of repayment are written down to the lower of cost or collateral value. Cash-basis loans are returned to an accrual status when all contractual principal and interest amounts are reasonably assured of repayment and there is a sustained period of repayment performance in accordance with the contractual terms.

Lease Financing Transactions

Loans include the Company's share of aggregate rentals on lease financing transactions and residual values net of related unearned income. Lease financing transactions represent direct financing leases and also include leveraged leases. Unearned income is amortized under a method that results in an approximate level rate of return when related to the unrecovered lease investment. Gains and losses from sales of residual values of leased equipment are included in other income.

Loans Held-for-Sale

Credit card and other receivables and mortgage loans originated for sale are classified as loans held-for-sale, which are accounted for at the lower of cost or market value and reported in other assets with net credit losses charged to other income.

Allowance for Credit Losses

Allowance for Credit Losses represents management's estimate of probable losses inherent in the portfolio. Attribution of the allowance is made for analytical purposes only, and the entire allowance is available to absorb probable credit losses inherent in the portfolio. Additions to the allowance are made by means of the provision for credit losses. Credit losses are deducted from the allowance, and subsequent recoveries are added. Securities received in exchange for loan claims in debt restructurings are initially recorded at fair value, with any gain or loss reflected as a recovery or charge-off to the allowance, and are subsequently accounted for as securities available-for-sale.

In the Corporate and Commercial Business portfolios, larger-balance, non-homogeneous exposures representing significant individual credit exposures are evaluated based upon the borrower's overall financial condition, resources, and payment record; the prospects for support from any financially responsible guarantors; and, if appropriate, the realizable value of any collateral. Reserves are established for these loans based upon an estimate of probable losses for individual larger-balance, non-homogeneous loans deemed to be impaired. This estimate considers all available evidence including, as appropriate, the present value of the expected future cash flows discounted at the loan's contractual effective rate, the secondary market value of the loan and the fair value of collateral less disposal costs. The allowance for credit losses attributed to the remaining portfolio is established via a process that estimates the probable loss inherent in the portfolio based upon various analyses. These analyses consider historical and projected default rates and loss severities; internal risk ratings; and geographic, industry, and other environmental factors. Management also considers overall portfolio indicators including trends in internally risk-rated exposures, classified exposures, cash-basis loans, historical and forecasted write-offs, and a review of industry, geographic, and portfolio concentrations, including current developments within those segments. In addition, management considers the current business strategy and credit process, including credit limit setting and compliance, credit approvals, loan underwriting criteria, and loan workout procedures.

A similar approach is also used for calculating a reserve for the expected losses related to unfunded loan commitments and standby letters of credit. This reserve is classified on the balance sheet with other liabilities.

For Consumer, each portfolio of smaller-balance, homogeneous loans, including consumer mortgage, installment, revolving credit, and most other consumer loans, is collectively evaluated for impairment. The allowance for credit losses attributed to these loans is established via a process that estimates the probable losses inherent in the portfolio, based upon various analyses. These include migration analysis, in which historical delinquency and credit loss experience is applied to the current aging of the portfolio, together with analyses that reflect current trends and conditions. Management also considers overall portfolio indicators including historical credit losses; delinquent, non-performing, and classified loans; trends in volumes and terms of loans; an evaluation of overall credit quality; the credit process, including lending policies and procedures; and economic, geographical, product, and other environmental factors.

This evaluation includes an assessment of the ability of borrowers with foreign currency obligations to obtain the foreign currency necessary for orderly debt servicing.

Transfers of Financial Assets

For a transfer of financial assets to be considered a sale, financial assets transferred by the Company must have been isolated from the seller, even in bankruptcy or other receivership; the purchaser must have the right to sell the assets transferred, or the purchaser must be a qualifying special purpose entity meeting certain significant restrictions on its activities, whose investors have the right to sell their ownership interests in the entity; and the seller does not continue to control the assets transferred through an agreement to repurchase them or have a right to cause the assets to be returned (known as a call option). A transfer of financial assets that meets the sale requirements is removed from the Company's Consolidated Balance Sheet. If the conditions for sale are not met, the transfer is considered to be a secured borrowing, and the assets remain on the Company's Consolidated Balance Sheet and the proceeds are recognized as the Company's liability.

In determining whether financial assets transferred have, in fact, been isolated from the Company, an opinion of legal counsel is generally obtained for complex transactions or where the Company has continuing involvement with the assets transferred or with the securitization entity. For sale treatment to be appropriate, those opinions must state that the asset transfer would be considered a sale and that the assets transferred would not be consolidated with the Company's other assets in the event of the Company's insolvency.

See Note 12 to the Consolidated Financial Statements.

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Securitizations

Citigroup and its subsidiaries securitize primarily credit card receivables and mortgages. Other types of assets securitized include corporate debt securities, auto loans, and student loans.

After securitizations of credit card receivables, the Company continues to maintain credit card customer account relationships and provides servicing for receivables transferred to the trusts. The Company also arranges for third parties to provide credit enhancement to the trusts, including cash collateral accounts, subordinated securities, and letters of credit. As specified in certain of the sale agreements, the net revenue collected each month is accumulated up to a predetermined maximum amount, and is available over the remaining term of that transaction to make payments of yield, fees, and transaction costs in the event that net cash flows from the receivables are not sufficient. When the predetermined amount is reached, net revenue is passed directly to the Citigroup subsidiary that sold the receivables.

Interest in the securitized and sold loans may be retained in the form of subordinated interest-only strips, subordinated tranches, spread accounts, and servicing rights. The Company retains a seller's interest in the credit card receivables transferred to the trust, which is not in securitized form. Accordingly, the seller's interest is carried on a historical cost basis and classified as consumer loans. Retained interests in securitized mortgage loans are classified as trading account assets. Other retained interests are primarily recorded as available-for-sale investments. Gains or losses on securitization and sale depend in part on the previous carrying amount of the loans involved in the transfer and are allocated between the loans sold and the retained interests based on their relative fair values at the date of sale. Gains are recognized at the time of securitization and are reported in other income.

The Company values its securitized retained interests at fair value using either financial models, quoted market prices, or sales of similar assets. Where quoted market prices are not available, the Company estimates the fair value of these retained interests by determining the present value of expected future cash flows using modeling techniques that incorporate management's best estimates of key assumptions, including prepayment speeds, credit losses, and discount rates.

For each securitization entity with which the Company is involved, the Company makes a determination of whether the entity should be considered a subsidiary of the Company and be included in the Company's Consolidated Financial Statements or whether the entity is sufficiently independent that it does not need to be consolidated. If the securitization entity's activities are sufficiently restricted to meet certain accounting requirements to be a qualifying special purpose entity, the securitization entity is not consolidated by Citigroup as seller of the transferred assets. If the securitization entity is determined to be a VIE, the Company consolidates the VIE if it is the primary beneficiary.

For all other securitization entities determined not to be VIEs in which Citigroup participates, a consolidation decision is made by evaluating several factors, including how much of the entity's ownership is in the hands of third-party investors, who controls the securitization entity, and who reaps the rewards and bears the risks of the entity. Only securitization entities controlled by Citigroup are consolidated.

Variable Interest Entities

An entity is subject to FIN 46-R and is called a VIE if it has (1) equity that is insufficient to permit the entity to finance its activities without additional subordinated financial support from other parties, or (2) equity investors that cannot make significant decisions about the entity's operations, or that do not absorb the expected losses or receive the expected returns of the entity. All other entities are evaluated for consolidation under SFAS No. 94, "Consolidation of All Majority-Owned Subsidiaries" (SFAS 94). A VIE is consolidated by its primary beneficiary, which is the party involved with the VIE that has a majority of the expected losses or a majority of the expected residual returns or both.

In addition to the VIEs that are consolidated in accordance with FIN 46-R, the Company has significant variable interests in certain other VIEs that are not consolidated because the Company is not the primary beneficiary. These include multi-seller finance companies, collateralized debt obligations (CDOs), many structured finance transactions, and various investment funds.

Mortgage Servicing Rights (MSRs)

Mortgage Servicing Rights (MSRs), which are included within intangible assets on the Consolidated Balance Sheet, are recognized as assets when purchased or when the Company sells or securitizes loans acquired through purchase or origination and retains the right to service the loans. Servicing rights retained in the securitization of mortgage loans are measured by allocating the carrying value of the loans between the assets sold and the interests retained, based on the relative fair values at the date of securitization. The fair values are determined using internally developed assumptions comparable to quoted market prices. MSRs are amortized using a proportionate cash flow method over the period of the related net positive servicing income to be generated from the various portfolios purchased or loans originated. The Company estimates the fair value of MSRs by discounting projected net servicing cash flows of the remaining servicing portfolio considering market loan prepayment predictions and other economic factors. Impairment of MSRs is evaluated on a disaggregated basis by type (i.e., fixed rate or adjustable rate) and by interest rate band, which are believed to be the predominant risk characteristics of the Company's servicing portfolio. Any excess of the carrying value of the capitalized servicing rights over the fair value by stratum is recognized through a valuation allowance for each stratum and charged to the provision for impairment on MSRs.

Goodwill

Goodwill represents an acquired company's acquisition cost less the fair value of net tangible and intangible assets. Effective January 1, 2002, the Company no longer amortizes goodwill. Goodwill is subject to annual impairment tests whereby goodwill is allocated to the Company's reporting units and an impairment is deemed to exist if the carrying value of a reporting unit exceeds its estimated fair value. Furthermore, on any business dispositions, goodwill is allocated to the business disposed of based on the ratio of the fair value of the business disposed of to the fair value of the reporting unit.

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Intangible Assets

Intangible Assets, including MSRs, core deposit intangibles, present value of future profits, purchased credit card relationships, other customer relationships, and other intangible assets, are amortized over their estimated useful lives unless they are deemed to have indefinite useful lives. Upon the adoption of SFAS 142, intangible assets deemed to have indefinite useful lives, primarily certain asset management contracts and trade names, are not amortized and are subject to annual impairment tests. An impairment exists if the carrying value of the indefinite-lived intangible asset exceeds its fair value. For other intangible assets subject to amortization, an impairment is recognized if the carrying amount is not recoverable and the carrying amount exceeds the fair value of the intangible asset.

Repossessed Assets

Upon repossession, loans are adjusted, if necessary, to the estimated fair value of the underlying collateral and transferred to Repossessed Assets, which is reported in other assets net of a valuation allowance for selling costs and net declines in value as appropriate.

Risk Management Activities–Derivatives Used for Non-Trading Purposes

The Company manages its exposures to market rate movements outside its trading activities by modifying the asset and liability mix, either directly or through the use of derivative financial products, including interest rate swaps, futures, forwards, and purchased option positions such as interest rate caps, floors, and collars as well as foreign exchange contracts. These end-user derivatives are carried at fair value in other assets or other liabilities.

To qualify as a hedge, a derivative must be highly effective in offsetting the risk designated as being hedged. The hedge relationship must also be formally documented at inception detailing the particular risk management objective and strategy for the hedge, which includes the item and risk that is being hedged and the derivative that is being used, as well as how effectiveness will be assessed and ineffectiveness measured. The effectiveness of these hedging relationships is evaluated on a retrospective and prospective basis, typically using quantitative measures of correlation with hedge ineffectiveness measured and recorded in current earnings. If a hedge relationship is found to be ineffective, it no longer qualifies as a hedge and any excess gains or losses attributable to such ineffectiveness, as well as subsequent changes in fair value, are recognized in other income.

The foregoing criteria are applied on a decentralized basis, consistent with the level at which market risk is managed, but are subject to various limits and controls. The underlying asset, liability, firm commitment, or forecasted transaction may be an individual item or a portfolio of similar items.

For fair value hedges, in which derivatives hedge the fair value of assets, liabilities, or firm commitments, changes in the fair value of derivatives are reflected in other income, together with changes in the fair value of the related hedged item. The net amount, representing hedge ineffectiveness, is reflected in current earnings. Citigroup's fair value hedges are primarily the hedges of fixed-rate long-term debt, loans, and available-for-sale securities.

For cash flow hedges, in which derivatives hedge the variability of cash flows related to floating rate assets, liabilities, or forecasted transactions, the accounting treatment depends on the effectiveness of the hedge. To the extent these derivatives are effective in offsetting the variability of the hedged cash flows, changes in the derivatives' fair value will not be included in current earnings but are reported as other changes in stockholders' equity from nonowner sources. These changes in fair value will be included in earnings of future periods when earnings are also affected by the variability of the hedged cash flows. To the extent these derivatives are not effective, changes in their fair values are immediately included in other income. Citigroup's cash flow hedges primarily include hedges of loans, rollovers of short-term liabilities, and foreign currency denominated funding. Cash flow hedges also include hedges of certain forecasted transactions up to a maximum term of 30 years, although a substantial majority of the maturities is under five years.

For net investment hedges, in which derivatives hedge the foreign currency exposure of a net investment in a foreign operation, the accounting treatment will similarly depend on the effectiveness of the hedge. The effective portion of the change in fair value of the derivative, including any forward premium or discount, is reflected in other changes in stockholders' equity from nonowner sources as part of the foreign currency translation adjustment.

End-user derivatives that are economic hedges rather than qualifying for hedge accounting purposes are also carried at fair value with changes in value included in trading account income or other income. Citigroup often utilizes economic hedges when qualifying for hedge accounting would be too complex or operationally burdensome, such as hedges of the credit risk component of commercial loans and loan commitments. Citigroup periodically evaluates its hedging strategies in other areas, such as mortgage servicing rights, and may designate either a qualifying hedge or an economic hedge, after considering the related cost and benefits. Economic hedges are also utilized when the hedged item itself is marked to market through current earnings, such as hedges of one-to-four family mortgage loan commitments and non-U.S. dollar debt.

For those hedge relationships that are terminated or when hedge designations are removed, the hedge accounting treatment described in the paragraphs above is no longer applied. The end-user derivative is terminated or transferred to the trading account. For fair value hedges, any changes in the fair value of the hedged item remain as part of the basis of the asset or liability and are ultimately reflected as an element of the yield. For cash flow hedges, any changes in fair value of the end-user derivative remain in other changes in stockholders' equity from nonowner sources and are included in earnings of future periods when earnings are also affected by the variability of the hedged cash flows. However, if the forecasted transaction is no longer likely to occur, any changes in fair value of the end-user derivative are immediately reflected in other income.

Insurance Premiums

Insurance Premiums from long-duration contracts, principally life insurance, are earned when due as determined by the respective contract. Premiums from short-duration insurance contracts, principally credit life and accident and health policies, are earned over the related contract period.

Deferred Policy Acquisition Costs (DACs)

Deferred Policy Acquisition Costs (DACs), included in other assets, represent the costs of acquiring new business, principally commissions, certain underwriting and agency expenses, and the cost of issuing policies.

For traditional life and health business, including term insurance, DAC is amortized over the premium-paying periods of the related policies, in proportion to the ratio of the annual premium revenue to the total anticipated premium revenue in accordance with SFAS No. 60, "Accounting

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and Reporting by Insurance Enterprises" (SFAS 60), which is generally over 5-20 years. Assumptions as to the anticipated premiums are made at the date of policy issuance or acquisition and are consistently applied over the life of the policy.

For universal life and corporate-owned life insurance products, DAC is amortized at a constant rate based upon the present value of estimated gross profits expected to be realized in accordance with SFAS No. 97, "Accounting and Reporting by Insurance Enterprises for Certain Long-Duration Contracts and for Realized Gains and Losses from Sale of Investments" (SFAS 97), which is generally over 16-25 years. Actual profits can vary from management's estimates, resulting in increases or decreases in the rate of amortization. Changes in estimates of gross profits result in retrospective adjustments to earnings by a cumulative charge or credit to income.

For deferred annuities, both fixed and variable, and payout annuities, DAC is amortized employing a level effective yield methodology in accordance with SFAS No. 91, "Accounting for Nonrefundable Fees and Costs Associated with Originating or Acquiring Loans and Initial Direct Costs of Leases" (SFAS 91), which is generally over 10-15 years. An amortization rate is developed using the outstanding DAC balance and projected account balances and is applied to actual account balances to determine the amount of DAC amortization. The projected account balances are derived using a model that includes assumptions related to investment returns and persistency. The model rate is evaluated periodically, at least annually, and the actual rate is reset and applied prospectively, resulting in a new amortization pattern over the remaining estimated life of the business.

Deferred policy acquisition costs are reviewed to determine if they are recoverable from future income, including investment income, and, if not recoverable, are charged to expense. All other acquisition expenses are charged to operations as incurred.

Present Value of Future Profits

Present Value of Future Profits, included in intangible assets, represents the actuarially determined present value of anticipated profits to be realized from life and accident and health business on insurance in force at the date of the Company's acquisition of insurance businesses using the same assumptions that were used for computing-related liabilities where appropriate. The present value of future profits is amortized over the contract period using current interest crediting rates to accrete interest and using amortization methods based on the specified products. Traditional life insurance is amortized over the period of anticipated premiums, universal life in relation to estimated gross profits, and annuity contracts employing a level effective yield methodology. The value of present value of future profits is reviewed periodically for recoverability to determine if any adjustment is required.

Separate and Variable Accounts

Separate and Variable Accounts primarily represent funds for which investment income and investment gains and losses accrue directly to, and investment risk is borne by, the contractholders. Each account has specific investment objectives. The assets of each account are legally segregated and are not subject to claims that arise out of any other business of the Company. The assets of these accounts are generally carried at market value. Amounts assessed to the contractholders for management services are included in revenues. Deposits, net investment income and realized investment gains and losses for these accounts are excluded from revenues, and related liability increases are excluded from benefits and expenses.

Insurance Policy and Claims Reserves

Insurance Policy and Claims Reserves represent liabilities for future insurance policy benefits. Insurance reserves for traditional life insurance, annuities, and accident and health policies have been computed based upon mortality, morbidity, persistency, and interest rate assumptions (ranging from 2.0% to 9.0%, with a weighted average rate of 7.03%, for annuity products and 2.5% to 7.0%, with a weighted average interest rate of 3.51%, for life products) applicable to these coverages, including adverse deviation. These assumptions consider Company experience and industry standards and may be revised if it is determined that future experience will differ substantially from that previously assumed.

Contractholder Funds

Contractholder funds represent receipts from the issuance of universal life, pension investment and certain deferred annuity contracts. Such receipts are considered deposits on investment contracts that do not have substantial mortality or morbidity risk. Account balances are increased by deposits received and interest credited and are reduced by withdrawals, mortality charges and administrative expenses charged to the contractholders. Calculations of contractholder account balances for investment contracts reflect lapse, withdrawal, and interest rate assumptions (ranging from 1.0% to 8.05%, with a weighted average rate of 4.34%, for annuity products and 3.5% to 5.95%, with a weighted average interest rate of 4.34%, for life products), based on contract provisions, the Company's experience, and industry standards. Contractholder funds also include other funds that policyholders leave on deposit with the Company.

Employee Benefits Expense

Employee Benefits Expense includes prior and current service costs of pension and other postretirement benefit plans, which are accrued on a current basis, contributions and unrestricted awards under other employee plans, the amortization of restricted stock awards, and costs of other employee benefits.

Stock-Based Compensation

Prior to January 1, 2003, Citigroup accounted for stock-based compensation plans under Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" (APB 25), and related interpretations. Under APB 25, there is generally no charge to earnings for employee stock option awards because the options granted under these plans have an exercise price equal to the market value of the underlying common stock on the grant date. Alternatively, SFAS No. 123, "Accounting for Stock-Based Compensation" (SFAS 123), allows companies to recognize compensation expense over the related service period based on the grant-date fair value of the stock award. Under both methods, upon issuance of previously unissued shares under employee plans, proceeds received in excess of par value are credited to additional paid-in capital. Upon issuance of treasury shares, the difference between the proceeds received and the average cost of treasury shares is recorded in additional paid-in capital. Under both methods, the dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share. On January 1, 2003, the Company adopted the fair value provision of SFAS 123. See "Accounting Changes" on page 116.

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Had the Company applied SFAS 123 prior to 2003 in accounting for all the Company's stock option plans, including the Citigroup 2003 Stock Purchase Program, net income and net income per share would have been the pro forma amounts indicated below:

In millions of dollars, except per share amounts		**2004**	2003	2002
Compensation expense related to stock option plans, net of tax	As reported	**$ 173**	$ 110	$ —
	Pro forma	**325**	365	434
Net income	As reported	**$17,046**	$17,853	$15,276
	Pro forma	**16,894**	17,598	14,842
Basic earnings per share	As reported	**$ 3.32**	$ 3.49	$ 2.99
	Pro forma	**3.29**	3.44	2.90
Diluted earnings per share	As reported	**$ 3.26**	$ 3.42	$ 2.94
	Pro forma	**3.23**	3.37	2.86

Income Taxes

Deferred taxes are recorded for the future tax consequences of events that have been recognized in the financial statements or tax returns, based upon enacted tax laws and rates. Deferred tax assets are recognized subject to management's judgment that realization is more likely than not. The Company and its wholly owned domestic subsidiaries file a consolidated federal income tax return.

Earnings Per Share

Earnings per share is computed after recognition of preferred stock dividend requirements. Basic earnings per share is computed by dividing income available to common stockholders by the weighted average number of common shares outstanding for the period, excluding restricted stock. Diluted earnings per share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised and has been computed after giving consideration to the weighted average dilutive effect of the Company's convertible securities, common stock warrants, stock options, and the shares issued under the Company's Capital Accumulation Program and other restricted stock plans.

ACCOUNTING CHANGES

Consolidation of Variable Interest Entities

On January 1, 2004, the Company adopted Financial Accounting Standards Board (FASB) Interpretation No. 46, "Consolidation of Variable Interest Entities (revised December 2003)," (FIN 46-R), which includes substantial changes from the original FIN 46. Included in these changes, the calculation of expected losses and expected residual returns has been altered to reduce the impact of decision maker and guarantor fees in the calculation of expected residual returns and expected losses. In addition, the definition of a variable interest has been changed in the revised guidance. FIN 46 and FIN 46-R change the method of determining whether certain entities, including securitization entities, should be included in the Company's Consolidated Financial Statements. The Company has determined that in accordance with FIN 46-R, the multi-seller finance companies administered by the Company should continue not to be consolidated. However, the trust preferred security vehicles are now deconsolidated. The cumulative effect of adopting FIN 46-R was an increase to assets and liabilities of approximately $1.6 billion, primarily due to certain structured finance transactions.

For any VIEs that must be consolidated under FIN 46 that were created before February 1, 2003, the assets, liabilities, and noncontrolling interests of the VIE are initially measured at their carrying amounts with any difference between the net amount added to the balance sheet and any previously recognized interest being recognized as the cumulative effect of an accounting change. If determining the carrying amounts is not practicable, fair value at the date FIN 46 first applies may be used to measure the assets, liabilities, and noncontrolling interests of the VIE. In October 2003, the FASB announced that the effective date of FIN 46 was deferred from July 1, 2003 to periods ending after December 15, 2003 for VIEs created prior to February 1, 2003. With the exception of the deferral related to certain investment company subsidiaries, Citigroup elected to implement the remaining provisions of FIN 46 in the 2003 third quarter, resulting in the consolidation of VIEs increasing both total assets and total liabilities by approximately $2.1 billion. The implementation of FIN 46 encompassed a review of thousands of entities to determine the impact of adoption, and considerable judgment was used in evaluating whether or not a VIE should be consolidated.

The Company administers several third-party owned, special purpose, multi-seller finance companies (the "conduits") that purchase pools of trade receivables, credit cards, and other financial assets from third-party clients of the Company. The Company has no ownership interest in the conduits, but as administrator provides them with accounting, funding, and operations services. Generally, the clients continue to service the transferred assets. The conduits' asset purchases are funded by issuing commercial paper and medium-term notes. Clients absorb the first losses of the conduits by providing collateral in the form of excess assets or residual interest. The Company, along with other financial institutions, provides liquidity facilities, such as commercial paper backstop lines of credit to the conduits. The Company also provides loss protection in the form of letters of credit and other guarantees. During 2003, to comply with FIN 46-R, all but two of the conduits issued "first loss" subordinated notes, such that one third-party investor in each conduit would be deemed the primary beneficiary and would consolidate that conduit.

Some of the Company's private equity subsidiaries may invest in venture capital entities that may also be subject to FIN 46-R. The Company accounts for its venture capital activities in accordance with the Investment Company Audit Guide (Audit Guide). The FASB deferred adoption of FIN 46-R for non-registered investment companies that apply the Audit Guide. The FASB permitted nonregistered investment companies to defer consolidation of VIEs with which they are involved until a Statement of Position on the scope of the Audit Guide is finalized, which is expected before the end of the first quarter of 2005. Following issuance of the Statement of Position, the FASB will consider further modification to FIN 46-R to provide an exception for companies that qualify to apply the revised Audit Guide. Following issuance of the revised Audit Guide, the Company will assess the effect of such guidance on its private equity business.

The Company may provide administrative, trustee and/or investment management services to numerous personal estate trusts, which are considered VIEs under FIN 46-R, but are not consolidated.

See Note 12 to the Consolidated Financial Statements.

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Postretirement Benefits

In May 2004, the FASB issued FASB Staff Position FAS 106-2, "Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003" (FSP FAS 106-2), which supersedes FSP FAS 106-1, in response to the December 2003 enactment of the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (the Act). The Act introduces a prescription drug benefit for individuals under Medicare (Medicare Part D), as well as a federal subsidy equal to 28% of prescription drug claims for sponsors of retiree health care plans with drug benefits that are at least actuarially equivalent to those to be offered under Medicare Part D. If a plan is determined to be actuarially equivalent to Medicare Part D, FSP FAS 106-2 requires plan sponsors to disclose the effect of the subsidy on the net periodic expense and the accumulated postretirement benefit obligation in their interim and annual financial statements for periods beginning after June 15, 2004. Plan sponsors who initially elected to defer accounting for the effects of the subsidy are allowed the option of retroactive application to the date of enactment or prospective application from the date of adoption.

Under FSP FAS 106-1, the Company elected to defer the accounting for the effects of the Act. However, Citigroup believes that our plans are eligible for the subsidy and decided to adopt FSP FAS 106-2 in the third quarter of 2004 retroactive to January 1, 2004. The effect of adopting FAS 106-2 is included in Note 23 to the Company's Consolidated Financial Statements.

Accounting for Loan Commitments Accounted for as Derivatives

On April 1, 2004, the Company adopted the SEC's Staff Accounting Bulletin No. 105, "Application of Accounting Principles to Loan Commitments" (SAB 105), which specifies that servicing assets embedded in commitments for loans to be held for sale should be recognized only when the servicing asset has been contractually separated from the associated loans by sale or securitization. The impact of implementing SAB 105 across all of the Company's businesses was a delay in recognition of $35 million pretax in the second quarter 2004.

Accounting and Reporting by Insurance Enterprises for Certain Nontraditional Long-Duration Contracts and for Separate Accounts

On January 1, 2004, the Company adopted Statement of Position 03-1, "Accounting and Reporting by Insurance Enterprises for Certain Nontraditional Long-Duration Contracts and for Separate Accounts" (SOP 03-1). SOP 03-1 provides guidance on accounting and reporting by insurance enterprises for separate account presentation, accounting for an insurer's interest in a separate account, transfers to a separate account, valuation of certain liabilities, contracts with death or other benefit features, contracts that provide annuitization benefits, and sales inducements to contract holders. SOP 03-1 is effective for financial statements for fiscal years beginning after December 15, 2003. The adoption of SOP 03-1 did not have a material impact on the Company's Consolidated Financial Statements.

Profit Recognition on Bifurcated Hybrid Instruments

On January 1, 2004, Citigroup revised the application of Derivatives Implementation Group (DIG) Issue B6, "Embedded Derivatives: Allocating the Basis of a Hybrid Instrument to the Host Contract and the Embedded Derivative." In December 2003, the SEC staff gave a speech that clarified the accounting for derivatives embedded in financial instruments ("hybrid instruments") to preclude the recognition of any profit on the trade date for hybrid instruments that must be bifurcated for accounting purposes. The trade-date revenue must instead be amortized over the life of the hybrid instrument. The impact of this change in application was approximately $256 million pretax reduction in revenue, net of amortization, across all of the Company's businesses during 2004. This revenue will be recognized over the life of the transactions, which on average is approximately four years.

Adoption of SFAS 132-R

In December 2003, the FASB issued SFAS No. 132 (Revised 2003), "Employers' Disclosures about Pensions and Other Postretirement Benefits" (SFAS 132-R), which retains the disclosure requirements contained in SFAS 132 and requires additional disclosure in financial statements about the assets, obligations, cash flows, and net periodic benefit cost of domestic defined benefit pension plans and other domestic defined benefit postretirement plans for periods ending after December 15, 2003, except for the disclosure of expected future benefit payments, which must be disclosed for fiscal years ending after June 15, 2004. The new disclosure requirements for foreign retirement plans apply to fiscal years ending after June 15, 2004. However, the Company elected to adopt SFAS 132-R for its foreign plans as of December 31, 2003. Certain disclosures required by this Statement are effective for interim periods beginning after December 15, 2003. The new annual disclosures are included in Note 23 to the Consolidated Financial Statements.

Costs Associated with Exit or Disposal Activities

On January 1, 2003, Citigroup adopted SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities" (SFAS 146). SFAS 146 requires that a liability for costs associated with exit or disposal activities, other than in a business combination, be recognized when the liability is incurred. Previous generally accepted accounting principles provided for the recognition of such costs at the date of management's commitment to an exit plan. In addition, SFAS 146 requires that the liability be measured at fair value and be adjusted for changes in estimated cash flows. The provisions of the new standard are effective for exit or disposal activities initiated after December 31, 2002. The impact of adopting of SFAS 146 was not material.

Derivative Instruments and Hedging Activities

On July 1, 2003, the Company adopted SFAS No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities" (SFAS 149). SFAS 149 amends and clarifies accounting for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities under SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" (SFAS 133). In particular, SFAS 149 clarifies under what circumstances a contract with an initial net investment meets the characteristic of a derivative and when a derivative contains a financing component that warrants special reporting in the statement of cash flows. This Statement is generally effective for contracts entered into or modified after June 30, 2003 and did not have a material impact on the Company's Consolidated Financial Statements.

Liabilities and Equity

On July 1, 2003, the Company adopted SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity" (SFAS 150). SFAS 150 establishes standards for how an issuer measures certain financial instruments with characteristics of both liabilities and equity and classifies them in its statement of financial position. It requires that an

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issuer classify a financial instrument that is within its scope as a liability (or an asset in some circumstances) when that financial instrument embodies an obligation of the issuer. SFAS 150 is effective for financial instruments entered into or modified after May 31, 2003, and otherwise is effective July 1, 2003, and did not have a material impact on the Company's Consolidated Financial Statements.

Stock-Based Compensation

On January 1, 2003, the Company adopted the fair value recognition provisions of SFAS 123, prospectively for all awards granted, modified, or settled after December 31, 2002. The prospective method is one of the adoption methods provided for under SFAS No. 148, "Accounting for Stock-Based Compensation—Transition and Disclosure" (SFAS 148) issued in December 2002. SFAS 123 requires that compensation cost for all stock awards be calculated and recognized over the service period (generally equal to the vesting period). This compensation cost is determined using option pricing models intended to estimate the fair value of the awards at the grant date. Similar to APB 25, the alternative method of accounting, under SFAS 123, an offsetting increase to stockholders' equity is recorded equal to the amount of compensation expense charged. Earnings per share dilution is recognized as well.

The impact of this change in 2003 and 2004 is disclosed on page 116. During the first quarter of 2004, the Company changed its option valuation from the Black-Scholes model to the binomial method, which did not have a material impact on the Company's Consolidated Financial Statements.

The Company has made changes to various stock-based compensation plan provisions for future awards. For example, the vesting period and the term of stock options granted in 2003 and 2004 are three and six years, respectively. In addition, the sale of underlying shares acquired through the exercise of options granted after December 31, 2002 is restricted for a two-year period. The existing stock ownership commitment for senior executives will continue, under which such executives must retain 75% of the shares they own and acquire from the Company over the term of their employment. Original option grants in 2003 and thereafter do not have a reload feature; however, previously granted options retain that feature.

In January 2005, the Company largely moved from granting stock options as incentive compensation to granting restricted and deferred stock awards. See Note 22 to Notes to Consolidated Financial Statements.

Guarantees and Indemnifications

In November 2002, the FASB issued FASB Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others" (FIN 45), which requires that, for guarantees within the scope of FIN 45 issued or amended after December 31, 2002, a liability for the fair value of the obligation undertaken in issuing the guarantee be recognized. On January 1, 2003, the Company adopted the recognition and measurement provisions of FIN 45. The impact of adopting FIN 45 was not material. FIN 45 also requires additional disclosures in financial statements for periods ending after December 15, 2002. Accordingly, these disclosures are included in Note 27 to the Consolidated Financial Statements.

Acquisitions of Certain Financial Institutions

In the fourth quarter of 2002, the Company adopted SFAS No. 147, "Acquisitions of Certain Financial Institutions" (SFAS 147). SFAS 147 requires that business combinations involving depository financial institutions within its scope, except for combinations between mutual institutions, be accounted for under SFAS 141. Previously, generally accepted accounting principles for acquisitions of financial institutions provided for recognition of the excess of the fair value of liabilities assumed over the fair value of tangible and identifiable intangible assets acquired as an unidentifiable intangible asset. Under SFAS 147, such excess is accounted for as goodwill. The impact of adopting SFAS 147 did not materially affect the Consolidated Financial Statements.

Adoption of EITF 02-3

During the fourth quarter of 2002, the Company adopted EITF Issue No. 02-3, "Issues Involved in Accounting for Derivative Contracts Held for Trading Purposes and Contracts Involved in Energy Trading and Risk Management Activities" (EITF 02-3). Under EITF 02-3, recognition of a trading profit at inception of a derivative transaction is prohibited unless the fair value of that derivative is obtained from a quoted market price, supported by comparison to other observable market transactions, or based upon a valuation technique incorporating observable market data. The initial adoption and ongoing effects of EITF 02-3 are not material to the Company's Consolidated Financial Statements.

Impairment or Disposal of Long-Lived Assets

On January 1, 2002, Citigroup adopted SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" (SFAS 144), when the rule became effective for calendar year companies. SFAS 144 establishes additional criteria as compared to existing generally accepted accounting principles to determine when a long-lived asset is held-for-sale. It also broadens the definition of "discontinued operations," but does not allow for the accrual of future operating losses, as was previously permitted. The impact of adopting SFAS 144 was not material.

Business Combinations, Goodwill and Other Intangible Assets

Effective July 1, 2001, the Company adopted the provisions of SFAS No. 141, "Business Combinations" (SFAS 141) and certain provisions of SFAS No. 142, "Goodwill and Other Intangible Assets" (SFAS 142), as required for goodwill and indefinite-lived intangible assets resulting from business combinations consummated after June 30, 2001. The new rules require that all business combinations consummated after June 30, 2001 be accounted for under the purchase method. The nonamortization provisions of the new rules affecting goodwill and intangible assets deemed to have indefinite lives are effective for all purchase business combinations completed after June 30, 2001.

On January 1, 2002, Citigroup adopted the remaining provisions of SFAS 142, when the rules became effective for calendar year companies. Under the new rules, effective January 1, 2002, goodwill and intangible assets deemed to have indefinite lives are no longer amortized, but are subject to annual impairment tests. Other intangible assets continue to be amortized over their useful lives. The adoption resulted in a cumulative adjustment of $47 million (after-tax) reported as a charge to earnings related to the impairment of certain intangible assets.

FUTURE APPLICATION OF ACCOUNTING STANDARDS

Stock-Based Compensation

In December 2004, the FASB issued SFAS No. 123 (Revised 2004), "Share-Based Payment" (SFAS 123-R), which replaces the existing SFAS 123 and supersedes APB 25. SFAS 123-R requires companies to measure and record

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compensation expense for stock options and other share-based payment based on the instruments' fair value. SFAS 123-R is effective for interim and annual reporting periods beginning after June 15, 2005. The Company will adopt SFAS 123-R on July 1, 2005 by using the modified prospective approach, which requires recognizing expense for options granted prior to the adoption date equal to the fair value of the unvested amounts over their remaining vesting period. The portion of these options' fair value attributable to vested awards prior to the adoption of SFAS 123-R is never recognized. For unvested stock-based awards granted before January 1, 2003 ("APB 25 awards"), the Company will expense the fair value of the awards as at the grant date over the remaining vesting period. The impact of recognizing compensation expense for the unvested APB 25 awards will be approximately $24 million and $20 million additional expense in the third and fourth quarters of 2005, respectively. In addition, approximately $43 million and $42 million additional of compensation expense will be disclosed as the impact in the first and second quarters of 2005, respectively, as if the standard had been adopted as of January 1, 2005, but will not be recognized in earnings. The Company continues to evaluate other aspects of adopting SFAS 123-R.

Other-Than-Temporary Impairments of Certain Investments

On September 30, 2004, the FASB voted unanimously to delay the effective date of EITF 03-1, "The Meaning of Other Than Temporary Impairment and its Application to Certain Investments." The delay applies to both debt and equity securities and specifically applies to impairments caused by interest rate and sector spreads. In addition, the provisions of EITF 03-1 that have been delayed relate to the requirements that a company declare its intent to hold the security to recovery and designate a recovery period in order to avoid recognizing an other-than-temporary impairment charge through earnings.

The FASB will be issuing implementation guidance related to this topic. Once issued, Citigroup will evaluate the impact of adopting EITF 03-1. The disclosures required by EITF 03-1 are included in Note 5 to the Consolidated Financial Statements.

Accounting for Certain Loans or Debt Securities Acquired in a Transfer

On December 12, 2003, the American Institute of Certified Public Accountants (AICPA) issued Statement of Position (SOP) No. 03-3, "Accounting for Certain Loans or Debt Securities Acquired in a Transfer" (SOP 03-3). SOP 03-3 is effective for loans acquired in fiscal years beginning after December 15, 2004. SOP 03-3 requires acquired loans to be recorded at fair value and prohibits carrying over valuation allowances in the initial accounting for all loans acquired in a transfer that have evidence of deterioration in credit quality since origination, when it is probable that the investor will be unable to collect all contractual cash flows. Loans carried at fair value, mortgage loans held-for-sale, and loans to borrowers in good standing under revolving credit agreements are excluded from the scope of SOP 03-3.

SOP 03-3 limits the yield that may be accreted to the excess of the undiscounted expected cash flows over the investor's initial investment in the loan. The excess of the contractual cash flows over expected cash flows may not be recognized as an adjustment of yield. Subsequent increases in cash flows expected to be collected are recognized prospectively through an adjustment of the loan's yield over its remaining life. Decreases in expected cash flows are recognized as an impairment.

2. BUSINESS DEVELOPMENTS

Divestiture of CitiCapital's Transportation Finance Business

On November 22, 2004, the Company reached an agreement to sell CitiCapital's Transportation Finance Business based in Dallas and Toronto to GE Commercial Finance for total cash consideration of approximately $4.4 billion. The sale, which was completed on January 31, 2005, resulted in an after-tax gain of approximately $100 million.

The Transportation Finance business is part of the Company's Global Consumer Retail Banking, which provides financing, leasing, and asset-based lending to the commercial trucking industry.

Acquisition of First American Bank

On August 24, 2004, Citigroup announced it will acquire First American Bank in Texas (FAB). The transaction is expected to close in the first quarter of 2005, subject to and pending applicable regulatory approvals. The transaction will establish Citigroup's retail banking presence in Texas, giving Citigroup more than 100 branches, $3.5 billion in assets and approximately 120,000 new customers in the state.

Sale of Samba Financial Group

On June 15, 2004, the Company sold, for cash, its 20% equity investment in The Samba Financial Group (Samba), formerly known as the Saudi American Bank, to the Public Investment Fund, a Saudi public sector entity. Citigroup recognized an after-tax gain of $756 million ($1.168 billion pretax) on the sale during the 2004 second quarter. The gain was recognized equally between Global Consumer and GCIB.

Acquisition of KorAm Bank

On April 30, 2004, Citigroup completed its tender offer to purchase all the outstanding shares of KorAm Bank (KorAm) at a price of KRW 15,500 per share in cash. In total Citigroup has acquired 99.8% of KorAm's outstanding shares for a total of KRW 3.14 trillion ($2.7 billion). The results of KorAm are included in the Consolidated Financial Statements from May 2004 forward.

KorAm is a leading commercial bank in Korea, with 223 domestic branches and total assets at June 30, 2004 of $37 billion.

During the 2004 fourth quarter, KorAm was merged with the Citibank Korea branch to form Citibank Korea Inc.

Divestiture of Citicorp Electronic Financial Services Inc.

During January 2004, the Company completed the sale for cash of Citicorp's Electronic Financial Services Inc. (EFS), a subsidiary of Citigroup, for $390 million (pretax). EFS is a provider of government-issued benefits payments and prepaid stored value cards used by state and federal government agencies, as well as of stored value services for private institutions. The sale of EFS resulted in an after-tax gain of $180 million in the 2004 first quarter.

Acquisition of Washington Mutual Finance Corporation

On January 9, 2004, Citigroup completed the acquisition of Washington Mutual Finance Corporation (WMF) for $1.25 billion in cash. WMF was the consumer finance subsidiary of Washington Mutual, Inc. WMF provides direct consumer installment loans and real-estate-secured loans, as well as sales finance and the sale of insurance. The acquisition included 427 WMF offices located in 26 states, primarily in the Southeastern and Southwestern United States, and total assets of $3.8 billion. The results of WMF are included in the Consolidated Financial Statements from January 2004 forward.

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Acquisition of Sears' Credit Card and Financial Products Business

On November 3, 2003, Citigroup acquired the Sears' Credit Card and Financial Products business (Sears). $28.6 billion of gross receivables were acquired for a 10% premium of $2.9 billion and annual performance payments over the next 10 years based on new accounts, retail sales volume, and financial product sales. The Company recorded $5.8 billion of intangible assets and goodwill as a result of this transaction. In addition, the companies signed a multi-year marketing and servicing agreement across a range of each company's businesses, products, and services. The results of Sears are included in the Consolidated Financial Statements from November 2003 forward.

Acquisition of The Home Depot's Private-Label Portfolio

In July 2003, Citigroup completed the acquisition of The Home Depot's private-label portfolio (Home Depot), which added $6 billion in receivables and 12 million accounts. The results of Home Depot are included in the Consolidated Financial Statements from July 2003 forward.

Acquisition of Golden State Bancorp

On November 6, 2002, Citigroup completed its acquisition of 100% of Golden State Bancorp (GSB) in a transaction in which Citigroup paid approximately $2.3 billion in cash and issued 79.5 million Citigroup common shares. The total transaction value of approximately $5.8 billion was based on the average prices of Citigroup shares, as adjusted for the effect of the TPC distribution. The results of GSB are included from November 2002 forward. GSB was the parent company of California Federal Bank, the second-largest thrift in the U.S. and, through its First Nationwide Mortgage business, the eighth largest mortgage servicer. The results of GSB are included in the Consolidated Financial Statements from November 2002 forward.

3. DISCONTINUED OPERATIONS

Travelers Property Casualty Corp. (TPC) (an indirect wholly owned subsidiary of Citigroup on December 31, 2001) sold 231 million shares of its class A common stock representing approximately 23.1% of its outstanding equity securities in an initial public offering (IPO) on March 27, 2002. In 2002, Citigroup recognized an after tax gain of $1.158 billion as a result of the IPO. In connection with the IPO, Citigroup entered into an agreement with TPC that provided that, in any fiscal year in which TPC recorded asbestos-related income statement charges in excess of $150 million, net of any reinsurance, Citigroup would pay to TPC the amount of any such excess up to a cumulative aggregate of $520 million after-tax. A portion of the gross IPO gain was deferred to offset any payments arising in connection with this agreement. During 2002 and 2003, $159 million and $361 million, respectively, was paid under this agreement.

On August 20, 2002, Citigroup completed the distribution to its stockholders of a majority portion of its remaining ownership interest in TPC (the distribution). This non-cash distribution was tax-free to Citigroup, its stockholders and TPC. The distribution was treated as a dividend to stockholders for accounting purposes that reduced Citigroup's Additional Paid-In Capital by approximately $7.0 billion. Following the distribution and subsequent merger of TPC and the St. Paul Companies (St. Paul Travelers) on April 1, 2004, Citigroup remains a holder of approximately 6.0% of St. Paul Travelers' outstanding equity securities, which are carried at fair value in the Proprietary Investment Activities segment and classified as available-for-sale within Investments on the Consolidated Balance Sheet. The Company is required to sell these securities within five years of the distribution in order to maintain the tax-free status.

Following the August 20, 2002 distribution, the results of TPC were reported by the Company separately as discontinued operations for all periods presented. TPC represented the primary vehicle by which Citigroup engaged in the property and casualty insurance business.

Summarized financial information for discontinued operations is as follows:

In millions of dollars	2004	2003	2002
Total revenues, net of interest expense	**$—**	$—	$8,233
Income from discontinued operations	—	—	965
Gain on sale of stock by subsidiary	—	—	1,270
Provision for income taxes	—	—	360
Income from discontinued operations, net	**$—**	$—	$1,875

The following is a summary of the assets and liabilities of discontinued operations as of August 20, 2002, the date of the distribution:

In millions of dollars	August 20, 2002
Cash	$ 252
Investments	33,984
Trading account assets	321
Loans	261
Reinsurance recoverables	10,940
Other assets	14,242
Total assets	**$60,000**
Long-term debt	$ 2,797
Insurance policy and claim reserves	36,216
Other liabilities	11,831
Mandatorily redeemable securities of subsidiary trusts	900
Total liabilities	**$51,744**

4. BUSINESS SEGMENT INFORMATION

Citigroup is a diversified bank holding company whose businesses provide a broad range of financial services to consumer and corporate customers around the world. The Company's activities are conducted through the Global Consumer, Global Corporate and Investment Bank, Global Wealth Management, Global Investment Management, and Proprietary Investment Activities business segments. These segments reflect the characteristics of their products and services and the clients to which those products or services are delivered.

The Global Consumer segment includes a global, full-service consumer franchise delivering a wide array of banking, lending, insurance and investment services through a network of local branches, offices, and electronic delivery systems.

The businesses included in the Company's Global Corporate and Investment Bank segment provide corporations, governments, institutions, and investors in approximately 100 countries with a broad range of banking and financial products and services.

The Global Wealth Management segment provides investment advice, financial planning, brokerage services, and personalized wealth management

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to affluent individuals, small and mid-size companies, non-profits and large corporations. In addition, *Smith Barney* provides independent client-focused research to individuals and institutions around the world.

The Global Investment Management segment offers a broad range of life insurance, annuity, and asset management products and services distributed to institutional and retail clients.

The Proprietary Investment Activities segment includes the Company's venture capital activities, ownership of St. Paul Travelers shares, the Alternative Investment business, results from certain proprietary investments, and the results of certain investments in countries that refinanced debt under the 1989 Brady Plan or plans of a similar nature.

Corporate/Other includes net treasury results, corporate staff and other corporate expenses, certain intersegment eliminations, and taxes not allocated to the other business segments. The accounting policies of these reportable segments are the same as those disclosed in Note 1 to the Consolidated Financial Statements.

The following table presents certain information regarding the Company's continuing operations by segment:

In millions of dollars, except identifiable assets in billions	Revenues, net of interest expense[1][2]			Provision (benefit) for income taxes[1]			Income (loss) from continuing operations before cumulative effect of accounting change[1][2][3][4]			Identifiable assets at year end[1]	
	2004	2003	2002	**2004**	2003	2002	**2004**	2003	2002	**2004**	2003
Global Consumer	**$47,267**	$40,970	$37,659	**$5,547**	$4,554	$4,373	**$11,811**	$ 9,491	$ 8,044	**$ 527**	$ 453
Global Corporate and Investment Bank	**21,774**	20,021	19,165	**93**	2,426	1,620	**2,038**	5,371	3,172	**763**	637
Global Wealth Management	**8,511**	7,840	7,566	**652**	735	698	**1,199**	1,343	1,282	**61**	55
Global Investment Management	**7,422**	6,645	5,813	**553**	419	403	**1,311**	1,116	993	**104**	92
Proprietary Investment Activities	**1,663**	1,222	247	**383**	288	5	**743**	366	(50)	**9**	9
Corporate/Other	**(447)**	744	858	**(319)**	(227)	(101)	**(56)**	166	7	**20**	18
Total	**$86,190**	$77,442	$71,308	**$6,909**	$8,195	$6,998	**$17,046**	$17,853	$13,448	**$1,484**	$1,264

(1) Reclassified to conform to the 2004 implementation of the Company's Risk Capital Methodology and allocation across its products and segments

(2) Includes total revenues, net of interest expense, in North America (excluding Mexico) of $53.0 billion, $48.4 billion, and $45.0 billion, in Mexico of $4.5 billion, $3.8 billion, and $3.7 billion and in Japan of $4.4 billion, $4.2 billion, and $4.5 billion in 2004, 2003, and 2002, respectively. There were no other individual foreign countries that were material to total revenues, net of interest expense. Figures exclude Proprietary Investment Activities and Corporate/Other, which largely operate with in North America.

(3) Includes pretax provisions (credits) for benefits, claims, and credit losses in the Global Consumer results of $7.9 billion, $8.0 billion, and $8.5 billion, in the Global Corporate and Investment Bank results of ($975) million, $732 million, and $2.3 billion, in the Global Wealth Management results of ($5) million, $12 million, and $24 million, in the Global Investment Management results of $3.1 billion, $3.2 billion, and $2.7 billion, and in the Corporate/Other results of ($1) million, ($3) million, and ($22) million for 2004, 2003, and 2002, respectively. Includes provision for credit losses in the Proprietary Investment Activities results of $31 million in 2002.

(4) For 2002, the Company recognized after-tax charges of $47 million for the cumulative effect of accounting changes related to the implementation of SFAS 142.

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5. INVESTMENTS

In millions of dollars at year end	2004	2003
Fixed maturities, substantially all available-for-sale at fair value	**$194,088**	$165,928
Equity securities	**10,114**	7,687
Venture capital, at fair value	**3,806**	3,605
Short-term and other	**5,235**	5,672
Total	**$213,243**	$182,892

The amortized cost and fair value of investments in fixed maturities and equity securities at December 31, were as follows:

	2004				2003			
In millions of dollars at year end	**Amortized cost**	**Gross unrealized gains**	**Gross unrealized losses**	**Fair value**	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
Fixed maturity securities held to maturity(1)	**$ 94**	**$ —**	**$ —**	**$ 94**	$ 62	$ —	$ —	$ 62
Fixed maturity securities available-for-sale								
Mortgage-backed securities, principally obligations of U.S. federal agencies	**$ 20,662**	**$ 412**	**$ 66**	**$ 21,008**	$ 27,527	$ 479	$ 74	$ 27,932
U.S. Treasury and federal agencies	**33,791**	**143**	**318**	**33,616**	30,885	197	75	31,007
State and municipal	**8,897**	**602**	**17**	**9,482**	7,990	585	9	8,566
Foreign government	**65,538**	**590**	**158**	**65,970**	44,407	788	118	45,077
U.S. corporate	**38,921**	**1,861**	**374**	**40,408**	31,304	1,645	370	32,579
Other debt securities	**23,010**	**536**	**36**	**23,510**	20,202	551	48	20,705
	190,819	**4,144**	**969**	**193,994**	162,315	4,245	694	165,866
Total fixed maturities	**$190,913**	**$4,144**	**$969**	**$194,088**	$162,377	$4,245	$694	$165,928
Equity securities(2)	**$ 9,260**	**$ 859**	**$ 5**	**$ 10,114**	$ 6,800	$ 901	$ 14	$ 7,687

(1) Recorded at amortized cost.
(2) Includes non-marketable equity securities carried at cost of $6,167 million and $4,253 million at December 31, 2004 and 2003, respectively, which are reported in both the amortized cost and fair value columns.

At December 31, 2004, the cost of approximately 6,300 investments in equity and fixed maturity securities exceeded their fair value by $974 million. Of the $974 million, the gross unrealized loss on equity securities was $5 million. Of the remainder, $487 million represents fixed maturity investments that have been in a gross unrealized loss position for less than a year, and of these 96% are rated investment grade; and $482 million represents fixed maturity investments that have been in a gross unrealized loss position for a year or more, and of these 88% are rated investment grade.

The fixed maturity investments that have been in a gross unrealized loss position for a year or more include 23 related investment grade asset-backed securities, within U.S. Corporate in the following table, with a gross unrealized loss of $256 million. These asset-backed securities were acquired between 1994 and 1999 and have maturities ranging from 2005 through 2021. The unrealized loss on these asset-backed securities is due solely to the current interest rate environment, i.e., the unrealized loss is unrelated to the credit of the securities. These 23 related asset-backed securities are accounted for similarly to debt securities and are classified as available-for-sale under FASB Statement No. 115, pursuant to paragraph 14 of FASB Statement No. 140, and any other-than-temporary impairment of the securities is recognized in current income in accordance with EITF Issue No. 96-12. The Company has entered into hedges of these investments that qualify for cash flow hedge accounting under SFAS 133. The changes in fair value of the asset-backed securities and the changes in fair value of the hedging instruments are reported in other comprehensive income (a component of equity). Any other-than-temporary impairment recognized in current income on the asset-backed securities would be offset by the reclassification of an amount from other comprehensive income into current income related to the hedging instrument.

Management has determined that the unrealized losses on the Company's investments in equity and fixed maturity securities at December 31, 2004 are temporary in nature. The Company conducts a periodic review to identify and evaluate investments that have indications of possible impairment. An investment in a debt or equity security is impaired if its fair value falls below its cost and the decline is considered other-than-temporary. Factors considered in determining whether a loss is temporary include the length of time and extent to which fair value has been below cost; the financial condition and near-term prospects of the issuer; and the Company's ability and intent to hold the investment for a period of time sufficient to allow for any anticipated recovery. The Company's review for impairment generally entails:

- Identification and evaluation of investments that have indications of possible impairment;
- Analysis of individual investments that have fair values less than 80% of amortized cost, including consideration of the length of time the investment has been in an unrealized loss position;
- Discussion of evidential matter, including an evaluation of factors or triggers that would or could cause individual investments to qualify as having other-than-temporary impairments and those that would not support other-than-temporary impairment; and
- Documentation of the results of these analyses, as required under business policies.

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The table below shows the fair value of investments in fixed maturity and equity securities that are available-for-sale, and that have been in an unrealized loss position for less than 12 months, or for 12 months or longer as of December 31, 2004 and 2003:

	Less than 12 months		12 months or longer		Total	
In millions of dollars at year end	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses
2004:						
Fixed maturity securities available-for-sale						
Mortgage-backed securities, principally obligations of U.S. federal agencies	**$ 6,514**	**$ 45**	**$ 1,300**	**$ 21**	**$ 7,814**	**$ 66**
U.S. Treasury and federal agencies	**18,510**	**313**	**76**	**5**	**18,586**	**318**
State and municipal	**690**	**8**	**336**	**9**	**1,026**	**17**
Foreign government	**8,395**	**49**	**6,872**	**109**	**15,267**	**158**
U.S. corporate	**3,895**	**52**	**1,574**	**322**	**5,469**	**374**
Other debt securities	**2,363**	**20**	**537**	**16**	**2,900**	**36**
Total fixed maturities available-for-sale	**$40,367**	**$487**	**$10,695**	**$482**	**$51,062**	**$969**
Equity securities	**$ 49**	**$ 3**	**$ 32**	**$ 2**	**$ 81**	**$ 5**
2003:						
Fixed maturity securities available-for-sale						
Mortgage-backed securities, principally obligations of U.S. federal agencies	$ 3,286	$ 69	$ 384	$ 5	$ 3,670	$ 74
U.S. Treasury and federal agencies	3,326	73	39	2	3,365	75
State and municipal	73	3	332	6	405	9
Foreign government	5,015	67	1,957	51	6,972	118
U.S. corporate	2,185	92	1,689	278	3,874	370
Other debt securities	1,954	36	291	12	2,245	48
Total fixed maturities available-for-sale	$15,839	$340	$4,692	$354	$20,531	$694
Equity securities	$ 53	$ 4	$ 30	$ 10	$ 83	$ 14

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The following table presents the amortized cost, fair value, and average yield on amortized cost of fixed maturity securities by contractual maturity dates as of December 31, 2004:

In millions of dollars	Amortized cost	Fair value	Yield
U.S. Treasury and federal agencies[1]			
Due within 1 year	$ 5,415	$ 5,387	2.20%
After 1 but within 5 years	24,964	24,702	3.20%
After 5 but within 10 years	1,966	1,986	5.29%
After 10 years[2]	17,210	17,476	5.65%
Total	$ 49,555	$ 49,551	4.02%
State and municipal			
Due within 1 year	$ 118	$ 119	5.93%
After 1 but within 5 years	449	459	5.35%
After 5 but within 10 years	1,165	1,232	5.67%
After 10 years[2]	7,165	7,672	5.42%
Total	$ 8,897	$ 9,482	5.45%
All other[3]			
Due within 1 year	$ 30,135	$ 30,419	4.47%
After 1 but within 5 years	57,687	58,463	5.12%
After 5 but within 10 years	25,266	26,158	6.32%
After 10 years[2]	19,373	20,015	4.95%
Total	$132,461	$135,055	5.18%
Total fixed maturities	$190,913	$194,088	4.89%

(1) Includes mortgage-backed securities of U.S. federal agencies.
(2) Investments with no stated maturities are included as contractual maturities of greater than 10 years. Actual maturities may differ due to call or prepayment rights.
(3) Includes foreign government, U.S. corporate, asset-backed securities issued by U.S. corporations, and other debt securities. Yields reflect the impact of local interest rates prevailing in countries outside the U.S.

The following table presents interest and dividends on investments:

In millions of dollars	2004	2003	2002
Taxable interest	**$8,256**	$6,758	$6,959
Interest exempt from U.S. federal income tax	**434**	384	337
Dividends	**279**	408	208
Total interest and dividends	**$8,969**	$7,550	$7,504

The following table presents realized gains and losses on investments:

In millions of dollars	2004	2003	2002
Gross realized investment gains	**$1,454**	$ 1,610	$ 1,532
Gross realized investment (losses)	**(623)**	(1,100)	(2,017)
Net realized gains/(losses)[1]	**$ 831**	$ 510	$ (485)

(1) Includes net realized gains/(losses) related to insurance subsidiaries, sale of OREO and mortgage loans of ($2) million, ($13) million, and $8 million in 2004, 2003, and 2002, respectively.

The following table presents venture capital investment gains and losses:

In millions of dollars	2004	2003	2002
Net realized investment gains/(losses)	**$ (14)**	$ 406	$ 214
Gross unrealized gains	**945**	737	563
Gross unrealized (losses)	**(377)**	(440)	(863)
Net realized and unrealized gains/(losses)	**$ 554**	$ 703	$ (86)

6. FEDERAL FUNDS, SECURITIES BORROWED, LOANED, AND SUBJECT TO REPURCHASE AGREEMENTS

Federal funds sold and securities borrowed or purchased under agreements to resell, at their respective carrying values, consisted of the following at December 31:

In millions of dollars	2004	2003[1]
Federal funds sold	**$ 172**	$ 302
Securities purchased under agreement to resell	**129,648**	121,929
Deposits paid for securities borrowed	**70,919**	49,943
Total	**$200,739**	$172,174

(1) Reclassified to conform to the 2004 presentation.

Federal funds purchased and securities loaned or sold under agreements to repurchase, at their respective carrying values, consisted of the following at December 31:

In millions of dollars	2004	2003[1]
Federal funds purchased	**$ 11,707**	$ 5,608
Securities sold under agreement to repurchase	**172,216**	156,045
Deposits received for securities loaned	**25,632**	19,503
Total	**$209,555**	$181,156

(1) Reclassified to conform to the 2004 presentation.

The resale and repurchase agreements represent collateralized financing transactions used to generate net interest income and facilitate trading activity. These instruments are collateralized principally by government and government agency securities and generally have terms ranging from overnight to up to a year. It is the Company's policy to take possession of the underlying collateral, monitor its market value relative to the amounts due under the agreements, and, when necessary, require prompt transfer of additional collateral or reduction in the balance in order to maintain contractual margin protection. In the event of counterparty default, the financing agreement provides the Company with the right to liquidate the collateral held. Resale agreements and repurchase agreements are reported net by counterparty, when applicable, pursuant to FASB Interpretation No. 41, "Offsetting of Amounts Related to Certain Repurchase and Reverse Repurchase Agreements" (FIN 41). Excluding the impact of FIN 41, resale agreements totaled $206.6 billion and $195.6 billion at December 31, 2004 and 2003, respectively.

Deposits paid for securities borrowed (securities borrowed) and deposits received for securities loaned (securities loaned) are recorded at the amount of cash advanced or received and are collateralized principally by government and government agency securities, corporate debt and equity securities. Securities borrowed transactions require the Company to deposit cash with the lender. With respect to securities loaned, the Company receives cash collateral in an amount generally in excess of the market value of securities loaned. The Company monitors the market value of securities borrowed and securities loaned daily, and additional collateral is obtained as necessary. Securities borrowed and securities loaned are reported net by counterparty, when applicable, pursuant to FASB Interpretation No. 39, "Offsetting of Amounts Related to Certain Contracts" (FIN 39).

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7. BROKERAGE RECEIVABLES AND BROKERAGE PAYABLES

The Company has receivables and payables for financial instruments purchased from and sold to brokers and dealers and customers. The Company is exposed to risk of loss from the inability of brokers and dealers or customers to pay for purchases or to deliver the financial instrument sold, in which case the Company would have to sell or purchase the financial instruments at prevailing market prices. Credit risk is reduced to the extent that an exchange or clearing organization acts as a counterparty to the transaction.

The Company seeks to protect itself from the risks associated with customer activities by requiring customers to maintain margin collateral in compliance with regulatory and internal guidelines. Margin levels are monitored daily, and customers deposit additional collateral as required. Where customers cannot meet collateral requirements, the Company will liquidate sufficient underlying financial instruments to bring the customer into compliance with the required margin level.

Exposure to credit risk is impacted by market volatility, which may impair the ability of clients to satisfy their obligations to the Company. Credit limits are established and closely monitored for customers and brokers and dealers engaged in forward and futures and other transactions deemed to be credit sensitive.

Brokerage receivables and brokerage payables, which arise in the normal course of business, consisted of the following at December 31:

In millions of dollars	**2004**	2003
Receivables from customers	**$24,626**	$18,817
Receivables from brokers, dealers, and clearing organizations	**14,647**	7,659
Total brokerage receivables	**$39,273**	$26,476
Payables to customers	**$29,742**	$21,317
Payables to brokers, dealers, and clearing organizations	**20,466**	16,013
Total brokerage payables	**$50,208**	$37,330

8. TRADING ACCOUNT ASSETS AND LIABILITIES

Trading account assets and liabilities, at market value, consisted of the following at December 31:

In millions of dollars	**2004**	2003
Trading account assets		
U.S. Treasury and federal agency securities	**$ 38,506**	$ 58,788
State and municipal securities	**12,430**	7,736
Foreign government securities	**27,556**	22,267
Corporate and other debt securities	**56,924**	49,529
Derivatives[1]	**57,484**	55,255
Equity securities	**58,260**	25,419
Mortgage loans and collateralized mortgage securities	**15,678**	8,780
Other	**13,329**	7,545
Total trading account assets	**$280,167**	$235,319
Trading account liabilities		
Securities sold, not yet purchased	**$ 71,001**	$ 63,245
Derivatives[1]	**64,486**	58,624
Total trading account liabilities	**$135,487**	$121,869

(1) Net of master netting agreements.

9. PRINCIPAL TRANSACTIONS REVENUE

Principal transactions revenues consist of realized and unrealized gains and losses from trading activities. Not included in the table below is the impact of net interest revenue related to trading activities. The impact of these items is included in the Trading Account Assets and Trading Account Liabilities caption on the Average Balance and Interest Rates schedule on pages 157 to 158. The following table presents principal transactions revenue for the years ended December 31:

In millions of dollars	**2004**	2003[1]	2002[1]
Fixed income[2]	**$1,832**	$2,641	$2,269
Equities[3]	**(338)**	225	207
Foreign exchange[4]	**1,839**	2,175	1,872
Commodities[5]	**371**	136	125
All other	**52**	(57)	40
Total principal transactions revenue	**$3,756**	$5,120	$4,513

(1) Reclassified to conform to the 2004 presentation.
(2) Includes revenues from government securities and corporate debt, municipal securities, preferred stock, mortgage securities, and other debt instruments. Also includes spot and forward trading of currencies and exchange-traded and over-the-counter (OTC) currency options, options on fixed income securities, interest rate swaps, currency swaps, swap options, caps and floors, credit derivatives, financial futures, OTC options, and forward contracts on fixed income securities.
(3) Includes revenues from common and convertible preferred stock, convertible corporate debt, equity linked notes, and exchange-traded and OTC equity options and warrants.
(4) Includes revenues from foreign exchange spot, forward, option and swap contracts.
(5) Primarily includes revenues from the results of Phibro Inc., which trades crude oil, refined oil products, natural gas, and other commodities.

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10. LOANS

In millions of dollars at year end	2004	2003
Consumer		
In U.S. offices		
Mortgage and real estate[1]	**$161,832**	$129,507
Installment, revolving credit, and other	**134,784**	136,725
Lease financing	**6,030**	8,523
	302,646	274,755
In offices outside the U.S.		
Mortgage and real estate[1]	**39,601**	28,743
Installment, revolving credit, and other	**93,523**	76,718
Lease financing	**1,619**	2,216
	134,743	107,677
	437,389	382,432
Net unearned income	**(2,163)**	(2,500)
Consumer loans, net of unearned income	**$435,226**	$379,932
Corporate		
In U.S. offices		
Commercial and industrial[2]	**$ 14,437**	$ 15,207
Lease financing	**1,879**	2,010
Mortgage and real estate[1][3]	**100**	95
	16,416	17,312
In offices outside the U.S.		
Commercial and industrial[2]	**77,052**	62,884
Mortgage and real estate[1]	**3,928**	1,751
Loans to financial institutions	**12,921**	12,063
Lease financing	**2,485**	2,859
Governments and official institutions	**1,100**	1,496
	97,486	81,053
	113,902	98,365
Net unearned income	**(299)**	(291)
Corporate loans, net of unearned income	**$113,603**	$ 98,074

(1) Loans secured primarily by real estate.
(2) Includes loans not otherwise separately categorized.
(3) Excludes loans held by the insurance subsidiaries which are included within Other Assets on the Consolidated Balance Sheet in 2004 and 2003.

Impaired loans are those on which Citigroup believes it is not probable that it will be able to collect all amounts due according to the contractual terms of the loan, excluding smaller-balance homogeneous loans that are evaluated collectively for impairment, and are carried on a cash basis. Valuation allowances for these loans are estimated considering all available evidence including, as appropriate, the present value of the expected future cash flows discounted at the loan's contractual effective rate, the secondary market value of the loan and the fair value of collateral less disposal costs. The following table presents information about impaired loans:

In millions of dollars at year end	2004	2003	2002
Impaired corporate loans	**$1,854**	$3,301	$3,844
Other impaired loans[1]	**934**	986	1,154
Total impaired loans[2]	**2,788**	$4,287	$4,998
Impaired loans with valuation allowances	**$1,847**	$3,277	$3,905
Total valuation allowances[3]	**431**	561	1,069
During the year			
Average balance of impaired loans	**$2,215**	$3,452	$3,993
Interest income recognized on impaired loans	**175**	100	119

(1) Primarily commercial market loans managed by the consumer business.
(2) Excludes loans purchased for investment purposes that are included within Other Asset on the consolidated Balance Sheet in 2004 and 2003.
(3) Included in the allowance for credit losses.

11. ALLOWANCE FOR CREDIT LOSSES

In millions of dollars	2004	2003	2002
Allowance for credit losses at beginning of year	**$12,643**	$11,101	$9,688
Additions			
Consumer provision for credit losses	**7,205**	7,316	7,714
Corporate provision for credit losses	**(972)**	730	2,281
Total provision for credit losses	**6,233**	8,046	9,995
Deductions			
Consumer credit losses	**10,241**	9,053	8,691
Consumer credit recoveries	**(1,770)**	(1,498)	(1,239)
Net consumer credit losses	**8,471**	7,555	7,452
Corporate credit losses	**632**	1,473	1,875
Corporate credit recoveries[1]	**(502)**	(262)	(324)
Net corporate credit losses	**130**	1,211	1,551
Other, net[2]	**994**	2,262	421
Allowance for credit losses at end of year	**11,269**	12,643	11,101
Allowance for credit losses on unfunded lending commitments[3]	**600**	600	567
Total allowance for loans, leases and unfunded lending commitments	**$11,869**	$13,243	$11,668

(1) Amounts in 2003 and 2002 include $12 million (through the 2003 third quarter) and $114 million, respectively, of collections from credit default swaps purchased from third parties. From the 2003 fourth quarter forward, collections from credit default swaps are included within Principal Transactions on the Consolidated Statement of Income.
(2) 2004 primarily includes the addition of $715 million of credit loss reserves related to the acquisition of KorAm Bank and the addition of $148 million of credit loss reserves related to the acquisition of WMF. 2003 primarily includes the addition of $2.1 billion of credit loss reserves related to the acquisition of Sears. 2002 primarily includes the addition of $452 million of credit loss reserves related to the acquisition of GSB. All periods also include the impact of foreign currency translation.
(3) Represents additional credit loss reserves for unfunded corporate lending commitments and letters of credit recorded within Other Liabilities on the Consolidated Balance Sheet.

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12. SECURITIZATIONS AND VARIABLE INTEREST ENTITIES

Citigroup and its subsidiaries securitize primarily credit card receivables and mortgages. Other types of assets securitized include corporate debt securities, auto loans, and student loans.

After securitizations of credit card receivables, the Company continues to maintain credit card customer account relationships and provides servicing for receivables transferred to the trusts. The Company also arranges for third parties to provide credit enhancement to the trusts, including cash collateral accounts, subordinated securities, and letters of credit. As specified in certain of the sale agreements, the net revenue collected each month is accumulated up to a predetermined maximum amount, and is available over the remaining term of that transaction to make payments of yield, fees, and transaction costs in the event that net cash flows from the receivables are not sufficient. When the predetermined amount is reached, net revenue is passed directly to the Citigroup subsidiary that sold the receivables.

The Company provides a wide range of mortgage and other loan products to a diverse customer base. In connection with the securitization of these loans, the Company may retain servicing rights which entitle the Company to a future stream of cash flows based on the outstanding principal balances of the loans and the contractual servicing fee. Failure to service the loans in accordance with contractual requirements may lead to a termination of the servicing rights and the loss of future servicing fees. In non-recourse servicing, the principal credit risk to the servicer is the cost of temporary advances of funds. In recourse servicing, the servicer agrees to share credit risk with the owner of the mortgage loans such as FNMA or FHLMC or with a private investor, insurer, or guarantor. Losses on recourse servicing occur primarily when foreclosure sale proceeds of the property underlying a defaulted mortgage are less than the outstanding principal balance and accrued interest of the loan and the cost of holding and disposing of the underlying property.

The Company also originates and sells first mortgage loans in the ordinary course of its mortgage banking activities. The Company sells certain of these loans to the Government National Mortgage Association (GNMA) with the servicing rights retained. GNMA has the primary recourse obligation on the individual loans; however, GNMA's recourse obligation is capped at a fixed amount per loan. Any losses above that fixed amount are borne by Citigroup as the seller/servicer.

The following table summarizes certain cash flows received from and paid to securitization trusts during 2004, 2003, and 2002:

	2004			2003			2002		
In billions of dollars	**Credit cards**	**Mortgages**	**Other[1]**	Credit cards	Mortgages	Other[1]	Credit cards	Mortgages	Other[1]
Proceeds from new securitizations	**$ 20.2**	**$66.4**	**$22.7**	$ 19.1	$70.9	$12.2	$ 15.3	$40.1	$10.0
Proceeds from collections reinvested in new receivables	**171.1**	**0.8**	**0.1**	143.4	—	—	130.9	—	—
Servicing fees received	**1.5**	**0.7**	**—**	1.4	0.3	—	1.2	0.3	—
Cash flows received on retained interests and other net cash flows	**5.3**	**—**	**0.1**	4.4	—	0.1	3.9	0.1	0.1

(1) Other includes corporate debt securities, auto loans, student loans, and other assets.

The Company recognized gains on securitizations of mortgages of $342 million, $536 million, and $296 million for 2004, 2003, and 2002, respectively. In 2004, the Company recorded net gains of $234 million and, in 2003 and 2002, recorded net gains of $342 million and $425 million, respectively, related to the securitization of credit card receivables including the impact of changes in estimates in the timing of revenue recognition on securitizations. Gains recognized on the securitization of other assets during 2004, 2003 and 2002 were $93 million, $52 million and $35 million, respectively.

Key assumptions used for credit cards, mortgages, and other assets during 2004 and 2003 in measuring the fair value of retained interests at the date of sale or securitization follow:

	2004		2003	
	Credit cards	**Mortgages and other[1]**	Credit cards	Mortgages and other[1]
Discount rate	**10.0% to 15.6%**	**0.4% to 98.6%**	10.0%	0.4% to 81.0%
Constant prepayment rate	**14.0% to 17.7%**	**8.0% to 48.0%**	17.5%	7.7% to 48.0%
Anticipated net credit losses	**5.5% to 12.2%**	**0.0% to 80.0%**	5.6%	0.01% to 80.0%

(1) Other includes student loans and other assets.

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The 2003 to 2004 increase in the credit card discount rate and anticipated net credit loss assumptions, as well as the decline in the prepayment assumptions, are primarily driven by the increased securitization of cards and private label credit card receivables, including the Home Depot and Sears receivables, during 2004.

As required by SFAS 140, the effect of two negative changes in each of the key assumptions used to determine the fair value of retained interests must be disclosed. The negative effect of each change in each assumption must be calculated independently, holding all other assumptions constant. Because the key assumptions may not in fact be independent, the net effect of simultaneous adverse changes in the key assumptions may be less than the sum of the individual effects shown below.

At December 31, 2004, the key assumptions used to value retained interests and the sensitivity of the fair value to adverse changes of 10% and 20% in each of the key assumptions were as follows:

Key assumptions at December 31, 2004

	Discount rate	Constant prepayment rate	Anticipated net credit losses
Mortgages and other[1]	2.75% to 98.6%	5.0% to 46.4%	0.0% to 80.0%
Credit cards	10.0% to 15.6%	14.0% to 17.5%	4.8% to 8.0%

(1) Other includes student loans and other assets.

In millions of dollars	December 31, 2004
Carrying value of retained interests	**$8,953**
Discount rate	
10%	**$ (162)**
20%	**$ (313)**
Constant prepayment rate	
10%	**$ (345)**
20%	**$ (661)**
Anticipated net credit losses	
10%	**$ (244)**
20%	**$ (482)**

Managed Loans

After securitization of credit card receivables, the Company continues to maintain credit card customer account relationships and provides servicing for receivables transferred to the trusts. As a result, the Company considers both the securitized and unsecuritized credit card receivables to be part of the business it manages. The following tables present a reconciliation between the managed basis and on-balance sheet credit card portfolios and the related delinquencies (loans which are 90 days or more past due) and credit losses, net of recoveries.

Managed Credit Card Receivables

In millions of dollars, except loans in billions	2004	2003
Principal amounts, at period end		
Total managed	**$ 165.7**	$ 158.4
Securitized amounts	**(85.3)**	(76.1)
Loans held-for-sale	**(2.5)**	—
On-balance sheet	**$ 77.9**	$ 82.3
Delinquencies, at period end		
Total managed	**$ 2,944**	$ 3,392
Securitized amounts	**(1,296)**	(1,421)
Loans held-for-sale	**(32)**	—
On-balance sheet	**$ 1,616**	$ 1,971

Credit losses, net of recoveries, for the year ended December 31	2004	2003	2002
Total managed	**$ 9,219**	$ 7,694	$ 7,169
Securitized amounts	**(4,865)**	(4,529)	(3,760)
Loans held-for-sale	**(214)**	(221)	(355)
On-balance sheet	**$ 4,140**	$ 2,944	$ 3,054

Servicing Rights

The fair value of capitalized mortgage loan servicing rights was $4.1 billion and $2.0 billion at December 31, 2004 and 2003, respectively. The following table summarizes the changes in capitalized mortgage servicing rights (MSR):

In millions of dollars	2004	2003
Balance, beginning of period	**$1,980**	$1,632
Originations	**769**	839
Purchases	**2,559**	301
Amortization	**(628)**	(471)
Gain (loss) on change in value of MSRs[1]	**(16)**	(39)
Provision for impairment[2][3]	**(515)**	(282)
Balance, end of period	**$4,149**	$1,980

(1) The gain (loss) on change in MSR value represents the change in the fair value of the MSRs attributable to risks that are hedged using fair value hedges in accordance with SFAS 133. The offsetting change in the fair value of the related hedging instruments is not included in this table.

(2) The provision for impairment of MSRs represents the excess of their net carrying value, which includes the gain (loss) on change in MSR value, over their fair value. The provision for impairment increases the valuation allowance on MSRs, which is a component of the net MSR carrying value. A recovery of the MSR impairment is recorded when the fair value of the MSRs exceeds their carrying value, but it is limited to the amount of the existing valuation allowance. The valuation allowance on MSRs was $1.280 billion, $765 million and $1.513 billion at December 31, 2004, 2003, and 2002, respectively. Additionally, the provision for impairment was $1.159 billion in 2002. During the 2003 second quarter, the Company determined that a portion of the capitalized MSR was not recoverable and reduced both the previously recognized valuation allowance and the asset by $830 million with no impact to earnings. The provision for impairment of MSRs impacts the Consumer segment and is included in Other Revenue on the Consolidated Statement of Income.

(3) The Company utilizes various financial instruments including swaps, option contracts, futures, principal only securities and forward rate agreements to manage and reduce its exposure to changes in the value of MSRs. The provision for impairment does not include the impact of these instruments which serve to protect the overall economic value of the MSRs.

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Variable Interest Entities

The following table summarizes all the Company's involvement in VIEs by business segment at December 31, 2004 and 2003 both as direct participant or structurer:

Business Segments

In millions of dollars	2004 Assets	2003[1] Assets
Global Consumer		
Credit cards	**$ 11,564**	$ 17,554
Leasing	**504**	2,429
Mortgages	**1,847**	2,630
Other	**7,418**	2,091
Total	**$ 21,333**	$ 24,904
Global Corporate and Investment Bank		
Commercial paper conduits	**$ 49,114**	$ 45,134
Mortgage-backed securities	**70,809**	34,685
CDOs	**45,516**	24,050
Structured finance	**186,309**	134,602
Other	**42,915**	56,514
Total	**$394,663**	$295,385
Global Investment Management		
Investment funds	**$ 25,358**	$ 25,655
Other	**375**	420
Total	**$ 25,733**	$ 26,075
Global Wealth Management		
Structured investment vehicles	**$ 3,546**	$ 4,511
Total	**$ 3,546**	$ 4,511
Proprietary Investment Activities		
Structured investment vehicles	**$ 50,968**	$ 53,978
Investment funds	**3,443**	2,446
Total	**$ 54,411**	$ 56,424
Total Citigroup	**$499,686**	$407,299

(1) Reclassified to conform to the 2004 presentation.

Some of the Company's private equity subsidiaries may invest in venture capital entities that may also be subject to FIN 46-R and are not included in the table above showing our VIE involvement. The Company accounts for its venture capital activities in accordance with the Investment Company Audit Guide (Audit Guide). The FASB deferred adoption of FIN 46-R for nonregistered investment companies that apply the Audit Guide. The FASB permitted nonregistered investment companies to defer consolidation of VIEs with which they are involved until a Statement of Position on the scope of the Audit Guide is finalized, which is expected in the first quarter of 2005. Following issuance of the Statement of Position, the FASB will consider further modification to FIN 46-R to provide an exception for companies that qualify to apply the revised Audit Guide. Following issuance of the revised Audit Guide and further modification, if any, to FIN 46-R, the Company will assess the effect of such guidance on its private equity business.

The Company may provide administrative, trustee and/or investment management services to numerous personal estate trusts, which are considered VIEs under FIN 46-R, but not consolidated. These trusts are excluded from the table summarizing the Company's involvement in VIEs.

The following table represents the carrying amounts and classification of consolidated assets that are collateral for VIE obligations, including VIEs that were consolidated prior to the implementation of FIN 46 under existing guidance and VIEs that the Company became involved with after July 1, 2003:

In billions of dollars	December 31, 2004	December 31, 2003
Cash	**$ 0.4**	$ 0.2
Trading account assets	**16.8**	13.9
Investments	**6.6**	8.4
Loans	**10.7**	12.2
Other assets	**1.1**	2.2
Total assets of consolidated VIEs	**$35.6**	$36.9

The consolidated VIEs included in the table above represent hundreds of separate entities with which the Company is involved and includes approximately $1.6 billion related to VIEs newly consolidated as a result of adopting FIN 46-R as of January 1, 2004, and $2.1 billion related to VIEs newly consolidated as a result of adopting FIN 46 at July 1, 2003. Of the $35.6 billion and $36.9 billion of total assets of VIEs consolidated by the Company at December 31, 2004 and 2003, respectively, $28.1 billion and $24.0 billion represent structured transactions where the Company packages and securitizes assets purchased in the financial markets or from clients in order to create new security offerings and financing opportunities for clients, $4.8 billion and $5.6 billion represent investment vehicles that were established to provide a return to the investors in the vehicles, and $2.7 billion and $1.2 billion represent vehicles that hold lease receivables and equipment as collateral to issue debt securities, thus obtaining secured financing at favorable interest rates. The December 31, 2003 consolidated VIE balance includes $6.1 billion of trust preferred securities, which are a source of funding and regulatory capital for the Company. As a result of adopting FIN 46-R as of March 31, 2004, the trust preferred securities were deconsolidated and the December 31, 2004 total asset balance of consolidated VIEs therefore excludes trust preferred securities.

The Company may, along with other financial institutions, provide liquidity facilities to the VIEs. Furthermore, the Company may be a party to derivative contracts with VIEs, may provide loss enhancement in the form of letters of credit and other guarantees to the VIEs, may be the investment manager, and may also have an ownership interest or other investment in certain VIEs. In general, the investors in the obligations of consolidated VIEs have recourse only to the assets of those VIEs and do not have recourse to the Company, except where the Company has provided a guarantee to the investors or is the counterparty to a derivative transaction involving the VIE.

In addition to the VIEs that are consolidated in accordance with FIN 46-R, the Company has significant variable interests in certain other VIEs that are not consolidated because the Company is not the primary beneficiary. These include multi-seller finance companies, collateralized debt obligations (CDOs), structured finance transactions, and numerous investment funds. In

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addition to these VIEs, the Company issues preferred securities to third-party investors through trust vehicles as a source of funding and regulatory capital, which were deconsolidated during the first quarter of 2004. One trust with assets of $206 million was deconsolidated at December 31, 2003. The Company's liabilities to the deconsolidated trusts are included in long-term debt at December 31, 2004 and 2003.

The Company administers several third-party owned, special purpose, multi-seller finance companies that purchase pools of trade receivables, credit cards, and other financial assets from third-party clients of the Company. As administrator, the Company provides accounting, funding, and operations services to these conduits. Generally, the Company has no ownership interest in the conduits. The sellers continue to service the transferred assets. The conduits' asset purchases are funded by issuing commercial paper and medium-term notes. The sellers absorb the first losses of the conduits by providing collateral in the form of excess assets. The Company along with other financial institutions provides liquidity facilities, such as commercial paper backstop lines of credit to the conduits. The Company also provides loss enhancement in the form of letters of credit and other guarantees. All fees are charged on a market basis. During 2003, to comply with FIN 46, all but two of the conduits issued "first loss" subordinated notes such that one third-party investor in each conduit would be deemed the primary beneficiary and would consolidate the conduit. At December 31, 2004 and 2003, total assets in unconsolidated conduits were $54.2 billion and $44.3 billion, respectively. One conduit with assets of $656 million and $823 million is consolidated at December 31, 2004 and 2003, respectively.

The Company packages and securitizes assets purchased in the financial markets or from clients in order to create new security offerings and financing opportunities for institutional and private bank clients as well as retail customers, including hedge funds, mutual funds, unit investment trusts, and other investment funds that match the clients' investment needs and preferences. The funds may be credit-enhanced by excess assets in the investment pool or by third-party insurers assuming the risks of the underlying assets, thus reducing the credit risk assumed by the investors and diversifying investors' risk to a pool of assets as compared with investments in individual assets. In a limited number of cases, the Company may guarantee the return of principal to investors. The Company typically manages the funds for market-rate fees. In addition, the Company may be one of several liquidity providers to the funds and may place the securities with investors. Many investment funds are organized as registered investment companies (RICs), corporations or partnerships with sufficient capital to fund their operations without additional credit support.

The Company also packages and securitizes assets purchased in the financial markets in order to create new security offerings, including arbitrage collateralized debt obligations (CDOs) and synthetic CDOs for institutional clients and retail customers, that match the clients' investment needs and preferences. Typically these instruments diversify investors' risk to a pool of assets as compared with investments in an individual asset. The VIEs, which are issuers of CDO securities, are generally organized as limited liability corporations. The Company typically receives fees for structuring and/or distributing the securities sold to investors. In some cases, the Company may repackage the investment with higher rated debt CDO securities or U.S. Treasury securities to provide a greater or a very high degree of certainty of the return of invested principal. A third-party manager is typically retained by the VIE to select collateral for inclusion in the pool and then actively manage it, or, in other cases, only to manage work-out credits. The Company may also provide other financial services and/or products to the VIEs for market-rate fees. These may include: the provision of liquidity or contingent liquidity facilities, interest rate or foreign exchange hedges and credit derivative instruments, as well as the purchasing and warehousing of securities until they are sold to the SPE. The Company is not the primary beneficiary of these VIEs under FIN 46-R due to our limited continuing involvement and, as a result, we do not consolidate their assets and liabilities in our financial statements.

In addition to the conduits discussed above, the total assets of unconsolidated VIEs where the Company has significant involvement is $145.9 billion and $116.6 billion at December 31, 2004 and 2003, respectively, including $17.7 billion and $7.9 billion in investment-related transactions, $2.2 billion and $6.0 billion in mortgage-related transactions, $17.6 billion and $8.5 billion in CDO-type transactions, $6.4 billion and $0.2 billion in trust preferred securities, and $102.0 billion and $94.2 billion in structured finance and other transactions, respectively.

The Company has also established a number of investment funds as opportunities for qualified employees to invest in venture capital investments. The Company acts as investment manager to these funds and may provide employees with financing on both a recourse and non-recourse basis for a portion of the employees' investment commitments.

In addition, the Company administers numerous personal estate trusts. The Company may act as trustee and may also be the investment manager for the trust assets.

As mentioned above, the Company may, along with other financial institutions, provide liquidity facilities, such as commercial paper backstop lines of credit to the VIEs. The Company may be a party to derivative contracts with VIEs, may provide loss enhancement in the form of letters of credit and other guarantees to the VIEs, may be the investment manager, and may also have an ownership interest in certain VIEs. Although actual losses are not expected to be material, the Company's maximum exposure to loss as a result of its involvement with VIEs that are not consolidated was $78 billion and $50 billion at December 31, 2004 and 2003, respectively. For this purpose, maximum exposure is considered to be the notional amounts of credit lines, guarantees, other credit support, and liquidity facilities, the notional amounts of credit default swaps and certain total return swaps, and the amount invested where Citigroup has an ownership interest in the VIEs. In addition, the Company may be party to other derivative contracts with VIEs. Exposures that are considered to be guarantees are also included in Note 27 to the Consolidated Financial Statements.

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13. DEBT

Investment Banking and Brokerage Borrowings

Investment banking and brokerage borrowings and the corresponding weighted average interest rates at December 31 are as follows:

	2004		2003	
In millions of dollars	**Balance**	**Weighted average interest rate**	Balance	Weighted average interest rate
Commercial paper	**$17,368**	**2.25%**	$17,626	1.07%
Bank borrowings	**1,427**	**3.33%**	918	1.23%
Other	**7,004**	**2.32%**	3,898	3.23%
Total	**$25,799**		$22,442	

Investment banking and brokerage borrowings are short-term in nature and include commercial paper, bank borrowings and other borrowings used to finance the operations of CGMHI, including the securities settlement process. Outstanding bank borrowings include both U.S. dollar- and non-U.S. dollar-denominated loans. The non-U.S. dollar loans are denominated in various currencies including the Japanese yen, the euro, and U.K. sterling. All of the commercial paper outstanding at December 31, 2004 and 2003 was U.S. dollar-denominated.

CGMHI has 364-day committed uncollateralized revolving line of credit facilities with unaffiliated banks totaling $3.3 billion. These facilities have a two-year term-out provision with any borrowings maturing on various dates through 2007. CGMHI also has three-year facilities totaling $1.4 billion with unaffiliated banks with any borrowings maturing on various dates in 2007. CGMHI may borrow under these revolving credit facilities at various interest rate options (LIBOR, Fed Funds or base rate) and compensates the banks for these facilities through facility fees. At December 31, 2004, there were no outstanding borrowings under these facilities. CGMHI also has committed long-term financing facilities with unaffiliated banks. At December 31, 2004, CGMHI had drawn down the full $1.5 billion then available under these facilities. A bank can terminate these facilities by giving CGMHI prior notice (generally one year). CGMHI compensates the banks for these facilities through facility fees. Under all of these facilities, CGMHI is required to maintain a certain level of consolidated adjusted net worth (as defined in the agreements). At December 31, 2004, this requirement was exceeded by approximately $6.8 billion. CGMHI also has substantial borrowing arrangements consisting of facilities that CGMHI has been advised are available, but where no contractual lending obligation exists. These arrangements are reviewed on an ongoing basis to ensure flexibility in meeting CGMHI's short-term requirements.

Short-Term Borrowings

Short-term borrowings consist of commercial paper and other borrowings with weighted average interest rates as follows:

	2004		2003	
In millions of dollars at year end	**Balance**	**Weighted average**	Balance	Weighted average
Commercial paper				
Citigroup Parent Company	**$ —**	**—**	$ 381	0.84%
Citicorp and Subsidiaries	**8,270**	**2.28%**	14,712	1.25%
	8,270		15,093	
Other borrowings	**22,698**	**2.56%**	21,094	1.81%
Total	**$30,968**		$36,187	

Citigroup and Citicorp issue commercial paper directly to investors. Citigroup and Citicorp, both of which are bank holding companies, maintain combined liquidity reserves of cash and securities to support their combined outstanding commercial paper.

Borrowings under bank lines of credit may be at interest rates based on LIBOR, CD rates, the prime rate, or bids submitted by the banks. Each company pays its banks commitment fees for its lines of credit.

Citicorp, CGMHI, and some of their nonbank subsidiaries have credit facilities with Citicorp's subsidiary banks, including Citibank, N.A. Borrowings under these facilities must be secured in accordance with Section 23A of the Federal Reserve Act.

Citigroup Finance Canada Inc., a wholly owned subsidiary of Associates, has an unutilized credit facility of Canadian $1.0 billion as of December 31, 2004 that matures in October 2005. The facility is guaranteed by Citicorp. In connection therewith, Citicorp is required to maintain a certain level of consolidated stockholder's equity (as defined in the agreements). At December 31, 2004, this requirement was exceeded by approximately $76.5 billion. Citicorp has also guaranteed various other debt obligations of Associates and CitiFinancial Credit Company, each an indirect subsidiary of Citicorp.

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Long-Term Debt

In millions of dollars at year end	Weighted average coupon	Maturities	2004	2003
Citigroup Parent Company				
Senior notes[1]	**4.17%**	**2005-2034**	**$ 68,119**	$ 53,452
Subordinated notes	**5.46%**	**2015-2033**	**14,243**	10,734
Junior subordinated notes relating to trust preferred securities[2]	**6.69%**	**2031-2036**	**5,551**	200
Citicorp and Subsidiaries				
Senior notes	**4.41%**	**2005-2037**	**68,173**	56,880
Subordinated notes	**6.67%**	**2005-2033**	**4,808**	5,071
Junior subordinated notes relating to trust preferred securities[2]	**7.98%**	**2027**	**846**	—
Citigroup Global Markets Holdings Inc.				
Senior notes	**3.60%**	**2005-2097**	**45,139**	35,490
Subordinated notes	**3.04%**	**2005-2006**	**98**	130
Travelers Insurance Company	**12.00%**	**2014**	**5**	8
Other				
Secured debt	**2.42%**	**2005-2044**	**928**	737
Total			**$207,910**	$162,702
Senior notes			**$181,431**	$145,822
Subordinated notes			**19,149**	15,935
Junior subordinated notes relating to trust preferred securities[2]			**6,397**	200
Other			**933**	745
Total			**$207,910**	$162,702

(1) Includes $250 million of notes maturing in 2098.
(2) As of December 31, 2003, Citigroup deconsolidated the Citigroup Capital III Trust under FIN 46. The remaining trust preferred securities were deconsolidated during the 2004 first quarter in accordance with FIN 46-R. The resulting liabilities to the trust companies are included as a component of long-term debt.

The Company issues both U.S. dollar- and non-U.S. dollar-denominated fixed and variable rate debt. The Company utilizes derivative contracts, primarily interest rate swaps, to effectively convert a portion of its fixed rate debt to variable rate debt and variable rate debt to fixed rate debt. The maturity structure of the derivatives generally corresponds with the maturity structure of the debt being hedged. In addition, the Company utilizes other derivative contracts to manage the foreign exchange impact of certain debt issuances. At December 31, 2004, the Company's overall weighted average interest rate for long-term debt was 4.35% on a contractual basis and 3.50% including the effects of derivative contracts.

Aggregate annual maturities on long-term debt obligations (based on final maturity dates) including trust preferred securities are as follows:

In millions of dollars	2005	2006	2007	2008	2009	Thereafter
Citigroup Parent Company	$11,478	$10,186	$ 8,877	$ 6,692	$ 7,570	$43,110
Citicorp and Subsidiaries	18,170	18,031	13,722	8,222	6,022	9,660
Citigroup Global Markets Holdings Inc.	6,789	9,786	6,010	5,109	7,874	9,669
Travelers Insurance Company	—	—	—	—	—	5
Other	195	250	165	227	11	80
Total	**$36,632**	**$38,253**	**$28,774**	**$20,250**	**$21,477**	**$62,524**

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The Company formed statutory business trusts under the laws of the state of Delaware, which exist for the exclusive purposes of (i) issuing Trust Securities representing undivided beneficial interests in the assets of the Trust; (ii) investing the gross proceeds of the Trust securities in junior subordinated deferrable interest debentures (subordinated debentures) of its parent; and (iii) engaging in only those activities necessary or incidental thereto. Upon approval from the Federal Reserve, Citigroup has the right to redeem these securities.

As of December 31, 2003 and prior, these Trusts were consolidated subsidiaries of Citigroup. As a result, the related Trust Securities were classified as "Citigroup or subsidiary-obligated mandatorily redeemable securities of subsidiary trusts holding solely junior subordinated debt securities of—Parent or Subsidiary" on Citigroup's Consolidated Balance Sheet. In addition, the related interest expense was included in the Consolidated Statement of Income.

In 2004, Citigroup adopted FIN 46-R, which resulted in the assets and liabilities, as well as the related income and expenses of the Trusts, being excluded from Citigroup's Consolidated Financial Statements. However, the subordinated debentures issued by the Citigroup subsidiaries and purchased by the Trusts remain on Citigroup's Consolidated Balance Sheet. In addition, the related interest expense continues to be included within the Consolidated Income Statement.

For Regulatory Capital purposes, these Trust Securities remain a component of Tier 1 Capital. See "Capital Resources and Liquidity" section on page 90.

The following table summarizes the financial structure of each of the Company's subsidiary trusts at December 31, 2004:

						Junior subordinated debentures owned by trust		
Trust securities with distributions guaranteed by:	**Issuance date**	**Securities issued**	**Liquidation value**	**Coupon rate**	**Common shares issued to parent**	**Amount**	**Maturity**	**Redeemable by issuer beginning**
In millions of dollars, except share amounts								
Citigroup:								
Citigroup Capital II	Dec. 1996	400,000	$ 400	7.750%	12,372	$ 412	Dec. 1, 2036	Dec. 1, 2006
Citigroup Capital III	Dec. 1996	200,000	200	7.625%	6,186	206	Dec. 1, 2036	Not redeemable
Citigroup Capital VII	July 2001	46,000,000	1,150	7.125%	1,422,681	1,186	July 31, 2031	July 31, 2006
Citigroup Capital VIII	Sept. 2001	56,000,000	1,400	6.950%	1,731,959	1,443	Sept. 15, 2031	Sept. 17, 2006
Citigroup Capital IX	Feb. 2003	44,000,000	1,100	6.000%	1,360,825	1,134	Feb. 14, 2033	Feb. 13, 2008
Citigroup Capital X	Sept. 2003	20,000,000	500	6.100%	618,557	515	Sept. 30, 2033	Sept. 30, 2008
Citigroup Capital XI	Sept. 2004	24,000,000	600	6.000%	742,269	619	Sept. 27, 2034	Sept. 27, 2009
Total parent-obligated			**$5,350**			**$5,515**		
Subsidiaries:								
Citicorp Capital I	Dec. 1996	300,000	$ 300	7.933%	9,000	$ 309	Feb. 15, 2027	Feb. 15, 2007
Citicorp Capital II	Jan. 1997	450,000	450	8.015%	13,500	464	Feb. 15, 2027	Feb. 15, 2007
Total subsidiary-obligated			**$ 750**			**$ 773**		

In each case, the coupon rate on the debentures is the same as that on the trust securities. Distributions on the trust securities and interest on the debentures are payable quarterly, except for Citigroup Capital II and III and Citicorp Capital I and II, on which distributions are payable semiannually.

On September 27, 2004, Citigroup issued $600 million in Trust Preferred Securities (Citigroup XI). On October 14, 2004, Citigroup redeemed for cash all of the $600 million Trust Preferred Securities of Citigroup Capital VI, at the redemption price of $25 per preferred security plus any accrued distribution to but excluding the date of redemption.

During 2003, the Company redeemed Citigroup Capital IV, Citigroup Capital V, SSBH Capital I, and Citicorp Capital III.

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14. GOODWILL AND INTANGIBLE ASSETS

During 2004 and 2003, no goodwill was impaired or written off. During the fourth quarter of 2004, the Company recorded approximately $118 million of goodwill in connection with the acquisition of Knight Trading. During the third quarter of 2004, the Company recorded approximately $102 million of goodwill in connection with the acquisition of Principal Residential Mortgage, Inc. During the second quarter of 2004, the Company recorded approximately $2.2 billion of goodwill in connection with the acquisition of KorAm. During the first quarter of 2004, the Company recorded approximately $890 million of goodwill in connection with the acquisition of WMF. Subsequently, $130 million of the WMF goodwill was reclassified during the 2004 second quarter to establish a deferred tax asset. The Company recorded goodwill of approximately $780 million during the fourth quarter of 2003, primarily related to the acquisition of Sears. During the 2003 third quarter, the Company recorded goodwill of approximately $170 million in connection with the acquisition of the remaining ownership interest in Diners Club Europe and reduced goodwill by $25 million in connection with the sale of a business in the Consumer segment.

The changes in goodwill during 2004 and 2003 were as follows:

In millions of dollars	Global Consumer	Global Corporate and Investment Bank	Global Wealth Management	Global Investment Management	Total
Balance at January 1, 2003[1]	$19,073	$4,372	$377	$3,139	$26,961
Goodwill acquired during 2003	890	60	—	—	950
Other[2]	42	(157)	(1)	(214)	(330)
Balance at December 31, 2003[1]	**$20,005**	**$4,275**	**$376**	**$2,925**	**$27,581**
Goodwill acquired during 2004	2,072	990	118	—	3,180
Other[2]	702	552	1	(24)	1,231
Balance at December 31, 2004	**$22,779**	**$5,817**	**$495**	**$2,901**	**$31,992**

(1) Reclassified to conform to the 2004 presentation.
(2) Other changes in goodwill primarily reflects foreign exchange effects on non-dollar-denominated goodwill, as well as purchase accounting adjustments.

The components of intangible assets were as follows:

	December 31, 2004			December 31, 2003		
In millions of dollars	Gross carrying amount	Accumulated amortization	Net carrying amount	Gross carrying amount	Accumulated amortization	Net carrying amount
Purchased credit card relationships	**$ 7,040**	**$2,366**	**$ 4,674**	$ 7,132	$1,841	$ 5,291
Mortgage servicing rights[1]	**8,099**	**3,950**	**4,149**	5,160	3,180	1,980
Core deposit intangibles	**1,158**	**318**	**840**	1,084	216	868
Other customer relationships	**1,089**	**497**	**592**	921	412	509
Present value of future profits	**781**	**474**	**307**	608	450	158
Other[2]	**4,129**	**692**	**3,437**	4,334	485	3,849
Total amortizing intangible assets	**$22,296**	**$8,297**	**$13,999**	$19,239	$6,584	$12,655
Indefinite-lived intangible assets			**1,272**			1,226
Total intangible assets			**$15,271**			$13,881

(1) Accumulated amortization of mortgage servicing rights includes the related valuation allowance. The assumptions used to value mortgage servicing rights are described in Note 1 to the Consolidated Financial Statements.
(2) Includes contract-related intangible assets.

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At December 31, 2004 and 2003, $1.272 billion and $1.226 billion of the Company's acquired intangible assets, including $817 million and $776 million of asset management and administration contracts, $410 million and $405 million of trade names and $45 million and $45 million of other intangible assets were considered to be indefinite-lived and not subject to amortization. All other acquired intangible assets are subject to amortization.

The intangible assets recorded during 2004 and their respective amortization periods were as follows:

In millions of dollars	2004	Weighted-average amortization period in years
Mortgage servicing rights	**$3,328**	**6**
Purchased credit card relationships and other customer relationships	**310**	**8**
Other intangibles	**272**	**15**
Total intangible assets recorded during the period(1)	**$3,910**	

(1) There was no significant residual value estimated for the intangible assets recorded during 2004.

During the third quarter of 2004, the Company recorded approximately $2.2 billion in mortgage servicing right intangibles in connection with the acquisition of Principal Residential Mortgage, Inc. During the second quarter of 2004, the Company recorded approximately $170 million of customer relationship intangibles, $81 million of core deposit intangibles and $41 million of other intangibles in connection with the KorAm acquisition. During the first quarter of 2004, the Company recorded approximately $140 million of customer relationship intangibles for the WMF acquisition. The Company also recorded in the first quarter of 2004 approximately $150 million of intangibles representing the present value of future profits associated with an acquired insurance portfolio.

Intangible assets amortization expense was $1,492 million, $1,192 million and $858 million for 2004, 2003 and 2002, respectively. Intangible assets amortization expense is estimated to be $1,804 million in 2005, $1,763 million in 2006, $1,631 million in 2007, $1,502 million in 2008, and $1,347 million in 2009.

15. INSURANCE POLICY AND CLAIMS RESERVES

At December 31, insurance policy and claims reserves consisted of the following:

In millions of dollars	2004	2003
Benefits and loss reserves		
Property-casualty(1)	**$ 1,517**	$ 1,620
Life and annuity	**13,508**	12,417
Accident and health	**1,927**	1,722
Unearned premiums	**1,168**	917
Policy and contract claims	**1,057**	802
	$19,177	$17,478

(1) Property-casualty amounts have been 100% ceded to St. Paul Travelers.

16. REINSURANCE

The Company's insurance operations participate in reinsurance in order to limit losses, minimize exposure to large risks, provide additional capacity for future growth and effect business-sharing arrangements. Life reinsurance is accomplished through various plans of reinsurance, primarily coinsurance, modified coinsurance and yearly renewable term. Reinsurance ceded arrangements do not discharge the insurance subsidiaries as the primary insurer, except for cases involving a novation.

Reinsurance amounts included in the Consolidated Statement of Income for the years ended December 31 were as follows:

In millions of dollars	Gross amount	Ceded	Net amount
2004			
Premiums			
Property-casualty insurance	**$ 118**	**$ (19)**	**$ 99**
Life insurance	**3,892**	**(423)**	**3,469**
Accident and health insurance	**639**	**(214)**	**425**
	$4,649	**$(656)**	**$3,993**
Claims incurred	**$3,286**	**$(885)**	**$2,401**
2003			
Premiums			
Property-casualty insurance	$ 142	$ (1)	$ 141
Life insurance	3,746	(384)	3,362
Accident and health insurance	479	(233)	246
	$4,367	$(618)	$3,749
Claims incurred	$3,367	$(797)	$2,570
2002			
Premiums			
Property-casualty insurance	$ 368	$ (88)	$ 280
Life insurance	3,212	(330)	2,882
Accident and health insurance	490	(242)	248
	$4,070	$(660)	$3,410
Claims incurred	$3,005	$(790)	$2,215

Reinsurance recoverables, net of valuation allowance, at December 31, 2004 and 2003 include amounts recoverable on unpaid and paid losses and were as follows:

In millions of dollars	2004	2003
Life business	**$1,178**	$1,092
Property-casualty business		
Pools and associations	**1,517**	1,627
Other reinsurance	**2,088**	1,858
Total	**$4,783**	$4,577

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17. RESTRUCTURING-RELATED ITEMS

The status of the 2004, 2003, and 2002 restructuring initiatives are summarized in the following table:

Restructuring Reserve Activity

	Restructuring initiatives		
In millions of dollars	2004	2003	2002
Restructuring-related charges	$ 1	$ —	$ 65
Purchase price allocations related to acquisitions[1]	71	82	186
Utilization during:[2]			
2004	(25)	(55)	—
2003	—	—	(173)
2002	—	—	(68)
	(25)	(55)	(241)
Other[3]	(28)	(6)	(10)
Balance at December 31, 2004	$ 19	$ 21	$ —

(1) Represents additions to restructuring liabilities arising from acquisitions.
(2) Utilization amounts include foreign currency translation effects on the restructuring reserve.
(3) Primarily represents the changes in estimates from 2004 restructuring initiatives of $28 million, 2003 restructuring initiatives of $6 million, and 2002 restructuring initiatives of $9 million.

During 2004, Citigroup recognized $1 million of restructuring charges for the WMF acquisition and $71 million in the purchase price allocation for integration of operations relating to the acquisitions of WMF, KorAm, and PRMI.

Of the $71 million, $21 million was recognized as a liability in the purchase price allocation related to WMF ($4 million for employee severance and $17 million for existing leasehold and other contractual obligations), $33 million related to KorAm ($26 million for employee severance and $7 million for leasehold and other contractual obligations), and $17 million related to PRMI ($9 million for employee severance and $8 million for leasehold and other contractual obligations).

Through December 31, 2004, $25 million of the 2004 restructuring reserve has been utilized, of which $7 million for severance and $5 million for leasehold and other exit costs have been paid in cash, while $13 million is for other specifically identified contractual obligations. Approximately 125 and 250 staff positions have been eliminated in connection with the WMF and PRMI acquisitions, respectively.

During 2003, Citigroup recorded a restructuring reserve of $82 million in the purchase price allocation of Sears for the integration of its operations and operating platforms within the Global Consumer business. Of the $82 million, $47 million related to employee severance and $35 million related to exiting leasehold and other contractual obligations.

Through December 31, 2004, $55 million of the 2003 restructuring reserve has been utilized, of which $31 million for severance and $3 million for leasehold and other exit costs have been paid in cash, while $21 million is for other specifically identified contractual obligations. Approximately 2,600 staff positions have been eliminated under this program.

During 2002, Citigroup recorded restructuring charges of $65 million, of which $42 million related to the downsizing of Global Consumer and GCIB operations in Argentina, and $23 million related to the acquisition of GSB and the integration of its operations within the Global Consumer business. These restructuring charges were expensed and are included in "Restructuring-related items" in the Consolidated Statement of Income. In addition, a restructuring reserve of $186 million was also recognized as a liability in the purchase price allocation of GSB for the integration of operations and operating platforms. The 2002 reserves include $150 million related to employee severance and $101 million related to exiting leasehold and other contractual obligations.

Through December 31, 2004, $241 million of the 2002 restructuring reserve has been utilized, of which $128 million for employee severance and $77 million for leasehold and other exit costs have been paid in cash, while $36 million is for other specifically identified contractual obligations. Approximately 4,650 staff positions have been eliminated under these programs, including approximately 2,600 staff positions in connection with the GSB acquisition.

Restructuring-related items included in the Consolidated Statement of Income for the years ended December 31, 2004, 2003 and 2002 were as follows:

In millions of dollars	**2004**	2003	2002
Restructuring charges	**$ 1**	$ —	$ 65
Changes in estimates	**(6)**	(46)	(88)
Accelerated depreciation	**—**	—	8
Total restructuring-related items	**$(5)**	$(46)	$(15)

Changes in estimates are attributable to facts and circumstances arising subsequent to an original restructuring charge. Changes in estimates attributable to lower than anticipated costs of implementing certain projects and a reduction in the scope of certain initiatives during 2004 resulted in reducing the reserve for 2004 and 2003 restructuring initiatives by $28 million and $6 million, respectively, both of which were recorded as adjustments to the liability in the purchase price allocations. In addition, a $5 million reduction for 2002 restructuring initiatives and a $1 million reduction in the reserve for prior years' restructuring initiatives were recorded in the line "Restructuring-related items" in the Consolidated Statement of Income.

During 2003, changes in estimates resulted in reducing the reserve for 2002 restructuring initiatives by $13 million and the reserve for prior years' restructuring initiatives by $33 million. During 2002, changes in estimates resulted in the reduction of the reserve for 2002 restructuring initiatives by $2 million and the reserve for prior years' restructuring initiatives by $86 million.

The implementation of these restructuring initiatives also caused certain related premises and equipment assets to become redundant. The remaining depreciable lives of these assets were shortened, and accelerated depreciation charges (in addition to normal scheduled depreciation on those assets) were recognized. There were no accelerated depreciation charges recognized in both 2004 and 2003, while an $8 million charge was recognized in 2002.

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18. INCOME TAXES

In millions of dollars	2004	2003	2002
Current			
Federal	**$ 4,064**	$4,030	$ 4,158
Foreign	**3,076**	2,809	2,454
State	**752**	495	590
Total current income taxes	**7,892**	7,334	7,202
Deferred			
Federal	**(1,080)**	553	(326)
Foreign	**396**	233	159
State	**(299)**	75	(37)
Total deferred income taxes	**(983)**	861	(204)
Provision for income tax on continuing operations before minority interest(1)	**6,909**	8,195	6,998
Provision for income tax on discontinued operations	**—**	—	360
Provision (benefit) for income taxes on cumulative effect of accounting change	**—**	—	(14)
Income tax expense (benefit) reported in stockholders' equity related to:			
Foreign currency translation	**146**	(327)	(1,071)
Securities available-for-sale	**48**	456	548
Employee stock plans	**(474)**	(363)	(381)
Cash flow hedges	**(270)**	(154)	575
Other	**—**	—	(26)
Income taxes before minority interest	**$ 6,359**	$7,807	$ 6,989

(1) Includes the effect of securities transactions resulting in a provision of $291 million in 2004, $178 million in 2003, and ($172) million in 2002.

The reconciliation of the federal statutory income tax rate to the Company's effective income tax rate applicable to income from continuing operations (before minority interest and the cumulative effect of accounting changes) for the years ended December 31 was as follows:

	2004	2003	2002
Federal statutory rate	**35.0%**	35.0%	35.0%
State income taxes, net of federal benefit	**1.4%**	1.4%	1.8%
Foreign income tax rate differential	**(4.2)%**	(3.1)%	(2.1)%
Other, net	**(3.6)%**	(2.2)%	(0.6)%
Effective income tax rate	**28.6%**	31.1%	34.1%

Deferred income taxes at December 31 related to the following:

In millions of dollars	2004	2003
Deferred tax assets		
Credit loss deduction	**$ 2,893**	$ 3,351
Differences in computing policy reserves	**365**	538
Deferred compensation	**1,277**	1,256
Employee benefits	**464**	416
Restructuring and settlement reserves	**3,682**	673
Interest-related items	**571**	494
Foreign and state loss carryforwards	**16**	289
Other deferred tax assets	**1,986**	2,383
Gross deferred tax assets	**11,254**	9,400
Valuation allowance	**16**	320
Deferred tax assets after valuation allowance	**11,238**	9,080
Deferred tax liabilities		
Investments	**(2,494)**	(2,604)
Unremitted foreign earnings	**(806)**	(343)
Deferred policy acquisition costs and value of insurance in force	**(1,486)**	(1,272)
Leases	**(2,705)**	(2,220)
Fixed assets	**(1,001)**	(794)
Intangibles	**(842)**	(600)
Other deferred tax liabilities	**(554)**	(618)
Gross deferred tax liabilities	**(9,888)**	(8,451)
Net deferred tax asset	**$ 1,350**	$ 629

Foreign pretax earnings approximated $10.5 billion in 2004, $8.6 billion in 2003, and $8.7 billion in 2002. As a U.S. corporation, Citigroup and its U.S. subsidiaries are subject to U.S. taxation currently on all foreign pretax earnings earned by a foreign branch. Pretax earnings of a foreign subsidiary or affiliate are subject to U.S. taxation when effectively repatriated. The Company provides income taxes on the undistributed earnings of non-U.S. subsidiaries except to the extent that such earnings are indefinitely invested outside the United States. At December 31, 2004, $10.0 billion of accumulated undistributed earnings of non-U.S. subsidiaries were indefinitely invested. At the existing U.S. federal income tax rate, additional taxes of $2.7 billion would have to be provided if such earnings were remitted currently. The current year's effect on the income tax expense from continuing operations is included in the reconciliation of the federal statutory rate to the Company's effective income tax rate above.

The Homeland Investment Act provision of the American Jobs Creation Act of 2004 ("2004 Tax Act") is intended to provide companies with a one-time 85% reduction in the U.S. net tax liability on cash dividends paid by foreign subsidiaries in 2005, to the extent that they exceed a baseline level of dividends paid in prior years. The provisions of the Act are complicated and companies, including Citigroup, are awaiting clarification of several provisions from the Treasury Department. The Company is still evaluating the provision and the effects it would have on the financing of the Company's foreign operations. In accordance with FASB Staff Position FAS 109-2, "Accounting and Disclosure Guidance for the Foreign Earnings Repatriation Provision within the American Jobs Creation Act of 2004," the Company has not recognized any income tax effects of the repatriation provisions of the Act in its 2004 financial statements and will not do so until the above issues are resolved, sometime in 2005. The reasonably possible amounts that may be

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repatriated in 2005 that would be subject to the provision of the Act range from $0 to $3.2 billion. The related potential income tax effects range from a tax benefit of $0 to a tax benefit of $50 million, under current law.

Income taxes are not provided for on the Company's life insurance subsidiaries' "policyholders' surplus account" because under current U.S. tax rules such taxes will become payable only to the extent such amounts are distributed as a dividend or exceed limits prescribed by federal law. This "account" aggregated $982 million (subject to a tax of $344 million) at December 31, 2004. The 2004 Tax Act provides that this "account" can be reduced directly by distributions made by the life insurance subsidiaries in 2005 and 2006. The Company intends to make sufficient distributions to eliminate this "account" within the timeframe permitted under the Act.

Income taxes are not provided for on the Company's "savings bank base year bad debt reserves" because under current U.S. tax rules such taxes will become payable only to the extent such amounts are distributed in excess of limits prescribed by federal law. At December 31, 2004, the amount of the base year reserves totaled approximately $358 million (subject to a tax of $125 million).

The 2004 net change in the valuation allowance related to deferred tax assets was a decrease of $304 million, primarily relating to a release of $234 million as a result of changes to the foreign tax credit rules contained in the 2004 Tax Act. The valuation allowance of $16 million at December 31, 2004 relates to state tax loss carryforwards.

Management believes that the realization of the recognized net deferred tax asset (after valuation allowance) of $1,350 million is more likely than not based on existing carryback ability and expectations as to future taxable income in the jurisdictions in which it operates. The Company, which has a history of strong earnings, has reported pretax financial statement income from continuing operations of approximately $24 billion, on average, over the last three years.

19. PREFERRED STOCK AND STOCKHOLDERS' EQUITY

Perpetual Preferred Stock

The following table sets forth the Company's perpetual preferred stock outstanding at December 31:

	Rate	Redeemable in whole or in part on or after(1)	Redemption price per share(2)	Number of shares	Carrying value *(in millions of dollars)* 2004	2003
Series F(3)	6.365%	June 16, 2007	$250	1,600,000	**$ 400**	$ 400
Series G(3)	6.213%	July 11, 2007	$250	800,000	**200**	200
Series H(3)	6.231%	September 8, 2007	$250	800,000	**200**	200
Series M(3)	5.864%	October 8, 2007	$250	800,000	**200**	200
Series V(4)	Fixed/Adjustable	February 15, 2006	$500	250,000	**125**	125
					$1,125	$1,125

(1) Under various circumstances, the Company may redeem certain series of preferred stock at times other than described above.
(2) Liquidation preference per share equals redemption price per share.
(3) Issued as depositary shares, each representing a one-fifth interest in a share of the corresponding series of preferred stock.
(4) Issued as depositary shares, each representing a one-tenth interest in a share of the corresponding series of preferred stock.

All dividends on the Company's perpetual preferred stock are payable quarterly and are cumulative.

Dividends on the Series V preferred stock are payable at 5.86% through February 15, 2006, and thereafter at rates determined quarterly by a formula based on certain interest rate indices, subject to a minimum rate of 6% and a maximum rate of 12%. The rate of dividends on the Series V preferred stock is subject to adjustment based upon the applicable percentage of the dividends received deduction.

Regulatory Capital

Citigroup and Citicorp are subject to risk-based capital and leverage guidelines issued by the Board of Governors of the Federal Reserve System (FRB), and their U.S. insured depository institution subsidiaries, including Citibank, N.A., are subject to similar guidelines issued by their respective primary federal bank regulatory agencies. These guidelines are used to evaluate capital adequacy and include the required minimums shown in the following table.

The regulatory agencies are required by law to take specific prompt actions with respect to institutions that do not meet minimum capital standards. As of December 31, 2004 and 2003, all of Citicorp's U.S. insured subsidiary depository institutions were "well capitalized." At December 31, 2004, regulatory capital as set forth in guidelines issued by the U.S. federal bank regulators is as follows:

In millions of dollars	Required minimum	Well capitalized minimum	Citigroup	Citicorp	Citibank, N.A.
Tier 1 Capital			$ 74,415	$60,113	$41,702
Total Capital(1)			100,899	87,118	61,965
Tier 1 Capital Ratio	4.0%	6.0%	8.74%	8.69%	8.42%
Total Capital Ratio(1)	8.0%	10.0%	11.85%	12.59%	12.51%
Leverage Ratio(2)	3.0%	5.0%(3)	5.20%	6.74%	6.28%

(1) Total Capital includes Tier 1 and Tier 2.
(2) Tier 1 Capital divided by adjusted average assets.
(3) Applicable only to depository institutions. For bank holding companies to be "well capitalized" they must maintain a minimum leverage ratio of 3%.

There are various legal limitations on the extent to which Citicorp's banking subsidiaries may pay dividends to their parents. Citicorp's national and state-chartered bank subsidiaries can declare dividends to their respective parent companies in 2005, without regulatory approval, of approximately

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$11.6 billion adjusted by the effect of their net income (loss) for 2005 up to the date of any such dividend declaration. In determining whether and to what extent to pay dividends, each bank subsidiary must also consider the effect of dividend payments on applicable risk-based capital and leverage ratio requirements as well as policy statements of the federal regulatory agencies that indicate that banking organizations should generally pay dividends out of current operating earnings. Consistent with these considerations, Citicorp estimates that its bank subsidiaries can directly or through their parent holding company distribute dividends to Citicorp of approximately $10.6 billion of the available $11.6 billion, adjusted by the effect of their net income (loss) up to the date of any such dividend declaration.

Travelers Insurance Company (TIC) is subject to various regulatory restrictions that limit the maximum amount of dividends available to its parent without prior approval of the Connecticut Insurance Department. A maximum of $908 million of statutory surplus is available by the end of the year 2005 for such dividends without the prior approval of the Connecticut Insurance Department.

Certain of the Company's U.S. and non-U.S. broker/dealer subsidiaries are subject to various securities and commodities regulations and capital adequacy requirements promulgated by the regulatory and exchange authorities of the countries in which they operate. The principal regulated subsidiaries, their net capital requirements or equivalent and excess over the minimum requirement as of December 31, 2004 are as follows:

In millions of dollars

Subsidiary	Jurisdiction	Net capital or equivalent	Excess over minimum requirement
Citigroup Global Markets Inc.	U.S. Securities and Exchange Commission Uniform Net Capital Rule (Rule 15c3-1)	$4,488	$3,879
Citigroup Global Markets Limited	United Kingdom's Financial Services Authority	$7,356	$1,904

20. CHANGES IN EQUITY FROM NONOWNER SOURCES

Changes in each component of "Accumulated Other Changes in Equity from Nonowner Sources" for the three-year period ended December 31, 2004 are as follows:

In millions of dollars	Net unrealized gains on investment securities	Foreign currency translation adjustment	Cash flow hedges	Accumulated other changes in equity from nonowner sources
Balance, January 1, 2002	$ 852	$(1,864)	$ 168	$ (844)
Increase in net unrealized gains on investment securities, net of tax[1]	792	—	—	792
Add: Reclassification adjustment for losses included in net income, net of tax[1]	313	—	—	313
Foreign currency translation adjustment, net of tax[2]	—	(1,528)	—	(1,528)
Cash flow hedges, net of tax	—	—	1,074	1,074
Change	1,105	(1,528)	1,074	651
Balance, December 31, 2002	1,957	(3,392)	1,242	(193)
Increase in net unrealized gains on investment securities, net of tax[3]	1,283	—	—	1,283
Less: Reclassification adjustment for gains included in net income, net of tax[3]	(332)	—	—	(332)
Foreign currency translation adjustment, net of tax[4]	—	(1,073)	—	(1,073)
Cash flow hedges, net of tax	—	—	(491)	(491)
Change	951	(1,073)	(491)	(613)
Balance, December 31, 2003	2,908	(4,465)	751	(806)
Increase in net unrealized gains on investment securities, net of tax	265	—	—	265
Less: Reclassification adjustment for gains included in net income, net of tax	(540)	—	—	(540)
Foreign currency translation adjustment, net of tax[5]	—	1,355	—	1,355
Cash flow hedges, net of tax	—	—	(578)	(578)
Current period change	(275)	1,355	(578)	502
Balance, December 31, 2004	**$2,633**	**$(3,110)**	**$ 173**	**$ (304)**

(1) Primarily reflects the impact of a declining interest rate yield curve on fixed income securities and realized losses resulting from the sale of securities offset by the distribution of IPC.
(2) Primarily reflects the $595 million after-tax impact of translating Argentina's net assets into the U.S. dollar equivalent and the decline in the Mexican peso against the U.S. dollar. As a result of government actions in Argentina, which began in the fourth quarter of 2001, the functional currency of the Argentine branch and subsidiaries was changed in the 2002 first quarter from the U.S. dollar to the Argentine peso.
(3) Primarily reflects an increase in the investment portfolio due to incremental purchases and the impact of declining interest rates coupled with spread tightening, partially offset by realized gains resulting from the sale of securities.
(4) Reflects, among other items, the decline in the Mexican peso against the U.S. dollar and changes in related tax effects.
(5) Reflects, among other items, the movements in the Japanese yen, euro, Korean won, Mexican peso, British pound and the Polish zloty against the U.S. dollar and changes in related tax effects.

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21. EARNINGS PER SHARE

The following is a reconciliation of the income and share data used in the basic and diluted earnings per share computations for the years ended December 31:

In millions, except per share amounts	**2004**	2003	2002
Income from continuing operations before cumulative effect of accounting change	**$17,046**	$17,853	$13,448
Discontinued operations	**—**	—	1,875
Cumulative effect of accounting change	**—**	—	(47)
Preferred dividends	**(68)**	(71)	(83)
Income available to common stockholders for basic EPS	**16,978**	17,782	15,193
Effect of dilutive securities	**—**	—	—
Income available to common stockholders for diluted EPS	**$16,978**	$17,782	$15,193
Weighted average common shares outstanding applicable to basic EPS	**5,107.2**	5,093.3	5,078.0
Effect of dilutive securities:			
Options	**44.3**	47.1	47.4
Restricted and deferred stock	**55.9**	52.3	39.7
Convertible securities	**—**	0.9	1.1
Adjusted weighted average common shares outstanding applicable to diluted EPS	**5,207.4**	5,193.6	5,166.2
Basic earnings per share			
Income from continuing operations before cumulative effect of accounting change	**$ 3.32**	$ 3.49	$ 2.63
Discontinued operations	**—**	—	0.37
Cumulative effect of accounting change	**—**	—	(0.01)
Net income	**$ 3.32**	$ 3.49	$ 2.99
Diluted earnings per share			
Income from continuing operations before cumulative effect of accounting change	**$ 3.26**	$ 3.42	$ 2.59
Discontinued operations	**—**	—	0.36
Cumulative effect of accounting change	**—**	—	(0.01)
Net income	**$ 3.26**	$ 3.42	$ 2.94

During 2004, 2003 and 2002, weighted average options of 98.4 million shares, 149.8 million shares and 223.6 million shares with weighted average exercise prices of $49.60 per share, $46.08 per share, and $44.79 per share, respectively, were excluded from the computation of diluted EPS because the options' exercise prices were greater than the average market price of the Company's common stock.

22. INCENTIVE PLANS

The Company has adopted a number of equity compensation plans under which it administers stock options, restricted/deferred stock and stock purchase programs to attract, retain and motivate officers and employees, to compensate them for their contributions to the growth and profits of the Company, and to encourage employee stock ownership. All of the plans are administered by the Personnel and Compensation Committee of the Citigroup Board of Directors, which is composed entirely of independent non-employee directors. At December 31, 2004, approximately 438 million shares were authorized for grant under Citigroup's stock incentive plans.

Stock Option Programs

The Company has a number of stock option programs for its directors, officers and employees. Options are granted on Citigroup common stock at the market value at the time of grant. Options granted in 2004 and 2003 typically vest 33% each year for three years, with the first vesting date occurring 17 months after the grant date. The options granted in 2004 and 2003 have a term of six years. Also, the sale of underlying shares acquired through the exercise of options granted in 2004 and 2003 is restricted for a two-year period. Prior to 2003, options were granted for a period of 10 years. Generally, prior to 2003, Citigroup options, including options granted under Travelers' predecessor plans and options granted since the date of the merger of Citicorp and Travelers Group Inc., vest at a rate of 20% per year, with the first vesting date generally occurring 12 to 18 months following the grant date. Generally, 50% of the options granted under Citicorp predecessor plans prior to the merger were exercisable beginning on the third anniversary and 50% beginning on the fourth anniversary of the date of grant. Options granted under Associates' predecessor plans vested in 2001 at the time of the merger with Citigroup. Certain options, mostly granted prior to January 1, 2003, permit an employee exercising an option under certain conditions to be granted new options (reload options) in an amount equal to the number of common shares used to satisfy the exercise price and the withholding taxes due upon exercise. The reload options are granted for the remaining term of the related original option and vest after six months.

To further encourage employee stock ownership, the Company's eligible employees participate in WealthBuilder, CitiBuilder, or the Citigroup Ownership Program. Options granted under the WealthBuilder and the Citigroup Ownership program vest over a five-year period, whereas options granted under the CitiBuilder program vest after five years. These options do not have a reload feature. Beginning in 2003, new options are no longer being granted under these programs.

The Company redesigned its equity incentive programs for the 2004 compensation year. In January 2005, equity incentive awards were granted to eligible employees in the form of restricted or deferred stock under the Capital Accumulation Program (CAP), and stock options are only granted to CAP participants who elect to receive them. The stock options carry the same vesting period as the restricted or deferred stock award, have a six-year term and an exercise price equal to 100% of fair market value on the grant date.

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Information with respect to stock option activity under Citigroup stock option plans for the years ended December 31, 2004, 2003 and 2002 is as follows:

	2004		2003		2002	
	Options	Weighted average exercise price	Options	Weighted average exercise price	Options	Weighted average exercise price
Outstanding, beginning of year	**359,376,198**	**$37.07**	380,274,611	$36.09	390,732,697	$33.74
Granted-original	**27,520,987**	**49.05**	43,649,005	32.35	79,876,755	40.35
Granted-reload	**12,725,607**	**49.99**	13,956,702	44.21	10,248,798	40.94
Forfeited or exchanged[1]	**(16,606,946)**	**43.27**	(22,454,416)	40.27	(49,735,340)	35.70
Expired	**(1,635,927)**	**48.12**	(5,545,698)	48.66	(10,021,156)	48.51
Exercised	**(50,469,140)**	**29.89**	(50,504,006)	24.39	(40,827,143)	20.99
Outstanding, end of year	**330,910,779**	**$39.28**	359,376,198	$37.07	380,274,611	$36.09
Exercisable at year end	**214,952,186**		199,263,927		192,109,773	

(1) Includes 29.4 million options in 2002 that were exchanged for TPC options.

The following table summarizes the information about stock options outstanding under Citigroup stock option plans at December 31, 2004:

	Options outstanding			Options exercisable	
Range of exercise prices	Number outstanding	Weighted average contractual life remaining	Weighted average exercise price	Number exercisable	Weighted average exercise price
$ 5.12–$ 9.99	1,045,039	1.1 years	$ 8.23	1,045,039	$ 8.23
$10.00–$19.99	8,663,464	1.9 years	15.77	8,410,855	15.68
$20.00–$29.99	51,141,089	3.3 years	22.87	50,856,774	22.86
$30.00–$39.99	57,353,781	4.8 years	33.08	27,208,275	33.26
$40.00–$49.99	198,224,144	5.6 years	45.57	113,078,836	45.44
$50.00–$56.83	14,483,262	4.0 years	51.87	14,352,407	51.87
	330,910,779	4.9 years	$39.28	214,952,186	$37.64

Stock Award Programs

The Company, primarily through its Capital Accumulation Program (CAP), issues shares of Citigroup common stock in the form of restricted or deferred stock to participating officers and employees. Restricted or deferred stock awards granted in 2003 and 2004 generally vest after a two- or three-year vesting period, during which time the stock cannot be sold or transferred by the participant, and is subject to total or partial cancellation if the participant's employment is terminated. CAP awards granted in January 2005 generally vest 25% per year over four years, except for certain employees at *Smith Barney* whose awards vest after two years. CAP participants may elect to receive part of their award in stock options. The figures in the two previous tables include options granted under CAP. Unearned compensation expense associated with the stock grants represents the market value of Citigroup common stock at the date of grant and is recognized as a charge to income ratably over the vesting period.

In 2003, special equity awards were issued to certain employees in the Global Corporate and Investment Bank and Citigroup International businesses. The awards are not discounted and vest over a three-year term beginning on July 12, 2003, with one-sixth of the award vesting every six months. Until the shares vest, a recipient may not transfer the shares. After they vest, the shares become freely transferable (subject to the stock ownership commitment).

From the date of award, the recipient of a restricted stock award can direct the vote on the shares and receive regular dividends. Recipients of deferred stock awards receive dividend equivalents and cannot vote.

During 2004 and 2003, Citigroup granted restricted or deferred shares under the Citigroup Ownership Program (COP) to eligible employees. This program replaces the WealthBuilder, CitiBuilder, and Citigroup Ownership stock option programs. Employees are issued either restricted or deferred shares of Citigroup common stock that vest after three years, during which time the stock cannot be sold or transferred by the participant. Unearned compensation expense associated with the stock grants represents the market value of Citigroup common stock at the date of grant and is recognized as a charge to income ratably over the vesting period.

Information with respect to stock awards is as follows:

	2004	2003	2002
Shares awarded	**38,662,598**	57,559,301	37,730,860
Weighted average fair market value per share	**$38.65**	$34.07	$41.82
After-tax compensation cost charged to earnings *(in millions of dollars)*	**$ 922**	$ 903	$ 766

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Stock Purchase Program

The Citigroup 2003 Stock Purchase Program, which is administered under the Citigroup 2000 Stock Purchase Plan, as amended, allows eligible employees of Citigroup to enter into fixed subscription agreements to purchase shares in the future at the lesser of the offering price on the first day of the offering period or the closing price at the end of the offering period. For the June 15, 2003 offering only, subject to certain limits, enrolled employees are permitted to make one purchase prior to the expiration date. The purchase price of the shares is paid with accumulated payroll deductions plus interest. Shares of Citigroup's common stock delivered under the Citigroup 2003 Stock Purchase Program may be sourced from authorized and unissued or treasury shares. The offering under the Citigroup 2003 Stock Purchase Program was made on June 15, 2003. In June 2004, an additional offering was made to new employees. The program ends in July 2005. The original offering under the Citigroup Stock Purchase Program was in August 2000. Under this offering, eligible employees of Citigroup were able to enter into fixed subscription agreements to purchase shares in the future at the market value on the date of the agreements. In 2001, three additional offerings were made to new employees in April, August, and November 2001. In March 2002, an additional offering was made to new employees.

Following is the share price under both Stock Purchase Programs. The fixed price for the June 2003 offering was $44.10. The fixed price for the June 2004 offering was $46.74. The fixed price for the 2000 program in August 2000 was $49.36 per share. The fixed prices for the offerings made in April, August, and November 2001 were $41.95, $46.83 and $42.45, respectively. The fixed price for the offering made in March 2002 was $42.20.

	2004	2003	2002
Outstanding subscribed shares at beginning of year	**8,336,245**	—	22,796,355
Subscriptions entered into	**495,144**	8,784,380	363,970
Shares purchased	**(365,591)**	(65)	(19,794)
Canceled or terminated(1)	**(1,353,120)**	(448,070)	(23,140,531)
Outstanding subscribed shares at end of year	**7,112,678**	8,336,245	—

(1) 2002 activity represents shares canceled or expired due to the grant price exceeding the market price.

Pro Forma Impact of SFAS 123

Prior to January 1, 2003, Citigroup applied APB 25 in accounting for its stock-based compensation plans. Under APB 25, there is generally no charge to earnings for employee stock option awards because the options granted under these plans have an exercise price equal to the market value of the underlying common stock on the grant date. Alternatively, SFAS 123 allows companies to recognize compensation expense over the related service period based on the grant-date fair value of the stock award. Refer to Note 1 for a further description of these accounting standards and a presentation of the effect on net income and earnings per share had the Company applied SFAS 123 in accounting for all of the Company's stock option plans. The pro forma adjustments in that table relate to stock options granted from 1995 through 2002, for which a fair value on the date of grant was determined using a Black-Scholes option pricing model. In accordance with SFAS 123, no effect has been given to options granted prior to 1995. The fair values of stock-based awards are based on assumptions that were determined at the grant date.

Fair Value Assumptions

SFAS 123 requires that reload options be treated as separate grants from the related original grants. Pursuant to the terms of currently outstanding reloadable options, upon exercise of an option, employees use previously owned shares to pay the exercise price and surrender shares otherwise to be received for related tax withholding, and receive a reload option covering the same number of shares used for such purposes. Reload options vest at the end of a six-month period and carry the same expiration date on the option that gave rise to the reload grant. Reload options are intended to encourage employees to exercise options at an earlier date and to retain the shares so acquired, in furtherance of the Company's long-standing policy of encouraging increased employee stock ownership. The result of this program is that employees generally will exercise options as soon as they are able and, therefore, these options have shorter expected lives. Shorter option lives result in lower valuations. However, such values are expensed more quickly due to the shorter vesting period of reload options. In addition, since reload options are treated as separate grants, the existence of the reload feature results in a greater number of options being valued.

Shares received through option exercises under the reload program, as well as certain other options granted, are subject to restrictions on sale. Discounts have been applied to the fair value of options granted to reflect these sale restrictions.

Additional valuation and related assumption information for Citigroup option plans, including the Citigroup 2003 Stock Purchase Program, is presented below. For 2004, Citigroup utilized a binomial model to value stock options. For 2003 and prior grants, the Black-Scholes valuation model was utilized.

For options granted during	**2004**	2003	2002
Weighted average fair value			
Option	**$6.82**	$6.92	$9.47
Weighted average expected life			
Original grants	**4.54 years**	3.45 years	3.5 years
Reload grants	**3.28 years**	2 years	2 years
Stock Purchase Program grants	**1.07 years**	2.1 years	—
Valuation assumptions			
Expected volatility	**25.98%**	37.74%	37.19%
Risk-free interest rate	**2.84%**	2.00%	3.86%
Expected annual dividends per share			$0.92
For grants before July 14, 2003		$0.92	
For grants on or after July 14, 2003		$1.54	
Expected dividend yield	**2.96%**		
Expected annual forfeitures			
Original and reload grants	**7%**	7%	7%
Stock Purchase Program grants	**10%**	10%	—

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23. RETIREMENT BENEFITS

The Company has several non-contributory defined benefit pension plans covering substantially all U.S. employees and has various defined benefit pension and termination indemnity plans covering employees outside the United States. The U.S. defined benefit plan provides benefits under a cash balance formula. Employees satisfying certain age and service requirements remain covered by a prior final pay formula. The Company also offers postretirement health care and life insurance benefits to certain eligible U.S. retired employees, as well as to certain eligible employees outside the United States. The following tables summarize the components of net benefit expense recognized in the Consolidated Statement of Income and the funded status and amounts recognized in the Consolidated Balance Sheet for the Company's U.S. qualified plans and significant plans outside the United States. The Company uses a December 31 measurement date for the U.S. plans as well as the plans outside the United States.

Net (Benefit) Expense

	Pension plans						Postretirement benefit plans[2]		
	U.S. plans[1]			Plans outside U.S.			U.S. plans		
In millions of dollars	**2004**	2003	2002	**2004**	2003	2002	**2004**	2003	2002
Benefits earned during the year	**$241**	$ 208	$ 261	**$ 147**	$ 118	$ 116	**$ 2**	$ 3	$ 5
Interest cost on benefit obligation	**581**	548	528	**222**	190	185	**66**	72	73
Expected return on plan assets	**(750)**	(700)	(783)	**(251)**	(209)	(188)	**(16)**	(18)	(21)
Amortization of unrecognized:									
Net transition obligation	**—**	—	—	**3**	5	5	**—**	—	—
Prior service cost	**(25)**	(25)	(29)	**—**	—	—	**(4)**	(4)	(4)
Net actuarial loss (gain)	**105**	24	—	**60**	48	15	**8**	8	(1)
Curtailment (gain) loss	**—**	—	—	**4**	6	—	**—**	—	—
Net (benefit) expense	**$152**	$ 55	$ (23)	**$ 185**	$ 158	$ 133	**$ 56**	$ 61	$ 52

(1) The U.S. plans exclude nonqualified pension plans, for which the net expense was $44 million in 2004, $46 million in 2003, and $47 million in 2002.
(2) For plans outside the U.S., net postretirement benefit expense was $19 million in 2004, $36 million in 2003, and $53 million in 2002.

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Prepaid Benefit Cost (Benefit Liability)

In millions of dollars at year end	Pension plans				Postretirement benefit plans[2]	
	U.S. plans[1]		Plans outside U.S.		U.S. plans	
	2004	2003	**2004**	2003	**2004**	2003
Change in projected benefit obligation						
Projected benefit obligation at beginning of year	**$ 9,032**	$7,742	**$3,513**	$2,772	**$1,184**	$1,108
Benefits earned during the year	**241**	208	**147**	118	**2**	3
Interest cost on benefit obligation	**581**	548	**222**	190	**66**	72
Plan amendments	**—**	—	**12**	1	**—**	(1)
Actuarial (gain) loss	**845**	936	**381**	382	**16**	93
Benefits paid	**(455)**	(412)	**(200)**	(191)	**(96)**	(85)
Acquisitions	**5**	10	**90**	39	**—**	(6)
Divestitures	**—**	—	**(1)**	(5)	**—**	—
Settlements	**—**	—	**(14)**	(37)	**—**	—
Curtailment	**—**	—	**(4)**	(6)	**—**	—
Foreign exchange impact	**—**	—	**235**	250	**—**	—
Projected benefit obligation at year end	**$10,249**	$9,032	**$4,381**	$3,513	**$1,172**	$1,184
Change in plan assets						
Plan assets at fair value at beginning of year	**$ 9,427**	$7,551	**$3,237**	$2,543	**$ 210**	$ 192
Actual return on plan assets	**986**	1,776	**357**	390	**22**	48
Company contributions	**418**	512	**524**	279	**57**	55
Employee contributions	**—**	—	**8**	5	**—**	—
Acquisitions	**3**	—	**59**	23	**—**	—
Divestitures	**—**	—	**(1)**	(5)	**—**	—
Settlements	**—**	—	**(9)**	(33)	**—**	—
Benefits paid	**(455)**	(412)	**(200)**	(191)	**(96)**	(85)
Foreign exchange impact	**—**	—	**215**	226	**—**	—
Plan assets at fair value at year end	**$10,379**	$9,427	**$4,190**	$3,237	**$ 193**	$ 210
Reconciliation of prepaid (accrued) benefit cost and total amount recognized						
Funded status of the plan	**$ 130**	$ 395	**$ (191)**	$ (276)	**$ (979)**	$ (974)
Unrecognized:						
Net transition obligation	**—**	—	**14**	17	**—**	—
Prior service cost	**(133)**	(158)	**1,102**	5	**(26)**	(29)
Net actuarial loss	**2,512**	2,009	**17**	816	**195**	191
Net amount recognized	**$ 2,509**	$2,246	**$ 942**	$ 562	**$ (810)**	$ (812)
Amounts recognized on the balance sheet consist of						
Prepaid benefit cost	**$ 2,509**	$2,246	**$ 901**	$ 644	**$ —**	$ —
Accrued benefit liability	**—**	—	**(58)**	(185)	**(810)**	(812)
Intangible asset	**—**	—	**99**	103	**—**	—
Net amount recognized	**$ 2,509**	$2,246	**$ 942**	$ 562	**$ (810)**	$ (812)
Accumulated benefit obligation at year end	**$10,026**	$8,637	**$3,924**	$3,148	**$1,172**	$1,184

(1) The U.S. plans exclude nonqualified pension plans, for which the projected benefit obligation was $625 million and $600 million, and the aggregate accumulated benefit obligation was $599 million and $566 million at December 31, 2004 and 2003, respectively.

(2) For plans outside the U.S., the accumulated postretirement benefit obligation was $536 million and $521 million, and the fair value of plan assets was $393 million and $224 million at December 31, 2004 and 2003, respectively. The accumulated postretirement benefit obligation exceeded plan assets for the plans outside the U.S. at December 31, 2004 and 2003.

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At the end of 2004 and 2003 for both qualified and non-qualified, funded and unfunded plans, the aggregate projected benefit obligation (PBO), aggregate accumulated benefit obligation (ABO), and aggregate fair value of plan assets for pension plans with a projected benefit obligation in excess of plan assets, and pension plans with accumulated benefit obligation in excess of plan assets, were as follows:

	PBO exceeds fair value of plan assets				ABO exceeds fair value of plan assets			
	U.S. plans		Plans outside U.S.		U.S. plans		Plans outside U.S.	
In millions of dollars at year end	**2004**	2003	**2004**	2003	**2004**	2003	**2004**	2003
Projected benefit obligation	**$625**	$600	**$2,255**	$3,106	**$625**	$600	**$772**	$701
Accumulated benefit obligation	**599**	566	**1,973**	2,791	**599**	566	**671**	636
Fair value of plan assets	**—**	—	**1,890**	2,749	**—**	—	**494**	482

Combined plan assets for the U.S. and non-U.S. pension plans, excluding the U.S. non-qualified plans, exceeded the accumulated benefit obligations by $619 million and $679 million at December 31, 2004 and December 31, 2003, respectively.

Assumptions

The discount rate and future rate of compensation assumptions used in determining pension and postretirement benefit obligations and net benefit expense for the Company's plans are shown in the following table:

At year end	**2004**	2003
Discount rate		
U.S. plans:[1]		
Pension	**5.75%**	6.25%
Postretirement	**5.50%**	6.25%
Plans outside the U.S.[2]		
Range	**2.0% to 10.0%**	2.0% to 10.0%
Weighted average	**5.3%**	5.4%
Future compensation increase rate		
U.S. Plans[1][3]	**4.0%**	4.0%
Plans outside the U.S.[2]		
Range	**1.5% to 9.0%**	1.5% to 8.0%
Weighted average	**2.9%**	2.6%
During the current year	**2004**	2003
Discount rate		
U.S. plans[1]	**6.25%**	6.75%
Plans outside the U.S.[2]		
Range	**2.0% to 10.0%**	2.25% to 12.0%
Weighted average	**5.4%**	5.6%
Future compensation increase rate		
U.S. Plans[1][3]	**4.0%**	4.0%
Plans outside the U.S.[2]		
Range	**1.5% to 8.0%**	1.5% to 10.0%
Weighted average	**2.6%**	2.3%

(1) Weighted average rates for the U.S. plans equals the stated rates.
(2) Excluding highly inflationary countries.
(3) Future compensation increase rate for small groups of grandfathered employees is 3.0% or 6.0%

Assumed health care cost trend rates were as follows:

	2004	2003
Health care cost increase rate		
U.S. plans		
Following year	**10.0%**	10.0%
Decreasing to the year 2010	**5.0%**	—
Decreasing to the year 2009	**—**	5.0%

A one percentage-point change in assumed health care cost trend rates would have the following effects:

	One percentage-point increase		One percentage-point decrease	
In millions of dollars	**2004**	2003	**2004**	2003
Effect on benefits earned and interest cost for U.S. plans	**$ 2**	$ 3	**$ (2)**	$ (2)
Effect on accumulated postretirement benefit obligation for U.S. plans	**43**	42	**(38)**	(37)

Plan Assets

Citigroup determines its assumptions for the expected rate of return on plan assets for its U.S. plans using a "building block" approach, which focuses on ranges of anticipated rates of return for each asset class. A weighted range of nominal rates is then determined based on target allocations for each asset class. Citigroup considers the expected rate of return to be a longer-term assessment of return expectations and does not anticipate changing this assumption annually unless there are significant changes in economic conditions. A similar approach has been taken in selecting the expected rates of return for Citigroup's foreign plans. The expected rate of return for each plan is based upon its expected asset allocation. Market performance over a number of earlier years is evaluated covering a wide range of economic conditions to determine whether there are sound reasons for projecting forward any past trends.

The expected long-term rates of return on assets used in determining the Company's pension expense and postretirement expense are shown below:

	2004	2003
Rate of return on assets		
U.S. plans[1]	**8.0%**	8.0%
Plans outside the U.S.:		
Range	**3.25% to 10.0%**	3.25% to 10.5%
Weighted average	**6.5%**	6.6%

(1) Weighted average rates for the U.S. plans equals the stated rates.

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Citigroup's pension and postretirement plan asset allocation for the U.S. plans at the end of 2004 and 2003, and the target allocation for 2005 by asset category based on asset fair values are as follows:

	Target asset allocation	U.S. pension assets at December 31		U.S. postretirement assets at December 31	
	2005	**2004**	2003	**2004**	2003
Asset Category					
Equity securities	40.0% to 60.0%	**47.0%**	54.0%	**51.0%**	61.0%
Debt securities	10.0% to 30.0%	**29.0%**	26.0%	**21.0%**	15.0%
Real estate	5.0% to 10.0%	**5.0%**	5.0%	**6.0%**	6.0%
Other investments	15.0% to 30.0%	**19.0%**	15.0%	**22.0%**	18.0%
Total		**100%**	100%	**100%**	100%

Equity securities in the U.S. pension plan include Citigroup common stock with a fair value of $123 million or 1.2% of plan assets and $608 million or 6.45% of plan assets at the end of 2004 and 2003, respectively. The Citigroup Pension Plan sold approximately $500 million of Citigroup common stock in 2004.

Affiliated and third-party investment managers manage Citigroup's pension plan assets. Assets are rebalanced as the Company deems appropriate. Citigroup's investment strategy with respect to its pension assets is to maintain a globally diversified investment portfolio across several asset classes targeting an annual rate of return of 8%, while ensuring that the accumulated benefit obligation is fully funded.

Citigroup's pension and postretirement plans' weighted average asset allocations for the non-U.S. plans and the actual ranges at the end of 2004, and 2003, and the weighted average target allocations for 2005 by asset category based on asset fair values are as follows:

	Non-U.S. pension assets					Non-U.S. postretirement plans				
	Weighted average	Actual range		Weighted average		Weighted average	Actual range		Weighted average	
	Target asset allocation	At December 31		At December 31		Target asset allocation	At December 31		At December 31	
Asset Categories	2005	**2004**	2003	**2004**	2003	2005	**2004**	2003	**2004**	2003
Equity securities	58.6%	**0.0% to 77.8%**	0.0% to 91.4%	**55.1%**	52.8%	50.0%	**17.5% to 49.3%**	0.0% to 50.0%	**49.3%**	50.0%
Debt securities	32.3%	**0.0% to 97.0%**	0.0% to 100.0%	**28.3%**	24.5%	32.5%	**28.0% to 82.5%**	35.0% to 100.0%	**28.0%**	35.0%
Real estate	0.3%	**0.0% to 18.4%**	0.0% to 24.0%	**0.3%**	0.2%	—	**—**	—	**—**	—
Other investments	8.8%	**0.0% to 100.0%**	0.0% to 77.7%	**16.3%**	22.5%	17.5%	**0.0% to 22.7%**	0.0% to 15.0%	**22.7%**	15.0%
Total	100%			**100%**	100%	100%			**100%**	100%

Citigroup's global pension and postretirement funds' investment strategies are to invest in a prudent manner for the exclusive purpose of providing benefits to participants. The investment strategies are targeted to produce a total return that, when combined with Citigroup's contributions to the funds, will maintain the funds' ability to meet all required benefit obligations. Risk is controlled through diversification of asset types and investments in domestic and international equities, fixed income securities and cash. The target asset allocation in most locations is 50% equities and 50% debt securities. These allocations may vary by geographic region and country depending on the nature of applicable obligations and various other regional considerations. The wide variation in the actual range of plan asset allocations for the funded non-U.S. plans is a result of differing local economic conditions. For example, in certain countries local law requires that all pension plan assets must be invested in fixed income investments, or in government funds, or in local country securities.

Contributions

Citigroup's pension funding policy for U.S. plans and non-U.S. plans is generally to fund to the amounts of accumulated benefit obligations, subject to applicable minimum funding requirements. For the U.S. plans, the Company may increase its contributions above the minimum required contribution under ERISA, if appropriate, to its tax and cash position and the plan's funded position. At December 31, 2004, there were no minimum required contributions, and no discretionary or non-cash contributions are currently planned. However, the Company contributed $400 million to the U.S. pension plan to avoid an additional minimum liability at year end. For the non-U.S. plans, actual contributions increased by $395 million over previously estimated amounts, primarily to avoid an additional minimum liability, as well as to satisfy regulatory funding requirements in certain countries. Discretionary contributions in 2005 are anticipated to be approximately $173 million. For 2005 for the postretirement benefit plans, there are no expected or required contributions to the U.S. plans and estimated contributions of $72 million are expected for the non-U.S. plans. These estimates are subject to change, since contribution decisions are affected by various factors, such as market performance, regulatory requirements, and management's ability to change funding policy.

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Estimated Future Benefit Payments

The Company expects to pay the following estimated benefit payments in future years:

	U.S. plans	Plans outside U.S.	
In millions of dollars	Pension benefits	Pension benefits	Postretirement benefits
2005	$ 525	$ 199	$ 25
2006	548	212	26
2007	573	222	28
2008	600	229	29
2009	628	226	31
2010–2014	3,649	1,334	186

In December 2003, the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (the "Act") was enacted. The Act established a prescription drug benefit under Medicare known as "Medicare Part D," and a federal subsidy to sponsors of retiree health care benefit plans that provide a benefit that is at least actuarially equivalent to Medicare Part D. The Company believes that benefits provided to certain participants will be at least actuarially equivalent to Medicare Part D, and accordingly, the Company will be entitled to a subsidy.

The Company adopted FSP FAS 106-2 retroactive to the beginning of 2004. The expected subsidy reduced the accumulated postretirement benefit obligation (APBO) as of January 1, 2004 by $100 million, and the net periodic expense for 2004 by $11 million. The following table shows the estimated future benefit payments without the effect of the subsidy and the amounts of the expected subsidy in future years.

	Expected U.S. postretirement benefit payments	
In millions of dollars	Before Medicare Part D subsidy	After Medicare Part D subsidy
2005	$102	N/A
2006	105	$10
2007	106	10
2008	106	10
2009	105	11
2010–2014	485	50

Citigroup 401(k)

Under the Citigroup 401(k) plan, eligible employees receive matching contributions of up to 3% of compensation, subject to an annual maximum of $1,500, invested in the Citigroup common stock fund. The pretax expense associated with this plan amounted to approximately $69 million in 2004, $65 million in 2003, and $57 million in 2002.

24. DERIVATIVES AND OTHER ACTIVITIES

Citigroup enters into derivative and foreign exchange futures, forwards, options and swaps, which enable customers to transfer, modify or reduce their interest rate, foreign exchange and other market risks, and also trades these products for its own account. In addition, Citigroup uses derivatives and other instruments, primarily interest rate products, as an end-user in connection with its risk management activities. Derivatives are used to manage interest rate risk relating to specific groups of on-balance sheet assets and liabilities, including investments, corporate, commercial and consumer loans, deposit liabilities, long-term debt and other interest-sensitive assets and liabilities, as well as credit card securitizations, redemptions and sales. In addition, foreign exchange contracts are used to hedge non-U.S. dollar denominated debt, net capital exposures and foreign exchange transactions.

A derivative must be highly effective in accomplishing the hedge objective of offsetting either changes in the fair value or cash flows of the hedged item for the risk being hedged. Any ineffectiveness present in the hedge relationship is recognized in current earnings. The assessment of effectiveness excludes the changes in the value of the hedged item that are unrelated to the risks being hedged. Similarly, the assessment of effectiveness may exclude changes in the fair value of a derivative related to time value that, if excluded, are recognized in current earnings.

The following table summarizes certain information related to the Company's hedging activities for the years ended December 31, 2004, 2003, and 2002:

In millions of dollars	2004	2003[1]	2002[1]
Fair value hedges			
Hedge ineffectiveness recognized in earnings	**$ (100)**	$ 96	$ 698
Net gain (loss) excluded from assessment of effectiveness[2]	**509**	(90)	(252)
Cash flow hedges			
Hedge ineffectiveness recognized in earnings	**10**	(21)	(56)
Net gain excluded from assessment of effectiveness[2]	**8**	10	1
Net investment hedges			
Net gain (loss) included in foreign currency translation adjustment within accumulated other changes in equity from nonowner sources	**$(1,159)**	$(2,291)	$(1,435)

(1) Reclassified to conform to the current period's presentation.
(2) Represents the portion of derivative gain (loss).

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For cash flow hedges, any changes in the fair value of the end-user derivative remain in accumulated other changes in equity from nonowner sources on the Consolidated Balance Sheet and are generally included in earnings of future periods when earnings are also affected by the variability of the hedged cash flow. The net gains associated with cash flow hedges expected to be reclassified from accumulated other changes in equity from nonowner sources within 12 months of December 31, 2004 are $262 million.

The accumulated other changes in equity from nonowner sources from cash flow hedges for 2004, 2003, and 2002 can be summarized as follows (after-tax):

In millions of dollars	**2004**	2003	2002
Beginning balance	**$751**	$1,242	$ 168
Net gain (loss) from cash flow hedges	**(251)**	237	1,591
Net amounts reclassified to earnings	**(327)**	(728)	(517)
Ending balance	**$173**	$ 751	$1,242

The Company enters into various types of derivative transactions in the course of its trading and non-trading activities. Futures and forward contracts are commitments to buy or sell at a future date a financial instrument, commodity or currency at a contracted price and may be settled in cash or through delivery. Swap contracts are commitments to settle in cash at a future date or dates which may range from a few days to a number of years, based on differentials between specified financial indices, as applied to a notional principal amount. Option contracts give the purchaser, for a fee, the right, but not the obligation, to buy or sell within a limited time, a financial instrument or currency at a contracted price that may also be settled in cash, based on differentials between specified indices.

Citigroup also sells various financial instruments that have not been purchased (short sales). In order to sell securities short, the securities are borrowed or received as collateral in conjunction with short-term financing agreements and, at a later date, must be delivered (i.e., replaced) with like or substantially the same financial instruments or commodities to the parties from which they were originally borrowed.

Derivatives and short sales may expose Citigroup to market risk or credit risk in excess of the amounts recorded on the Consolidated Balance Sheet. Market risk on a derivative, short sale or foreign exchange product is the exposure created by potential fluctuations in interest rates, foreign exchange rates and other values, and is a function of the type of product, the volume of transactions, the tenor and terms of the agreement, and the underlying volatility. Credit risk is the exposure to loss in the event of nonperformance by the other party to the transaction where the value of collateral held, if any, was not adequate to cover such losses. The recognition in earnings of unrealized gains on these transactions is subject to management's assessment as to collectibility. Liquidity risk is the potential exposure that arises when the size of the derivative position may not be able to be rapidly adjusted in times of high volatility and financial stress at a reasonable cost.

25. CONCENTRATIONS OF CREDIT RISK

Concentrations of credit risk exist when changes in economic, industry or geographic factors similarly affect groups of counterparties whose aggregate credit exposure is material in relation to Citigroup's total credit exposure. Although Citigroup's portfolio of financial instruments is broadly diversified along industry, product, and geographic lines, material transactions are completed with other financial institutions, particularly in the securities trading, derivatives, and foreign exchange businesses.

In connection with the Company's efforts to maintain a diversified portfolio, the Company limits its exposure to any one geographic region, country or individual creditor and monitors this exposure on a continuous basis. At December 31, 2004, Citigroup's most significant concentration of credit risk was with the U.S. Government and its agencies. The Company's exposure, which primarily results from trading assets and investment securities positions in instruments issued by the U.S. Government and its agencies, including its sponsored agencies, amounted to $88.1 billion and $112.7 billion at December 31, 2004 and 2003, respectively. After the U.S. Government, the next largest exposure the Company has is to the Mexican Government and its agencies, which are rated investment grade by both Moody's and S&P. The Company's exposure amounted to $23.8 billion and $21.9 billion at December 31, 2004 and 2003, respectively, and is composed of investment securities, loans, and trading assets.

26. FAIR VALUE OF FINANCIAL INSTRUMENTS

Estimated Fair Value of Financial Instruments

The table on the following page presents the carrying value and fair value of Citigroup's financial instruments, as defined in accordance with applicable requirements. Accordingly, as required, the disclosures exclude leases, affiliate investments, and pension and benefit obligations, and insurance policy claims reserves. In addition, contractholder funds amounts exclude certain insurance contracts. Also as required, the disclosures exclude the effect of taxes, any premium or discount that could result from offering for sale at one time the entire holdings of a particular instrument, excess fair value associated with deposits with no fixed maturity and other expenses that would be incurred in a market transaction. In addition, the table excludes the values of nonfinancial assets and liabilities, as well as a wide range of franchise, relationship, and intangible values, which are integral to a full assessment of Citigroup's financial position and the value of its net assets.

The fair value represents management's best estimates based on a range of methodologies and assumptions. The carrying value of short-term financial instruments, as well as receivables and payables arising in the ordinary course of business, approximates fair value because of the relatively short period of time between their origination and expected realization. Quoted market prices are used for most investments and for both trading and end-user derivatives, as well as for liabilities, such as long-term debt, with quoted prices. For performing loans, contractual cash flows are discounted at quoted secondary market rates or estimated market rates if available. Otherwise, sales of comparable loan portfolios or current market origination rates for loans with similar terms and risk characteristics are used. For loans with doubt as to collectibility, expected cash flows are discounted using an appropriate rate considering the time of collection and the premium for the uncertainty of the flows. The value of collateral is also considered. For liabilities such as

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long-term debt without quoted market prices, market borrowing rates of interest are used to discount contractual cash flows.

In billions of dollars at year end	2004 Carrying value	2004 Estimated fair value	2003 Carrying value	2003 Estimated fair value
Assets				
Investments	**$213.2**	**$213.2**	$182.9	$182.9
Federal funds sold and securities borrowed or purchased under agreements to resell	**200.7**	**200.7**	172.2	172.2
Trading account assets	**280.2**	**280.2**	235.3	235.3
Loans[1]	**525.5**	**549.5**	449.8	469.8
Other financial assets[2]	**162.9**	**163.0**	133.1	133.1
Liabilities				
Deposits	**562.1**	**561.9**	474.0	474.0
Federal funds purchased and securities loaned or sold under agreements to repurchase	**209.6**	**209.6**	181.2	181.2
Trading account liabilities	**135.5**	**135.5**	121.9	121.9
Contractholder funds				
with defined maturities	**15.2**	**15.6**	13.5	13.7
without defined maturities	**14.4**	**14.1**	13.1	12.8
Long-term debt	**207.9**	**209.5**	162.7	164.6
Mandatorily redeemable securities of subsidiary trusts[3]	**—**	**—**	6.1	6.4
Other financial liabilities[4]	**167.0**	**167.0**	147.3	147.3

(1) The carrying value of loans is net of the allowance for credit losses and also excludes $12.0 billion and $15.6 billion of lease finance receivables in 2004 and 2003, respectively.
(2) Includes cash and due from banks, deposits at interest with banks, brokerage receivables, reinsurance recoverables and separate and variable accounts for which the carrying value is a reasonable estimate of fair value, and the carrying value and estimated fair value of financial instruments included in other assets on the Consolidated Balance Sheet.
(3) Trust preferred securities were deconsolidated during the 2004 first quarter in accordance with FIN 46-R with the resulting liabilities to the trust companies included as a component of long-term debt. At December 31, 2004, the carrying value was $6.1 billion and the fair value was $6.4. See Note 13 to the Consolidated Financial Statements.
(4) Includes brokerage payables, separate and variable accounts, investment banking and brokerage borrowings, short-term borrowings, for which the carrying value is a reasonable estimate of fair value, and the carrying value and estimated fair value of financial instruments included in other liabilities on the Consolidated Balance Sheet.

Fair values vary from period to period based on changes in a wide range of factors, including interest rates, credit quality, and market perceptions of value, and as existing assets and liabilities run off and new transactions are entered into.

The estimated fair values of loans reflect changes in credit status since the loans were made, changes in interest rates in the case of fixed-rate loans, and premium values at origination of certain loans. The estimated fair values of Citigroup's loans, in the aggregate, exceeded in carrying values (reduced by the allowance for credit losses) by $24.0 billion in 2004 and $20.0 billion in 2003. Within these totals, estimated fair values exceeded carrying values for consumer loans net of the allowance by $16.5 billion, an increase of $0.2 billion from 2003, and for corporate loans net of the allowance by $7.5 billion, which was an increase of $3.8 billion from 2003. The excess of the estimated fair value of loans over their carrying value reflects the decline in market interest rates since many of the loans were issued.

27. PLEDGED ASSETS, COLLATERAL, COMMITMENTS AND GUARANTEES

Pledged Assets

At December 31, 2004 and 2003, the approximate market values of securities sold under agreements to repurchase and other assets pledged, excluding the impact of FIN 39 and FIN 41, were as follows:

In millions of dollars	2004	2003
For securities sold under agreements to repurchase	**$278,448**	$253,728
As collateral for securities borrowed of approximately equivalent value	**69,947**	63,343
As collateral on bank loans	**41,567**	30,801
To clearing organizations or segregated under securities laws and regulations	**34,549**	31,165
For securities loaned	**39,606**	28,597
Other	**48,410**	45,692
Total	**$512,527**	$453,326

In addition, included in cash and due from banks at December 31, 2004 and 2003 is $4.1 billion and $2.8 billion, respectively, of cash segregated under federal and other brokerage regulations or deposited with clearing organizations.

At December 31, 2004 and 2003, $10.7 billion and $13.8 billion, respectively, of consumer loans were pledged as collateral in financing transactions.

At December 31, 2004 and 2003, the Company had $1.6 billion and $1.1 billion, respectively, of outstanding letters of credit from third-party banks to satisfy various collateral and margin requirements.

Collateral

At December 31, 2004 and 2003, the approximate market value of collateral received by the Company that may be sold or repledged by the Company, excluding amounts netted in accordance with FIN 39 and FIN 41, was $366.4 billion and $329.8 billion, respectively. This collateral was received in connection with resale agreements, securities borrowings and loans, derivative transactions, and margined broker loans.

At December 31, 2004 and 2003, a substantial portion of the collateral received by the Company had been sold or repledged in connection with repurchase agreements; securities sold, not yet purchased; securities borrowings and loans; pledges to clearing organizations; segregation requirements under securities laws and regulations; derivative transactions, and bank loans.

In addition, at December 31, 2004 and 2003, the Company had pledged $121 billion and $102.5 billion, respectively, of collateral that may not be sold or repledged by the secured parties.

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Lease Commitments

Rental expense (principally for offices and computer equipment) was $1.7 billion, $1.7 billion, and $1.5 billion for the years ended December 31, 2004, 2003, and 2002, respectively.

Future minimum annual rentals under noncancelable leases, net of sublease income, are as follows:

In millions of dollars	
2005	$1,297
2006	988
2007	861
2008	743
2009	626
Thereafter	2,967
Total	$7,482

Loan Commitments

In millions of dollars at year end	**2004**	2003
One- to four-family residential mortgages	**$ 4,559**	$ 3,599
Revolving open-end loans secured by one- to four-family residential properties	**15,705**	14,007
Commercial real estate, construction and land development	**2,084**	1,382
Credit card lines[1]	**776,281**	739,162
Commercial and other consumer loan commitments[2]	**256,670**	210,751
Total	**$1,055,299**	$968,901

(1) Credit card lines are unconditionally cancelable by the issuer.
(2) Includes commercial commitments to make or purchase loans, to purchase third-party receivables, and to provide note issuance or revolving underwriting facilities. Amounts include $131 billion and $119 billion with original maturity of less than one year at December 31, 2004 and 2003, respectively.

The majority of unused commitments are contingent upon customers maintaining specific credit standards. Commercial commitments generally have floating interest rates and fixed expiration dates and may require payment of fees. Such fees (net of certain direct costs) are deferred and, upon exercise of the commitment, amortized over the life of the loan or, if exercise is deemed remote, amortized over the commitment period. The table does not include unfunded commercial letters of credit issued on behalf of customers and collateralized by the underlying shipment of goods which totaled $5.8 billion and $4.4 billion at December 31, 2004 and 2003, respectively.

Obligations under Guarantees

The Company provides a variety of guarantees and indemnifications to Citigroup customers to enhance their credit standing and enable them to complete a wide variety of business transactions. The following table summarizes at December 31, 2004 and 2003 all of the Company's guarantees and indemnifications, where Management believes the guarantees and indemnifications are related to an asset, liability, or equity security of the guaranteed parties at the inception of the contract. The maximum potential amount of future payments represents the notional amounts that could be lost under the guarantees and indemnifications if there were a total default by the guaranteed parties, without consideration of possible recoveries under recourse provisions or from collateral held or pledged. Such amounts bear no relationship to the anticipated losses on these guarantees and indemnifications and greatly exceed anticipated losses.

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The following tables present information about the Company's guarantees at December 31, 2004 and 2003:

In billions of dollars at December 31, except carrying value in millions	Maximum potential amount of future payments: Expire within 1 year	Expire after 1 year	Total amount outstanding	Carrying value (in millions)
2004:				
Financial standby letters of credit	**$ 34.4**	**$ 11.4**	**$ 45.8**	**$ 199.4**
Performance guarantees	**5.0**	**4.1**	**9.1**	**16.4**
Derivative instruments	**23.8**	**291.3**	**315.1**	**15,129.0**
Guarantees of collection of contractual cash flows[1]	**—**	**0.2**	**0.2**	**—**
Loans sold with recourse	**—**	**1.2**	**1.2**	**42.6**
Securities lending indemnifications[1]	**60.5**	**—**	**60.5**	**—**
Credit card merchant processing[1]	**29.7**	**—**	**29.7**	**—**
Custody indemnifications[1]	**—**	**18.8**	**18.8**	**—**
Total	**$153.4**	**$327.0**	**$480.4**	**$15,387.4**
2003:				
Financial standby letters of credit	$ 18.4	$ 18.0	$ 36.4	$ 147.7
Performance guarantees	4.9	3.2	8.1	10.2
Derivative instruments	21.4	103.8	125.2	12,923.2
Guarantees of collection of contractual cash flows[1]	—	0.1	0.1	—
Loans sold with recourse	—	1.9	1.9	28.6
Securities lending indemnifications[1]	55.5	—	55.5	—
Credit card merchant processing[1]	22.6	—	22.6	—
Custody indemnifications[1]	—	18.0	18.0	—
Total	$122.8	$145.0	$267.8	$13,109.7

(1) The carrying values of guarantees of collection of contractual cash flows, securities lending indemnifications, credit card merchant processing and custody indemnifications are not material as the Company has determined that the amount and probability of potential liabilities arising from these guarantees are not significant and the carrying amount of the Company's obligations under these guarantees is immaterial.

Financial standby letters of credit include guarantees of payment of insurance premiums and reinsurance risks that support industrial revenue bond underwriting and settlement of payment obligations in clearing houses, and that support options and purchases of securities or in lieu of escrow deposit accounts. Financial standbys also backstop loans, credit facilities, promissory notes and trade acceptances. Performance guarantees and letters of credit are issued to guarantee a customer's tender bid on a construction or systems installation project or to guarantee completion of such projects in accordance with contract terms. They are also issued to support a customer's obligation to supply specified products, commodities, or maintenance or warranty services to a third party. Derivative instruments include credit default swaps, total return swaps, written foreign exchange options, written put options, and written equity warrants. Guarantees of collection of contractual cash flows protect investors in credit card receivables securitization trusts from loss of interest relating to insufficient collections on the underlying receivables in the trusts. Loans sold with recourse represent the Company's obligations to reimburse the buyers for loan losses under certain circumstances. Securities lending indemnifications are issued to guarantee that a securities lending customer will be made whole in the event that the security borrower does not return the security subject to the lending agreement and collateral held is insufficient to cover the market value of the security. Credit card merchant processing guarantees represent the Company's obligations in connection with the processing of credit card transactions on behalf of merchants. Custody indemnifications are issued to guarantee that custody clients will be made whole in the event that a third-party subcustodian fails to safeguard clients' assets.

At December 31, 2004 and 2003, the Company's maximum potential amount of future payments under these guarantees was approximately $480.4 billion and $267.8 billion, respectively. For this purpose, the maximum potential amount of future payments is considered to be the notional amounts of letters of credit, guarantees, written credit default swaps, written total return swaps, indemnifications, and recourse provisions of loans sold with recourse; and the fair values of foreign exchange options and other written put options, warrants, caps and floors.

Citigroup's primary credit card business is the issuance of credit cards to individuals. The Company also provides processing services to various merchants, processing credit card transactions on their behalf and managing the merchant's cash flow related to their credit card activity. In connection with these services, a contingent liability arises in the event of a billing dispute between the merchant and a cardholder that is ultimately resolved in the cardholder's favor and generally extends between three and six months after the date the transaction is processed or the receipt of the product or service, depending on industry practice or statutory requirements. In this situation, the transaction is "charged back" to the merchant and the disputed amount is credited or otherwise refunded to the cardholder. If the Company is unable to collect this amount from the merchant, it bears the loss for the amount of the refund paid to the cardholder. The risk of loss is mitigated as the cash flows between the Company and the merchant are settled on a net basis and the Company has the right to offset any payments with cash flows otherwise due to the merchant. To further mitigate this risk, Citigroup may require the merchant to make an escrow deposit, delay settlement, include event triggers to provide the Company with more financial and operational control in the

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event of the financial deterioration of the merchant, or require various credit enhancements (including letters of credit and bank guarantees). At December 31, 2004 and 2003, respectively, the Company held as collateral approximately $6 million and $26 million, respectively, of merchant escrow deposits and also had $68 million and $109 million, respectively, payable to merchants, which the Company has the right to set off against amounts due from the individual merchants.

The Company's maximum potential liability for this contingent merchant processing liability is estimated to be the total volume of credit card transactions that meet the associations' requirements to be valid chargeback transactions at any given time. At December 31, 2004 and 2003, this maximum potential exposure was estimated to be $29.7 billion and $22.6 billion, respectively. However, the Company believes that the maximum exposure is not representative of the actual potential loss exposure, based on the Company's historical experience. In most cases, this contingent liability is unlikely to arise, as most products and services are delivered when purchased and amounts are refunded when items are returned to merchants. The Company assesses the probability and amount of its liability related to merchant processing based on the extent and nature of unresolved chargebacks and its historical loss experience. At December 31, 2004, the estimated losses incurred and the carrying amount of the Company's obligations related to merchant processing activities are immaterial.

In addition, the Company, through its credit card business, provides various cardholder protection programs on several of its card products, including programs that provide insurance coverage for rental cars, coverage for certain losses associated with purchased products, price protection for certain purchases and protection for lost luggage. These guarantees are not included in the table above since the total outstanding amount of the guarantees and the Company's maximum exposure to loss cannot be quantified. The protection is limited to certain types of purchases and certain types of losses, and it is not possible to quantify the purchases that would qualify for these benefits at any given time. Actual losses related to these programs were not material during 2004 and 2003. The Company assesses the probability and amount of its potential liability related to these programs based on the extent and nature of its historical loss experience. At December 31, 2004 and 2003, the estimated losses incurred and the carrying value of the Company's obligations related to these programs were immaterial.

In the normal course of business, the Company provides standard representations and warranties to counterparties in contracts in connection with numerous transactions and also provides indemnifications that protect the counterparties to the contracts in the event that additional taxes are owed due either to a change in the tax law or an adverse interpretation of the tax law. Counterparties to these transactions provide the Company with comparable indemnifications. While such representations, warranties and tax indemnifications are essential components of many contractual relationships, they do not represent the underlying business purpose for the transactions. The indemnification clauses are often standard contractual terms related to the Company's own performance under the terms of a contract and are entered into in the normal course of business based on an assessment that the risk of loss is remote. Often these clauses are intended to ensure that terms of a contract are met at inception (for example, that loans transferred to a counterparty in a sales transaction did in fact meet the conditions specified in the contract at the transfer date). No compensation is received for these standard representations and warranties, and it is not possible to determine their fair value because they rarely, if ever, result in a payment. In many cases, there are no stated or notional amounts included in the indemnification clauses and the contingencies potentially triggering the obligation to indemnify have not occurred and are not expected to occur. There are no amounts reflected on the Consolidated Balance Sheet as of December 31, 2004 or 2003, related to these indemnifications and they are not included in the table above.

In addition, the Company is a member of or shareholder in hundreds of value transfer networks (VTNs) (payment, clearing and settlement systems as well as securities exchanges) around the world. As a condition of membership, many of these VTNs require that members stand ready to backstop the net effect on the VTNs of a member's default on its obligations. The Company's potential obligations as a shareholder or member of VTN associations are excluded from the scope of FIN 45, since the shareholders and members represent subordinated classes of investors in the VTNs. Accordingly, the Company's participation in VTNs is not reported in the table above and there are no amounts reflected on the Consolidated Balance Sheet as of December 31, 2004 or 2003 for potential obligations that could arise from the Company's involvement with VTN associations.

At December 31, 2004 and 2003, the carrying amounts of the liabilities related to the guarantees and indemnifications included in the table above amounted to approximately $15.4 billion and $13.1 billion. The carrying value of derivative instruments is included in either trading liabilities or other liabilities, depending upon whether the derivative was entered into for trading or non-trading purposes. The carrying value of financial and performance guarantees is included in other liabilities. The carrying value of the guarantees of contractual cash flows is offset against the receivables from the credit card trusts. For loans sold with recourse, the carrying value of the liability is included in other liabilities. In addition, at December 31, 2004 and 2003, other liabilities includes an allowance for credit losses of $600 million for both years relating to letters of credit and unfunded lending commitments.

In addition to the collateral available in respect of the credit card merchant processing contingent liability discussed above, the Company has collateral available to reimburse potential losses on its other guarantees. Cash collateral available to the Company to reimburse losses realized under these guarantees and indemnifications amounted to $43.3 billion and $38.3 billion at December 31, 2004 and 2003, respectively. Securities and other marketable assets held as collateral amounted to $31.6 billion and $29.4 billion and letters of credit in favor of the Company held as collateral amounted to $635 million and $931 million at December 31, 2004 and 2003, respectively. Other property may also be available to the Company to cover losses under certain guarantees and indemnifications; however, the value of such property has not been determined.

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Loans Sold with Credit Enhancements

In billions of dollars at year end	**2004**	2003	**Form of credit enhancement**
Residential mortgages and other loans sold with recourse[1]	**$ 6.0**	$ 6.2	2004: Recourse obligation of $1.2 2003: Recourse obligation of $1.9
GNMA sales/servicing agreements[2]	**34.2**	21.0	Secondary recourse obligation
Securitized credit card receivables	**82.3**	74.8	Includes net revenue over the life of the transaction. Also includes other recourse obligations of $5.1 in 2004 and $2.8 in 2003

(1) Residential mortgages represent 47% in 2004 and 50% of amounts in 2003.
(2) Government National Mortgage Association sales/servicing agreements covering securitized residential mortgages.

Citigroup and its subsidiaries are obligated under various credit enhancements related to certain sales of loans or sales of participations in pools of loans, as summarized above.

Net revenue on securitized credit card receivables is collected over the life of each sale transaction. The net revenue is based upon the sum of finance charges and fees received from cardholders and interchange revenue earned on cardholder transactions, less the sum of the yield paid to investors, credit losses, transaction costs, and a contractual servicing fee, which is also retained by certain Citigroup subsidiaries as servicers. As specified in certain of the sale agreements, the net revenue collected each month is accumulated up to a predetermined maximum amount, and is available over the remaining term of that transaction to make payments of yield, fees, and transaction costs in the event that net cash flows from the receivables are not sufficient. When the predetermined amount is reached, net revenue is passed directly to the Citigroup subsidiary that sold the receivables. The amount contained in these accounts is included in other assets and was $156 million at December 31, 2004 and $90 million at December 31, 2003. Net revenue from securitized credit card receivables included in other revenue was $3.8 billion, $3.3 billion, and $2.7 billion for the years ended December 31, 2004, 2003, and 2002, respectively.

Financial Guarantees

Financial guarantees are used in various transactions to enhance the credit standing of Citigroup customers. They represent irrevocable assurances, subject to the satisfaction of certain conditions, that Citigroup will make payment in the event that the customer fails to fulfill its obligations to third parties.

Citigroup issues financial standby letters of credit, which are obligations to pay a third-party beneficiary when a customer fails to repay an outstanding loan or debt instrument, such as assuring payments by a foreign reinsurer to a U.S. insurer, to act as a substitute for an escrow account, to provide a payment mechanism for a customer's third-party obligations, and to assure payment of specified financial obligations of a customer. Fees are recognized ratably over the term of the standby letter of credit. The following table summarizes financial standby letters of credit issued by Citigroup. The table does not include securities lending indemnifications issued to customers, which are fully collateralized and totaled $60.5 billion at December 31, 2004 and $55.5 billion at December 31, 2003, and performance standby letters of credit.

			2004	2003
In billions of dollars at year end	Expire within 1 year	Expire after 1 year	**Total amount outstanding**	Total amount outstanding
Insurance, surety	$10.1	$ 2.2	**$12.3**	$12.8
Options, purchased securities, and escrow	0.1	—	**0.1**	0.3
Clean letters of credit	4.0	2.4	**6.4**	6.2
Other debt related	15.6	5.4	**21.0**	13.5
Total[1]	$29.8	$10.0	**$39.8**	$32.8

(1) Total is net of cash collateral of $6.0 billion in 2004 and $3.6 billion in 2003. Collateral other than cash covered 18% of the total in 2004 and 26% in 2003.

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28. CONTINGENCIES

As described in the "Legal Proceedings" discussion on page 164, the Company is a defendant in numerous lawsuits and other legal proceedings arising out of alleged misconduct in connection with:

(i) underwritings for, and research coverage of, WorldCom;
(ii) underwritings for Enron and other transactions and activities related to Enron and Dynegy;
(iii) transactions and activities related to research coverage of companies other than WorldCom; and
(iv) transactions and activities related to securities sold in initial public offerings.

During the 2004 second quarter, in connection with the settlement of the WorldCom class action, the Company reevaluated and increased its reserves for these matters. The Company recorded a charge of $7.915 billion ($4.95 billion after-tax) relating to (i) the settlement of class action litigation brought on behalf of purchasers of WorldCom securities, and (ii) an increase in litigation reserves for the other matters described above. Subject to the terms of the WorldCom class action settlement, and its eventual approval by the courts, the Company will make a payment of $2.575 billion, or $1.59 billion after-tax, to the WorldCom settlement class. As of December 31, 2004, the Company's litigation reserve for these matters, net of the amount to be paid upon final approval of the WorldCom class action settlement, was $6.64 billion on a pretax basis.

The Company believes that this reserve is adequate to meet all of its remaining exposure for these matters. However, in view of the large number of these matters, the uncertainties of the timing and outcome of this type of litigation, the novel issues presented, and the significant amounts involved, it is possible that the ultimate costs of these matters may exceed or be below the reserve. The Company will continue to defend itself vigorously in these cases, and seek to resolve them in the manner management believes is in the best interests of the Company.

In addition, in the ordinary course of business, Citigroup and its subsidiaries are defendants or co-defendants or parties in various litigation and regulatory matters incidental to and typical of the businesses in which they are engaged. In the opinion of the Company's management, the ultimate resolution of these legal and regulatory proceedings would not be likely to have a material adverse effect on the consolidated financial condition of the Company but, if involving monetary liability, may be material to the Company's operating results for any particular period.

29. CITIGROUP (PARENT COMPANY ONLY)

Condensed Statement of Income

	Year ended December 31		
In millions of dollars	**2004**	2003	2002
Revenues			
Interest	**$ 2,223**	$ 1,693	$ 1,456
Other	**236**	447	348
Total revenues	**2,459**	2,140	1,804
Expenses			
Interest	**2,022**	1,459	1,660
Other	**825**	757	248
Total expenses	**2,847**	2,216	1,908
Pretax loss	**(388)**	(76)	(104)
Income tax benefit	**290**	33	53
Loss before equity in net income of subsidiaries	**(98)**	(43)	(51)
Equity in net income of subsidiaries	**17,144**	17,896	15,327
Net Income	**$17,046**	$17,853	$15,276

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Condensed Balance Sheet

In millions of dollars	December 31 2004	2003
Assets		
Cash	**$ 28**	$ 40
Investments	**9,096**	7,957
Investments in and advances to:		
Bank and bank holding company subsidiaries	**143,157**	122,057
Other subsidiaries	**44,723**	36,734
Cost of acquired businesses in excess of net assets	**368**	368
Other	**4,398**	3,769
Total assets	**$201,770**	$170,925
Liabilities		
Advances from and payables to subsidiaries	**$ 2,783**	$ 1,219
Commercial paper	**—**	381
Junior subordinated debentures, held by subsidiary trusts[1]	**—**	5,309
Long-term debt	**87,913**	64,386
Other liabilities	**1,557**	1,390
Redeemable preferred stock, held by subsidiary	**226**	226
Stockholders' equity		
Preferred stock ($1.00 par value; authorized shares: 30 million), at aggregate liquidation value	**1,125**	1,125
Common stock ($.01 par value; authorized shares: 15 billion), issued shares: **2004—5,477,416,086** shares and 2003—5,477,416,254 shares	**55**	55
Additional paid-in capital	**18,851**	17,531
Retained earnings	**102,154**	93,483
Treasury stock, at cost:		
2004—282,773,501 shares and 2003—320,466,849 shares	**(10,644)**	(11,524)
Accumulated other changes in equity from nonowner sources	**(304)**	(806)
Unearned compensation	**(1,946)**	(1,850)
Total stockholders' equity	**109,291**	98,014
Total liabilities and stockholders' equity	**$201,770**	$170,925

(1) Trust preferred securities were deconsolidated during the 2004 first quarter in accordance with FIN 46-R with the resulting liabilities to the trust companies included as a component of long-term debt.

Condensed Statement of Cash Flows

In millions of dollars	Year ended December 31 2004	2003	2002
Cash flows from operating activities			
Net income	**$ 17,046**	$ 17,853	$ 15,276
Adjustments to reconcile net income to cash provided by operating activities:			
Equity in net income of subsidiaries	**(17,144)**	(17,896)	(15,327)
Dividends received from:			
Bank and bank holding company subsidiaries	**4,629**	4,210	6,744
Other subsidiaries	**2,874**	1,805	5,770
Other, net	**(1,443)**	788	(739)
Net cash provided by operating activities	**5,962**	6,760	11,724
Cash flows from investing activities			
Capital contributions to subsidiaries	**—**	—	—
Change in investments	**(1,101)**	(182)	(6,350)
Advances to subsidiaries, net	**(13,687)**	(19,532)	(4,908)
Other investing activities, net	**—**	200	(200)
Net cash used in investing activities	**(14,788)**	(19,514)	(11,458)
Cash flows from financing activities			
Proceeds from (repayment of) advances from subsidiaries, net	**1,332**	(196)	278
Dividends paid	**(8,375)**	(5,773)	(3,676)
Issuance of common stock	**912**	686	483
Redemption of preferred stock	**—**	(275)	(125)
Stock tendered for payment of withholding taxes	**(511)**	(499)	(475)
Treasury stock acquired	**(779)**	(2,416)	(5,483)
Issuance of long-term debt	**30,365**	24,794	16,282
Issuance of (proceeds from) junior subordinated debentures	**—**	858	—
Payments and redemptions of long-term debt	**(13,749)**	(4,500)	(7,362)
Change in short-term borrowings	**(381)**	14	(114)
Net cash provided by (used in) financing activities	**8,814**	12,693	(192)
Change in cash	**(12)**	(61)	74
Cash at beginning of period	**40**	101	27
Cash at end of period	**$ 28**	$ 40	$ 101
Supplemental disclosure of cash flow information			
Cash paid during the period for interest	**$ 2,876**	$ 1,588	$ 2,303
Cash received during the period for taxes	**$ 403**	$ 691	$ 308

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30. SELECTED QUARTERLY FINANCIAL DATA (Unaudited)

In millions of dollars, except per share amounts	2004 Fourth	2004 Third	2004 Second	2004 First	2003 Fourth	2003 Third	2003 Second	2003 First
Revenues, net of interest expense	**$21,886**	**$20,514**	**$22,302**	**$21,488**	$20,154	$19,398	$19,354	$18,536
Operating expenses	**11,955**	**10,744**	**18,633**	**10,642**	10,032	9,613	9,971	9,552
Benefits, claims, and credit losses	**2,402**	**2,088**	**2,438**	**3,106**	3,209	2,721	3,087	2,924
Income before income taxes and minority interest	**7,529**	**7,682**	**1,231**	**7,740**	6,913	7,064	6,296	6,060
Income taxes	**2,157**	**2,305**	**49**	**2,398**	2,112	2,208	1,956	1,919
Minority interest, after-tax	**51**	**69**	**38**	**69**	41	165	41	38
Net income	**$ 5,321**	**$ 5,308**	**$ 1,144**	**$ 5,273**	$ 4,760	$ 4,691	$ 4,299	$ 4,103
Earnings per share(1)								
Basic earnings per share								
Net income	**$ 1.04**	**$ 1.03**	**$ 0.22**	**$ 1.03**	$ 0.93	$ 0.92	$ 0.84	$ 0.80
Diluted earnings per share								
Net income	**$ 1.02**	**$ 1.02**	**$ 0.22**	**$ 1.01**	$ 0.91	$ 0.90	$ 0.83	$ 0.79
Common stock price per share								
High	**$ 48.75**	**$ 47.24**	**$ 52.29**	**$ 51.94**	$ 49.00	$ 47.17	$ 45.56	$ 37.93
Low	**42.56**	**43.19**	**44.86**	**48.11**	45.56	42.92	35.60	31.42
Close	**48.18**	**44.12**	**46.50**	**51.70**	48.54	45.51	42.80	34.45
Dividends per share of common stock	**$ 0.40**	**$ 0.40**	**$ 0.40**	**$ 0.40**	$ 0.35	$ 0.35	$0.20	$0.20

(1) Due to averaging of shares, quarterly earnings per share may not add to the totals reported for the full year.

31. SUBSEQUENT EVENT (Unaudited)

Sale of Travelers Life & Annuity and Substantially All International Insurance Businesses

On January 31, 2005, the Company announced an agreement for the sale of Citigroup's Travelers Life & Annuity, and substantially all of Citigroup's international insurance businesses, to MetLife, Inc. (MetLife) for $11.5 billion, subject to closing adjustments.

The businesses being acquired by MetLife generated total revenues of $5.2 billion and net income of $901 million for the twelve months ended December 31, 2004. The businesses had total assets of $96 billion at December 31, 2004.

The transaction has been approved by the Boards of Directors of both companies. Under the terms of the transaction, Citigroup will receive $1.0 billion to $3.0 billion in MetLife equity securities and the balance in cash, which will result in an after-tax gain of approximately $2.0 billion, subject to closing adjustments.

The transaction encompasses Travelers Life & Annuity's U.S. businesses and its international operations other than Citigroup's life business in Mexico. International operations include wholly owned insurance companies in the United Kingdom, Belgium, Australia, Brazil, Argentina, and Poland; joint ventures in Japan and Hong Kong; and offices in China.

In connection with the transaction, Citigroup and MetLife have entered into ten-year agreements under which MetLife will make products available through certain Citigroup distribution channels.

The transaction is subject to certain domestic and international regulatory approvals, as well as other customary conditions to closing and is expected to close during the 2005 second or third quarter.

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FINANCIAL DATA SUPPLEMENT (Unaudited)

AVERAGE BALANCES AND INTEREST RATES, TAXABLE EQUIVALENT BASIS[1][2][3][4]

In millions of dollars	Average volume			Interest revenue			% Average rate		
	2004	2003	2002	**2004**	2003	2002	**2004**	2003	2002
Assets									
Cash and due from banks									
In U.S. offices	**$ 4,093**	$ 2,395	$ 2,176	**$ 35**	$ 22	$ 9	**0.86**	0.92	0.41
In offices outside the U.S.[5]	**2,126**	1,737	1,545	**28**	24	12	**1.32**	1.38	0.78
Total	**6,219**	4,132	3,721	**63**	46	21	**1.01**	1.11	0.56
Deposits at interest with banks[5]	**25,882**	19,608	17,418	**525**	810	1,025	**2.03**	4.13	5.88
Federal funds sold and securities borrowed or purchased under agreements to resell[6]									
In U.S. offices	**129,538**	105,425	91,241	**2,979**	2,156	3,476	**2.30**	2.05	3.81
In offices outside the U.S.[5]	**73,829**	64,471	57,382	**1,884**	1,879	1,868	**2.55**	2.91	3.26
Total	**203,367**	169,896	148,623	**4,863**	4,035	5,344	**2.39**	2.37	3.60
Brokerage receivables									
In U.S. offices	**28,715**	26,884	19,691	**650**	483	612	**2.26**	1.80	3.11
In offices outside the U.S.[5]	**8,814**	5,531	2,866	**230**	245	183	**2.61**	4.43	6.39
Total	**37,529**	32,415	22,557	**880**	728	795	**2.34**	2.25	3.52
Trading account assets[7][8]									
In U.S. offices	**127,231**	95,209	81,815	**4,326**	3,230	3,067	**3.40**	3.39	3.75
In offices outside the U.S.[5]	**70,644**	45,856	38,344	**2,013**	1,541	2,060	**2.85**	3.36	5.37
Total	**197,875**	141,065	120,159	**6,339**	4,771	5,127	**3.20**	3.38	4.27
Investments									
In U.S. offices									
Taxable	**114,630**	111,615	81,255	**4,929**	4,550	4,122	**4.30**	4.08	5.07
Exempt from U.S. income tax	**8,587**	7,434	6,343	**540**	502	460	**6.29**	6.75	7.25
In offices outside the U.S.[5]	**76,673**	60,358	53,155	**3,650**	2,648	3,086	**4.76**	4.39	5.81
Total	**199,890**	179,407	140,753	**9,119**	7,700	7,668	**4.56**	4.29	5.45
Loans (net of unearned income)[9]									
Consumer loans									
In U.S. offices	**283,659**	245,013	203,228	**24,053**	20,844	19,826	**8.48**	8.51	9.76
In offices outside the U.S.[5]	**117,602**	96,394	89,387	**12,650**	10,866	10,664	**10.76**	11.27	11.93
Total consumer loans	**401,261**	341,407	292,615	**36,703**	31,710	30,490	**9.15**	9.29	10.42
Corporate loans									
In U.S. offices									
Commercial and industrial	**13,695**	18,676	19,574	**795**	889	985	**5.81**	4.76	5.03
Lease financing	**1,998**	2,052	1,850	**120**	132	145	**6.01**	6.43	7.84
Mortgage and real estate	**2,035**	2,172	2,469	**188**	170	189	**9.24**	7.83	7.65
In offices outside the U.S.[5]	**91,644**	80,890	84,028	**6,175**	5,209	6,096	**6.74**	6.44	7.25
Total corporate loans	**109,372**	103,790	107,921	**7,278**	6,400	7,415	**6.65**	6.17	6.87
Total loans	**510,633**	445,197	400,536	**43,981**	38,110	37,905	**8.61**	8.56	9.46
Other interest-earning assets	**14,079**	15,413	13,252	**1,089**	996	1,201	**7.73**	6.46	9.06
Total interest-earning assets	**1,195,474**	1,007,133	867,019	**$66,859**	$57,196	$59,086	**5.59**	5.68	6.81
Non-interest earning assets[7]	**208,260**	175,981	156,503						
Total assets from discontinued operations	**—**	—	37,083						
Total assets	**$1,403,734**	$1,183,114	$1,060,605						

(1) The taxable equivalent adjustment is based on the U.S. federal statutory tax rate of 35%.
(2) Interest rates and amounts include the effects of risk management activities associated with the respective asset and liability categories. See Note 24 to the Consolidated Financial Statements.
(3) Monthly or quarterly averages have been used by certain subsidiaries where daily averages are unavailable.
(4) Detailed average volume, interest revenue and interest expense exclude discontinued operations. See Note 3 to the Consolidated Financial Statements.
(5) Average rates reflect prevailing local interest rates, including inflationary effects and monetary correction in certain countries.
(6) Average volume of securities borrowed or purchased under agreements to resell are reported net pursuant to FIN 41 and interest revenue excludes the impact of FIN 41.
(7) The fair value carrying amounts of derivative and foreign exchange contracts are reported in non-interest earning assets and other non-interest bearing liabilities.
(8) Interest expense on trading account liabilities of CGMHI is reported as a reduction of interest revenue.
(9) Includes cash-basis loans.

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AVERAGE BALANCES AND INTEREST RATES, TAXABLE EQUIVALENT BASIS[1][2][3][4]

In millions of dollars	Average volume			Interest expense			% Average rate		
	2004	2003	2002	**2004**	2003	2002	**2004**	2003	2002
Liabilities									
Deposits									
In U.S. offices	**$ 125,659**	$ 115,614	$ 95,256	**$ 1,077**	$ 992	$ 1,079	**0.86**	0.86	1.13
Savings deposits[5]	**30,544**	26,390	24,861	**758**	512	674	**2.48**	1.94	2.71
Other time deposits	**308,106**	252,145	228,248	**7,037**	5,384	6,301	**2.28**	2.14	2.76
In offices outside the U.S.[6]	**464,309**	394,149	348,365	**8,872**	6,888	8,054	**1.91**	1.75	2.31
Total									
Federal funds purchased and securities loaned or sold under agreements to repurchase[7]	**147,303**	124,108	126,343	**3,053**	2,216	3,706	**2.07**	1.79	2.93
In U.S. offices	**66,806**	56,057	42,672	**2,821**	2,639	2,933	**4.22**	4.71	6.87
In offices outside the U.S.[6]	**214,109**	180,165	169,015	**5,874**	4,855	6,639	**2.74**	2.69	3.93
Total									
Brokerage payables	**38,457**	31,608	22,213	**94**	48	68	**0.24**	0.15	0.31
In U.S. offices	**4,923**	1,720	1,452	**15**	4	4	**0.30**	0.23	0.28
In offices outside the U.S.[6]	**43,380**	33,328	23,665	**109**	52	72	**0.25**	0.16	0.30
Total									
Trading account liabilities[8][9]	**37,809**	25,217	25,614	**70**	48	42	**0.19**	0.19	0.16
In U.S. offices	**39,669**	38,455	25,357	**29**	15	13	**0.07**	0.04	0.05
In offices outside the U.S.[6]	**77,478**	63,672	50,971	**99**	63	55	**0.13**	0.10	0.11
Total									
Investment banking and brokerage borrowings	**24,501**	19,670	16,839	**437**	305	404	**1.78**	1.55	2.40
In U.S. offices	**1,520**	876	571	**216**	149	68	**14.21**	17.01	11.91
In offices outside the U.S.[6]	**26,021**	20,546	17,410	**653**	454	472	**2.51**	2.21	2.71
Total									
Short-term borrowings	**23,098**	24,910	21,876	**815**	420	756	**3.53**	1.69	3.46
In U.S. offices	**11,731**	6,912	4,760	**307**	259	420	**2.62**	3.75	8.82
In offices outside the U.S.[6]	**34,829**	31,822	26,636	**1,122**	679	1,176	**3.22**	2.13	4.42
Total									
Long-term debt	**161,706**	162,262	122,514	**4,429**	3,525	3,704	**2.74**	2.17	3.02
In U.S. offices[10]	**26,650**	13,546	10,787	**928**	321	656	**3.48**	2.37	6.08
In offices outside the U.S.[6]	**188,356**	175,808	133,301	**5,357**	3,846	4,360	**2.84**	2.19	3.27
Total									
Mandatorily redeemable securities of subsidiary trusts[13]	**—**	6,300	5,858	**—**	434	420	**—**	6.89	7.17
Total interest-bearing liabilities	**1,048,482**	905,790	775,221	**$22,086**	$17,271	$21,248	**2.11**	1.91	2.74
Demand deposits in U.S. offices	**4,348**	7,382	8,218						
Other non-interest bearing liabilities[6]	**249,708**	178,852	161,921						
Total liabilities from discontinued operations	**—**	—	31,881						
Total stockholders' equity[11]	**101,196**	91,090	83,364						
Total liabilities and stockholders' equity	**$1,403,734**	$1,183,114	$1,060,605						
Net interest revenue as a percentage of average interest-earning assets[12]									
In U.S. offices	**$ 728,365**	$ 632,317	$ 522,766	**$28,400**	$25,175	$23,063	**3.90**	3.98	4.41
In offices outside the U.S.	**467,109**	374,816	344,253	**16,373**	14,750	14,775	**3.51**	3.94	4.29
Total	**$1,195,474**	$1,007,133	$ 867,019	**$44,773**	$39,925	$37,838	**3.75**	3.96	4.36

(1) The taxable equivalent adjustment is based on the U.S. federal statutory tax rate of 35%.
(2) Interest rates and amounts include the effects of risk management activities associated with the respective asset and liability categories. See Note 24 to the Consolidated Financial Statements.
(3) Monthly or quarterly averages have been used by certain subsidiaries where daily averages are unavailable.
(4) Detailed average volume, interest revenue and interest expense exclude discontinued operations. See Note 3 to the Consolidated Financial Statements.
(5) Savings deposits consist of Insured Money Market Rate accounts, NOW accounts, and other savings deposits.
(6) Average rates reflect prevailing local interest rates, including inflationary effects and monetary correction in certain countries.
(7) Average volume of securities loaned or sold under agreements to repurchase are reported net pursuant to FIN 41 and interest expense excludes the impact of FIN 41.
(8) Average volume of securities loaned or sold under agreements to repurchase are reported in non-interest earning assets and other non-interest bearing liabilities.
(9) The fair value carrying amounts of derivative and foreign exchange contracts are reported in non-interest earning assets and other non-interest bearing liabilities.
(10) Interest expense on trading account liabilities of CGMI is reported as a reduction of interest revenue.
(11) During 2004, the Company deconsolidated all the subsidiary trusts in accordance with FIN 46-R. The resulting liabilities to the trust companies are included as a component of long-term debt as of December 31, 2004.
(12) Includes stockholders' equity from discontinued operations.
(13) Includes allocations for capital and funding costs based on the location of the asset.

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ANALYSIS OF CHANGES IN NET INTEREST REVENUE, TAXABLE EQUIVALENT BASIS [1][2][3]

In millions of dollars	2004 vs. 2003 Increase (decrease) due to change in: Average volume	Average rate	Net change[2]	2003 vs. 2002 Increase (decrease) due to change in: Average volume	Average rate	Net change[2]
Cash and due from banks	$ 20	$ (3)	$ 17	$ 3	$ 22	$ 25
Deposits at interest with banks[4]	208	(493)	(285)	117	(332)	(215)
Federal funds sold and securities borrowed or purchased under agreements to resell						
In U.S. offices	533	290	823	477	(1,797)	(1,320)
In offices outside the U.S.[4]	254	(249)	5	218	(207)	11
Total	787	41	828	695	(2,004)	(1,309)
Brokerage receivables						
In U.S. offices	35	132	167	180	(309)	(129)
In offices outside the U.S.[4]	110	(125)	(15)	131	(69)	62
Total	145	7	152	311	(378)	(67)
Trading account assets[5]						
In U.S. offices	1,089	7	1,096	472	(309)	163
In offices outside the U.S.[4]	734	(262)	472	352	(871)	(519)
Total	1,823	(255)	1,568	824	(1,180)	(356)
Investments						
In U.S. offices	180	237	417	1,441	(971)	470
In offices outside the U.S.[4]	762	240	1,002	382	(820)	(438)
Total	942	477	1,419	1,823	(1,791)	32
Loans — consumer						
In U.S. offices	3,277	(68)	3,209	3,755	(2,737)	1,018
In offices outside the U.S.[4]	2,300	(516)	1,784	809	(607)	202
Total	5,577	(584)	4,993	4,564	(3,344)	1,220
Loans — corporate						
In U.S. offices	(297)	209	(88)	(54)	(74)	(128)
In offices outside the U.S.[4]	716	250	966	(221)	(666)	(887)
Total	419	459	878	(275)	(740)	(1,015)
Total loans	5,996	(125)	5,871	4,289	(4,084)	205
Other interest-earning assets	(92)	185	93	176	(381)	(205)
Total interest revenue	9,829	(166)	9,663	8,238	(10,128)	(1,890)
Deposits						
In U.S. offices	158	173	331	284	(533)	(249)
In offices outside the U.S.[4]	1,258	395	1,653	612	(1,529)	(917)
Total	1,416	568	1,984	896	(2,062)	(1,166)
Federal funds purchased and securities loaned or sold under agreements to repurchase						
In U.S. offices	450	387	837	(65)	(1,425)	(1,490)
In offices outside the U.S.[4]	472	(290)	182	775	(1,069)	(294)
Total	922	97	1,019	710	(2,494)	(1,784)
Brokerage payables						
In U.S. offices	12	34	46	22	(42)	(20)
In offices outside the U.S.[4]	9	2	11	1	(1)	—
Total	21	36	57	23	(43)	(20)
Trading account liabilities[5]						
In U.S. offices	24	(2)	22	(1)	7	6
In offices outside the U.S.[4]	—	14	14	6	(4)	2
Total	24	12	36	5	3	8
Investment banking and brokerage borrowings						
In U.S. offices	82	50	132	60	(159)	(99)
In offices outside the U.S.[4]	95	(28)	67	45	36	81
Total	177	22	199	105	(123)	(18)
Short-term borrowings						
In U.S. offices	(33)	428	395	93	(429)	(336)
In offices outside the U.S.[4]	143	(95)	48	142	(303)	(161)
Total	110	333	443	235	(732)	(497)
Long-term debt						
In U.S. offices[6]	(12)	916	904	1,020	(1,199)	(179)
In offices outside the U.S.[4]	409	198	607	138	(473)	(335)
Total	397	1,114	1,511	1,158	(1,672)	(514)
Mandatorily redeemable securities of subsidiary trusts[5]	(217)	(217)	(434)	31	(17)	14
Total interest expense	2,850	1,965	4,815	3,163	(7,140)	(3,977)
Net interest revenue	$6,979	$(2,131)	$4,848	$5,075	$ (2,988)	$ 2,087

(1) The taxable equivalent adjustment is based on the U.S. federal statutory tax rate of 35%.
(2) Rate/volume variance is allocated based on the percentage relationship of changes in volume and changes in rate to the total net change.
(3) Detailed average volume, interest revenue and interest expense exclude discontinued operations. See Note 3 to the Consolidated Financial Statements.
(4) Changes in average rates reflect changes in prevailing local interest rates, including inflationary effects and monetary correction in certain countries.
(5) Interest expense on trading account liabilities of CGMHI is reported as a reduction of interest revenue.
(6) During 2004, the Company deconsolidated all the subsidiary trusts in accordance with FIN 46-R. The resulting liabilities to the trust companies are included as a component of long-term debt as of December 31, 2004.

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RATIOS

	2004	2003	2002
Net income to average assets	**1.21%**	1.51%	1.44%
Return on common stockholders' equity[1]	**17.0%**	19.8%	18.6%
Return on total stockholders' equity[2]	**16.8%**	19.5%	18.3%
Total average equity to average assets	**7.21%**	7.70%	7.86%
Dividends declared per common share as a percentage of income per diluted common share	**49.1%**	32.2%	23.8%

(1) Based on net income less total preferred stock dividends as a percentage of average common stockholders' equity.
(2) Based on net income less preferred stock dividends as a percentage of average total stockholders' equity.

AVERAGE DEPOSIT LIABILITIES IN OFFICES OUTSIDE THE U.S.[1]

	2004		2003		2002	
In millions of dollars at year end	**Average balance**	**Average interest rate**	Average balance	Average interest rate	Average balance	Average interest rate
Banks[2]	**$ 32,067**	**2.99%**	$ 28,495	2.84%	$ 28,492	3.84%
Other demand deposits	**121,588**	**1.11%**	85,556	1.54%	85,545	1.54%
Other time and savings deposits[2]	**179,916**	**2.43%**	159,448	2.11%	159,463	2.11%
Total	**$333,571**	**2.00%**	$273,499	2.01%	$273,500	2.01%

(1) Interest rates and amounts include the effects of risk management activities and also reflect the impact of the local interest rates prevailing in certain countries. See Note 24 to the Consolidated Financial Statements.
(2) Primarily consists of certificates of deposit and other time deposits in denominations of $100,000 or more.

MATURITY PROFILE OF TIME DEPOSITS ($100,000 OR MORE) IN U.S. OFFICES

In millions of dollars at year-end 2004	Under 3 months	Over 3 to 6 months	Over 6 to 12 months	Over 12 months
Certificates of deposit	$ 3,809	$840	$1,046	$3,234
Other time deposits	14,006	70	15	205

SHORT-TERM AND OTHER BORROWINGS[1]

	Federal funds purchased and securities sold under agreements to repurchase[2]			Commercial paper[6]			Other funds borrowed[2]			Investment banking and brokerage borrowings		
In millions of dollars	**2004**	2003	2002	**2004**	2003	2002	**2004**	2003	2002	**2004**	2003	2002
Amounts outstanding at year end	**$209,555**	$181,156	$162,643	**$ 8,270**	$15,093	$16,854	**$22,698**	$21,094	$13,775	**$25,799**	$22,442	$21,353
Average outstanding during the year[5]	**214,109**	180,165	169,015	**13,220**	14,994	13,567	**21,609**	16,828	13,069	**26,021**	20,546	17,410
Maximum month-end outstanding	**240,169**	198,339	199,010	**19,265**	17,400	16,854	**27,190**	25,196	24,201	**30,986**	25,185	22,104
Weighted-average interest rate												
During the year[3][5]	**2.74%**	2.69%	3.93%	**1.18%**	1.09%	1.63%	**4.47%**	3.07%	7.31%	**2.51%**	2.21%	2.71%
At year end[4]	**2.37%**	3.11%	2.37%	**2.28%**	1.24%	1.56%	**2.56%**	1.81%	3.07%	**2.33%**	1.45%	2.07%

(1) Original maturities of less than one year.
(2) Rates reflect prevailing local interest rates including inflationary effects and monetary correction in certain countries.
(3) Interest rates include the effects of risk management activities. See Notes 13 and 24 to the Consolidated Financial Statements.
(4) Based on contractual rates at year end.
(5) Excludes discontinued operations.
(6) Excludes CGMHI commercial paper, which is included with "Investment Banking and Brokerage Borrowings."

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REGULATION AND SUPERVISION

Bank Holding Company Regulation

The Company is a bank holding company within the meaning of the U.S. Bank Holding Company Act of 1956 (BHC Act) registered with, and subject to examination by, the Board of Governors of the Federal Reserve System (FRB). The subsidiary depository institutions of the Company (the banking subsidiaries), including its principal bank subsidiary, Citibank, N.A. (Citibank), are subject to supervision and examination by their respective federal and state banking authorities. The nationally chartered subsidiary banks, including Citibank, are supervised and examined by the Office of the Comptroller of the Currency (OCC); federal savings association subsidiaries are regulated by the Office of Thrift Supervision (OTS); and state-chartered depository institutions are supervised by the banking departments within their respective states (California, Delaware, and Utah), as well as the Federal Deposit Insurance Corporation (FDIC). The FDIC also has back-up enforcement authority with respect to each of the banking subsidiaries, the deposits of which are insured by the FDIC, up to applicable limits. The Company also controls (either directly or indirectly) overseas banks, branches, and agencies. In general, the Company's overseas activities are regulated by the FRB and OCC, and are also regulated by supervisory authorities of the host countries.

The Company's banking subsidiaries are also subject to requirements and restrictions under federal, state, and foreign law, including requirements to maintain reserves against deposits, restrictions on the types and amounts of loans that may be made and the interest that may be charged thereon, and limitations on the types of investments that may be made and the types of services that may be offered. Various consumer laws and regulations also affect the operations of the Company's banking subsidiaries.

The activities of U.S. bank holding companies are generally limited to the business of banking, managing or controlling banks, and other activities that the FRB determines to be so closely related to banking or managing or controlling banks as to be a proper incident thereto. In addition, under the Gramm-Leach-Bliley Act (the GLB Act), bank holding companies, such as the Company, all of whose controlled depository institutions are "well capitalized" and "well managed," as defined in Federal Reserve Regulation Y, and which obtain satisfactory Community Reinvestment Act ratings, have the ability to declare themselves to be "financial holding companies" and engage in a broader spectrum of activities, including insurance underwriting and brokerage (including annuities), and underwriting and dealing securities. The Company has declared itself to be a financial holding company. Financial holding companies that do not continue to meet all of the requirements for such status will, depending on which requirement they fail to meet, face not being able to undertake new activities or acquisitions that are financial in nature, or losing their ability to continue those activities that are not generally permissible for bank holding companies.

Under the GLB Act, financial holding companies are able to make acquisitions of companies that engage in activities that are financial in nature, both in the United States and outside of the United States. No prior approval of the FRB is generally required for such acquisitions except for the acquisition of U.S. depository institutions and, in some cases, foreign banks. In addition, under merchant banking authority added by the GLB Act, financial holding companies are authorized to invest in companies that engage in activities that are not financial in nature, as long as the financial holding company makes its investment with the intention of limiting the investment in duration, does not manage the company on a day-to-day basis, and the investee company does not cross-market with any of the financial holding company's controlled depository institutions. This authority applies to investments both in the United States and outside the United States. Regulations interpreting and conditioning this authority have been promulgated. Bank holding companies also retain their authority, subject to prior specific or general FRB consent, to acquire less than 20% of the voting securities of a company that does not do business in the United States, and 20% or more of the voting securities of any such company if the FRB finds by regulation or order that its activities are usual in connection with banking or finance outside the United States. In general, bank holding companies that are not financial holding companies may engage in a broader range of activities outside the United States than they may engage in inside the United States, including sponsoring, distributing, and advising open-end mutual funds, and underwriting and dealing in debt and, to a limited extent, equity securities, subject to local country laws.

Subject to certain limitations and restrictions, a U.S. bank holding company, with the prior approval of the FRB, may acquire an out-of-state bank. Banks in states that do not prohibit out-of-state mergers may merge with the approval of the appropriate federal bank regulatory agency. A national or state bank may establish a de novo branch out of state if such branching is expressly permitted by the other state. A federal savings association is generally permitted to open a de novo branch in any state.

Outside the U.S., subject to certain requirements for prior FRB consent or notice, the Company may acquire banks and Citibank may establish branches subject to local laws and to U.S. laws prohibiting companies from doing business in certain countries.

The Company's earnings and activities are affected by legislation, by actions of its regulators, and by local legislative and administrative bodies and decisions of courts in the foreign and domestic jurisdictions in which the Company and its subsidiaries conduct business. For example, these include limitations on the ability of certain subsidiaries to pay dividends to their intermediate holding companies and on the abilities of those holding companies to pay dividends to the Company (see Note 19 to the Consolidated Financial Statements). It is the policy of the FRB that bank holding companies should pay cash dividends on common stock only out of income available over the past year and only if prospective earnings retention is consistent with the organization's expected future needs and financial condition. The policy provides that bank holding companies should not maintain a level of cash dividends that undermines the bank holding company's ability to serve as a source of strength to its banking subsidiaries.

Various federal and state statutory provisions limit the amount of dividends that subsidiary banks and savings associations can pay to their holding companies without regulatory approval. In addition to these explicit limitations, the federal regulatory agencies are authorized to prohibit a banking subsidiary or bank holding company from engaging in an unsafe or unsound banking practice. Depending upon the circumstances, the agencies could take the position that paying a dividend would constitute an unsafe or unsound banking practice.

Numerous other federal and state laws also affect the Company's earnings and activities, including federal and state consumer protection laws. Legislation may be enacted or regulation imposed in the U.S. or its political

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subdivisions, or in any other jurisdiction in which the Company does business, to further regulate banking and financial services or to limit finance charges or other fees or charges earned in such activities. There can be no assurance whether any such legislation or regulation will place additional limitations on the Company's operations or adversely affect its earnings. The preceding statement is a forward-looking statement within the meaning of the Private Securities Litigation Reform Act. See "Forward-Looking Statements" on page 100.

There are various legal restrictions on the extent to which a bank holding company and certain of its nonbank subsidiaries can borrow or otherwise obtain credit from banking subsidiaries or engage in certain other transactions with or involving those banking subsidiaries. In general, these restrictions require that any such transactions must be on terms that would ordinarily be offered to unaffiliated entities and secured by designated amounts of specified collateral. Transactions between a banking subsidiary and the holding company or any nonbank subsidiary are limited to 10% of the banking subsidiary's capital stock and surplus and, as to the holding company and all such nonbank subsidiaries in the aggregate, to 20% of the bank's capital stock and surplus.

The Company's right to participate in the distribution of assets of any subsidiary upon the subsidiary's liquidation or reorganization will be subject to the prior claims of the subsidiary's creditors. In the event of a liquidation or other resolution of an insured depository institution, the claims of depositors and other general or subordinated creditors are entitled to a priority of payment over the claims of holders of any obligation of the institution to its stockholders, including any depository institution holding company (such as the Company) or any stockholder or creditor thereof.

In the liquidation or other resolution of a failed U.S. insured depository institution, deposits in U.S. offices and certain claims for administrative expenses and employee compensation are afforded a priority over other general unsecured claims, including deposits in offices outside the U.S., non-deposit claims in all offices, and claims of a parent such as the Company. Such priority creditors would include the FDIC, which succeeds to the position of insured depositors.

A financial institution insured by the FDIC that is under common control with a failed or failing FDIC-insured institution can be required to indemnify the FDIC for losses resulting from the insolvency of the failed institution, even if this causes the affiliated institution also to become insolvent. Any obligations or liability owed by a subsidiary depository institution to its parent company is subordinate to the subsidiary's cross-guarantee liability with respect to commonly controlled insured depository institutions and to the rights of depositors.

Under FRB policy, a bank holding company is expected to act as a source of financial strength to each of its banking subsidiaries and commit resources to their support. As a result of that policy, the Company may be required to commit resources to its subsidiary banks in certain circumstances. However, under the GLB Act, the FRB is not able to compel a bank holding company to remove capital from its regulated securities or insurance subsidiaries in order to commit such resources to its subsidiary banks.

The Company and its U.S. insured depository institution subsidiaries are subject to risk-based capital and leverage guidelines issued by U.S. regulators for banks, savings associations, and bank holding companies. The regulatory agencies are required by law to take specific prompt actions with respect to institutions that do not meet minimum capital standards and have defined five capital tiers, the highest of which is "well capitalized." As of December 31, 2004, the Company's bank and thrift subsidiaries, including Citibank, were "well-capitalized." See "Management's Discussion and Analysis" and Note 19 to the Consolidated Financial Statements for capital analysis.

A bank is not required to repay a deposit at a branch outside the U.S. if the branch cannot repay the deposit due to an act of war, civil strife, or action taken by the government in the host country, unless the bank has expressly agreed to do so in writing.

The GLB Act included extensive consumer privacy provisions. These provisions, among other things, require full disclosure of the Company's privacy policy to consumers and mandate offering consumers the ability to "opt out" of having non-public customer information disclosed to third parties. Pursuant to these provisions, the federal banking regulators and the SEC and FTC have adopted privacy regulations. In addition, the states are permitted to adopt more extensive privacy protections through legislation or regulation. There can be no assurance whether any such legislation or regulation will place additional limitations on the Company's operations or adversely affect its earnings. The preceding statement is a forward-looking statement within the meaning of the Private Securities Litigation Reform Act. See "Forward-Looking Statements" on page 100. A recent amendment to the Fair Credit Reporting Act requires the Company's subsidiaries to give their customers the opportunity not to receive marketing solicitations that are based on the use of information from another subsidiary of the Company regarding the customer. This requirement is expected to become effective within six months after pending implementing regulations become effective.

The earnings of the Company, Citibank, and their subsidiaries and affiliates are affected by general economic conditions and the conduct of monetary and fiscal policy by the U.S. government and by governments in other countries in which they do business.

Legislation is from time to time introduced in Congress or in the States that may change banking statutes and the operating environment of the Company and its banking subsidiaries in substantial and unpredictable ways. The Company cannot determine whether any such proposed legislation will be enacted and, if enacted, the ultimate effect that any such potential legislation or implementing regulations would have upon the financial condition or results of operations of the Company or its subsidiaries.

Insurance – State Regulation

The Company's insurance subsidiaries are subject to regulation in the various states and jurisdictions in which they transact business. The regulation, supervision and administration relate, among other things, to the standards of solvency that must be met and maintained, the licensing of insurers and their agents, the lines of insurance in which they may engage, the nature of and limitations on investments, premium rates, restrictions on the size of risks that may be insured under a single policy, reserves and provisions for unearned premiums, losses and other obligations, deposits of securities for the benefit of policyholders, approval of policy forms and the regulation of market conduct, including the use of credit information in underwriting as well as other underwriting and claims practices. In addition, many states have enacted variations of competitive rate-making laws which allow insurers to set certain premium rates for certain classes of insurance without having to obtain the prior approval of the state insurance department. State insurance

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departments also conduct periodic examinations of the affairs of insurance companies and require the filing of annual and other reports relating to the financial condition of companies and other matters.

Although the Company is not regulated as an insurance company, it is the owner, through various holding company subsidiaries, of the capital stock of its insurance subsidiaries and as such is subject to state insurance holding company statutes, as well as certain other laws, of each of the states of domicile of its insurance subsidiaries. All holding company statutes, as well as certain other laws, require disclosure and, in some instances, prior approval of material transactions between an insurance company and an affiliate.

The Company's insurance subsidiaries are subject to various state statutory and regulatory restrictions in each company's state of domicile, which limit the amount of dividends or distributions by an insurance company to its stockholders.

Many state insurance regulatory laws intended primarily for the protection of policyholders contain provisions that require advance approval by state agencies of any change in control of an insurance company that is domiciled (or, in some cases, having such substantial business that it is deemed to be commercially domiciled) in that state. "Control" is generally presumed to exist through the ownership of 10% or more of the voting securities of a domestic insurance company or of any company that controls a domestic insurance company. In addition, many state insurance regulatory laws contain provisions that require prenotification to state agencies of a change in control of a nondomestic admitted insurance company in that state. Such requirements may deter, delay or prevent certain transactions affecting the control of or the ownership of the Company's common stock, including transactions that could be advantageous to the stockholders of the Company.

Securities Regulation

Certain U.S. and non-U.S. subsidiaries are subject to various securities and commodities regulations and capital adequacy requirements promulgated by the regulatory and exchange authorities of the countries in which they operate.

The Company's U.S. registered broker/dealer subsidiaries are subject to the Securities and Exchange Commission's (the SEC) net capital rule, Rule 15c3-1 (the Net Capital Rule), promulgated under the Exchange Act. The Net Capital Rule requires the maintenance of minimum net capital, as defined. The Net Capital Rule also limits the ability of broker/dealers to transfer large amounts of capital to parent companies and other affiliates. Compliance with the Net Capital Rule could limit those operations of the Company that require the intensive use of capital, such as underwriting and trading activities and the financing of customer account balances, and also could restrict CGMHI's ability to withdraw capital from its broker/dealer subsidiaries, which in turn could limit CGMHI's ability to pay dividends and make payments on its debt. See Notes 13 and 19 to the Consolidated Financial Statements. Certain of the Company's broker/dealer subsidiaries are also subject to regulation in the countries outside of the U.S. in which they do business. Such regulations may include requirements to maintain specified levels of net capital or its equivalent.

The Company is the indirect parent of investment advisers registered and regulated under the Investment Advisers Act of 1940 who provide investment advice to investment companies subject to regulation under the Investment Company Act of 1940. Under the Investment Company Act of 1940, advisory contracts between the Company's investment adviser subsidiaries and these investment companies (Affiliated Funds) would automatically terminate upon an assignment of such contracts by the investment adviser. Such an assignment would be presumed to have occurred if any party were to acquire more than 25% of the Company's voting securities. In that event, consent to the assignment from the stockholders of the Affiliated Funds involved would be needed for the advisory relationship to continue. In addition, subsidiaries of the Company and the Affiliated Funds are subject to certain restrictions in their dealings with each other.

Competition

The Company and its subsidiaries are subject to intense competition in all aspects of their businesses from both bank and non-bank institutions that provide financial services and, in some of their activities, from government agencies.

General Business Factors

In the judgment of the Company, no material part of the business of the Company and its subsidiaries is dependent upon a single customer or group of customers, the loss of any one of which would have a materially adverse effect on the Company, and no one customer or group of affiliated customers accounts for as much as 10% of the Company's consolidated revenues.

Properties

The Company's executive offices are located at 399 Park Avenue, New York, New York. 399 Park Avenue is a 39-story building that is partially leased by the Company and certain of its subsidiaries, including the principal offices of Citicorp and Citibank. The Company and certain of its subsidiaries occupy office space in Citigroup Center (153 E. 53rd St., New York, NY) under a long-term lease. Citibank owns a building in Long Island City, New York and leases a building under a long-term lease located at 111 Wall Street in New York City, which are totally occupied by the Company and certain of its subsidiaries.

The principal offices of TIC and TLAC are located in Hartford, Connecticut. The majority of such office space in Hartford is leased from third parties.

Additionally, the Company's life insurance subsidiaries lease certain other non-material office space throughout the United States.

CGMHI owns two buildings located at 388 and 390 Greenwich Street in New York City. The principal offices of CGMHI are located at 388 Greenwich Street, New York, New York.

Associates maintains its principal offices in Irving, Texas, in facilities which are, in part, owned and, in part, leased by it. Associates has office and branch sites for its business units throughout the United States, Canada, Asia (Japan, Taiwan, Philippines and Hong Kong), Europe and Latin America. The majority of these sites are leased and, although numerous, none is material to Associates' operations.

Banamex maintains its principal offices in Mexico City in facilities which are, in part, owned and, in part, leased by it. Banamex has office and branch sites throughout Mexico. The majority of these sites are owned.

Other offices and certain warehouse space are owned, none of which is material to the Company's financial condition or operations.

The Company believes its properties are adequate and suitable for its business as presently conducted and are adequately maintained. For further information concerning leases, see Note 27 to the Consolidated Financial Statements.

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LEGAL PROCEEDINGS

Enron Corp.

In April 2002, Citigroup was named as a defendant along with, among others, commercial and/or investment banks, certain current and former Enron officers and directors, lawyers and accountants in a putative consolidated class action complaint that was filed in the United States District Court for the Southern District of Texas seeking unspecified damages. The action, brought on behalf of individuals who purchased Enron securities (NEWBY, ET AL. V. ENRON CORP., ET AL.), alleges violations of Sections 11 and 15 of the Securities Act of 1933, as amended, and Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, as amended. In May 2003, plaintiffs filed an amended consolidated class action complaint. Citigroup filed a motion to dismiss in June 2003, which motion was denied in April 2004. Citigroup answered the operative complaint in May 2004. Plaintiffs filed a motion for class certification in May 2003, which motion remains pending. The parties are engaging in discovery.

Additional actions have been filed against Citigroup and certain of its affiliates, along with other parties, including (i) actions brought by a number of pension and benefit plans, investment funds, mutual funds, and other individual and institutional investors in connection with the purchase of Enron and Enron-related equity and debt securities, alleging violations of various state and federal securities laws, state unfair competition statutes, common law fraud, misrepresentation, unjust enrichment, breach of fiduciary duty, conspiracy and other violations of state law; (ii) actions by banks that participated in Enron revolving credit facilities, alleging fraud, gross negligence, breach of implied duties, aiding and abetting and civil conspiracy in connection with defendants' administration of a credit facility with Enron; (iii) an action brought by several funds in connection with secondary market purchases of Enron debt securities, alleging violations of the federal securities laws, including Section 11 of the Securities Act of 1933, as amended, and claims for fraud and misrepresentation; (iv) a series of putative class actions by purchasers of NewPower Holdings common stock, alleging violations of various federal securities laws; the Citigroup defendant (along with all other defendants) settled all claims without admitting any wrongdoing, and the settlement was preliminarily approved by the United States District Court for the Southern District of New York in September 2004; (v) a putative class action brought by clients of CGMI in connection with research reports concerning Enron, alleging breach of contract; (vi) an action brought by purchasers in the secondary market of Enron bank debt, alleging claims for common law fraud, conspiracy, gross negligence, negligence and breach of fiduciary duty; (vii) an action brought by an investment company, alleging that Citigroup and others aided Enron in fraudulently inducing it to enter into a commodity sales contract; (viii) five adversary proceedings filed by Enron in its chapter 11 bankruptcy proceedings to recover alleged preferential payments and fraudulent transfers involving Citigroup, certain of its affiliates and other entities, and to disallow or to subordinate claims that Citigroup and other entities have filed against Enron; in one such proceeding, Enron also alleges various common law claims, including a claim for aiding and abetting of breach of fiduciary duty; (ix) third-party actions brought by former Enron officers and directors, alleging violation of state securities and other laws and a right to contribution from Citigroup, in connection with claims under state securities and common law brought against the officers and directors; (x) a purported class action brought on behalf of Connecticut municipalities, alleging violation of state statutes, conspiracy to commit fraud, aiding and abetting a breach of fiduciary duty and unjust enrichment; (xi) actions brought by the Attorney General of Connecticut in connection with various commercial and investment banking services provided to Enron; (xii) third party actions brought by Arthur Andersen as a defendant in Enron related litigations, alleging a right to contribution from Citigroup; (xiii) an action brought by the indenture trustee for the Yosemite and ECLN Trusts and the Yosemite Securities Co., alleging fifteen causes of action sounding in tort and contract and relating to the initial notes offerings and the post-bankruptcy settlement of the notes; (xiv) putative class actions brought by investors that purchased and held Enron and Enron-related securities, alleging negligence, misrepresentation, fraud, breach of fiduciary duty, and aiding and abetting breach of fiduciary duty; (xv) actions brought by utilities concerns, alleging that Citigroup and others aided Enron in fraudulently overcharging for electricity; and (xvi) adversary proceedings filed by Enron in its chapter 11 bankruptcy proceedings against entities that purchased Enron bankruptcy claims from Citigroup, seeking to disallow or to subordinate those claims. Several of these cases have been consolidated or coordinated with the NEWBY action and are stayed, except for certain discovery, pending the Court's decision on the pending motion for class certification in NEWBY.

Dynegy Inc.

On June 6, 2003, the complaint in a pre-existing putative class action pending in the United States District Court for the Southern District of Texas (IN RE: DYNEGY INC. SECURITIES LITIGATION) brought by purchasers of publicly traded debt and equity securities of Dynegy Inc. was amended to add Citigroup, Citibank and CGMI as defendants. The plaintiffs allege violations of Sections 10 (b) and 20 (a) of the Securities Exchange Act of 1934, as amended, against the Citigroup defendants. The Citigroup defendants filed a motion to dismiss in March 2004, which motion was granted by the District Court in October 2004. The court denied lead plaintiff's request for leave to appeal.

WorldCom, Inc.

Citigroup, CGMI and certain executive officers and current and former employees were named as defendants — along with twenty-two other investment banks, certain current and former WorldCom officers and directors, and WorldCom's former auditors — in a consolidated class action (IN RE WORLDCOM, INC. SECURITIES LITIGATION) brought on behalf of individuals and entities who purchased or acquired publicly traded securities of WorldCom between April 29, 1999 and June 25, 2002. The class action complaint asserted claims against CGMI under (i) Sections 11 and 12 (a)(2) of the Securities Act of 1933, as amended, in connection with certain bond offerings in which it served as underwriter, and (ii) Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, as amended, and Rule 10b-5 promulgated under Section 10(b), alleging that it participated in the preparation and/or issuance of misleading WorldCom registration statements and disseminated misleading research reports concerning WorldCom stock. In 2003, the Court denied CGMI's motion to dismiss the consolidated class action complaint and granted the plaintiffs' motion for class certification.

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On May 10, 2004, Citigroup announced that it had agreed to settle all claims against it in the consolidated class action. Under the terms of the settlement, Citigroup will make a payment of $2.58 billion ($1.59 billion after-tax) to the settlement class. Citigroup reached this settlement agreement without admitting any wrongdoing or liability, and the agreement reflects that Citigroup denies that it or its subsidiaries committed any act or omission giving rise to any liability or violation of the law. On November 10, 2004, the United States District Court for the Southern District of New York entered an order granting final approval of the settlement.

The District Court also consolidated with the consolidated class action two other putative class actions which assert claims (i) under federal securities laws against Citigroup, CGMI and certain former employees on behalf of purchasers and acquirers of Targeted Growth Enhanced Terms Securities With Respect to the Common Stock of MCI WorldCom, Inc. ("TARGETS"), based on CGMI's research reports concerning WorldCom and its role as underwriter of TARGETS (IN RE TARGETS SECURITIES LITIGATION); and (ii) under common law against CGMI and certain former employees on behalf of persons who held WorldCom securities based on CGMI's research reports concerning WorldCom (WEINSTEIN, ET AL. V. EBBERS, ET AL.). On June 28, 2004, the District Court dismissed all claims under the Securities Act of 1933 and certain claims under the Securities Exchange Act of 1934 in IN RE TARGETS SECURITIES LITIGATION, leaving only claims under the 1934 Act for purchases of TARGETS after July 30, 1999. On October 20, 2004, the parties signed a Memorandum of Understanding setting forth the terms of a settlement of all remaining claims in this action. The settlement was preliminarily approved by the Court on January 11, 2005. On September 17, 2004, the District Court dismissed WEINSTEIN, ET AL. v. EBBERS, ET AL. with prejudice, and in its entirety. On October 15, 2004, the plaintiffs noticed their appeal of this decision to the United States Court of Appeals for the Second Circuit. The parties have reached an agreement in principle on the terms of a settlement of this action.

Approximately seventy WorldCom individual actions remain pending in various federal and state courts. Pursuant to an order entered on May 28, 2003, the District Court presently has before it approximately two-thirds of these individual actions that have been consolidated with the class action for pretrial proceedings. The claims asserted in these individual actions are substantially similar to the claims alleged in the class action and assert state and federal securities law claims based on CGMI's research reports concerning WorldCom and/or CGMI's role as an underwriter in WorldCom offerings. Plaintiffs in certain of these actions filed motions to remand their cases to state court. The District Court denied these motions and its rulings were upheld on appeal.

A number of other individual actions asserting claims against CGMI in connection with its research reports about WorldCom and/or its role as an investment banker for WorldCom are pending in other federal and state courts. These actions have been remanded to various state courts, are pending in other federal courts, or have been conditionally transferred to the United States District Court for the Southern District of New York to be consolidated with the class action. In addition to the court suits, actions asserting claims against Citigroup and certain of its affiliates relating to its WorldCom research reports are pending in numerous arbitrations around the country. These actions assert claims that are substantially similar to the claims asserted in the class action.

Global Crossing

On or about January 28, 2003, lead plaintiff in a consolidated putative class action in the United States District Court for the Southern District of New York (IN RE GLOBAL CROSSING, LTD. SECURITIES LITIGATION) filed a consolidated complaint on behalf of purchasers of the securities of Global Crossing and its subsidiaries, which named as defendants, among others, Citigroup, CGMI and certain executive officers and current and former employees, asserting claims under the federal securities laws for allegedly issuing research reports without a reasonable basis in fact and for allegedly failing to disclose conflicts of interest with Global Crossing in connection with published investment research. On March 22, 2004, lead plaintiff amended its consolidated complaint to add claims on behalf of purchasers of the securities of Asia Global Crossing. The added claims assert causes of action under the federal securities laws and common law in connection with CGMI's research reports about Global Crossing and Asia Global Crossing and for CGMI's roles as an investment banker for Global Crossing and as an underwriter in the Global Crossing and Asia Global Crossing offerings. The Citigroup-Related Defendants moved to dismiss all of the claims against them on July 2, 2004. The plaintiffs and the Citigroup-Related Defendants have reached an agreement in principle on the terms of a settlement of this action.

In addition, on or about January 27, 2004, the Global Crossing Estate Representative filed in the United States Bankruptcy Court for the Southern District of New York (i) an adversary proceeding against, among others, Citigroup, CGMI and certain executive officers and current and former employees, asserting claims under federal bankruptcy law and common law in connection with CGMI's research reports about Global Crossing and for its role as an underwriter in Global Crossing offerings, and (ii) an adversary proceeding against Citigroup and several other financial institutions seeking to rescind the payment of a $1 billion loan made to a subsidiary of Global Crossing. The Citigroup-Related Defendants moved to dismiss the former action on June 26, 2004, and the latter on May 28, 2004. In addition, actions asserting claims against Citigroup and certain of its affiliates relating to CGMI Global Crossing research reports are pending in numerous arbitrations around the country.

Research

Since May 2002, Citigroup, CGMI and certain executive officers and current and former employees have been named as defendants in numerous putative class action complaints and arbitration demands by purchasers of various securities, alleging that they violated federal securities law, including Sections 10 and 20 of the Securities Exchange Act of 1934, as amended, for allegedly issuing research reports without a reasonable basis in fact and for allegedly failing to disclose conflicts of interest with companies in connection with published investment research, including AT&T Corp. ("AT&T"), Winstar Communications, Inc. ("Winstar"), Level 3 Communications, Inc. ("Level 3"), Metromedia Fiber Network, Inc. ("MFN"), XO Communications, Inc. ("XO"), Williams Communications Group Inc. ("Williams"), and Focal Communications, Inc. Almost all of these putative class actions are pending before a single judge in the United States District Court for the Southern District of New York for coordinated proceedings. The Court has consolidated these actions into separate proceedings corresponding to the companies

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named above. On December 2, 2004, the Court granted in part and denied in part the Citigroup-Related Defendants' motions to dismiss the claims against it in the AT&T, Level 3, XO and Williams actions. On January 5, 2005, the Court dismissed the Winstar action in its entirety with prejudice. On January 6, 2005, the Court granted in part and denied in part Citigroup's motion to dismiss the claims against it in the MFN action.

In addition to the putative research class actions, several individual actions have been filed against Citigroup and CGMI relating to, among other things, research on Qwest Communications International, Inc. These actions allege violations of state and federal securities laws in connection with CGMI's publication of research about Qwest and its underwriting of Qwest securities.

Two putative class actions against CGMI asserting common law claims on behalf of CGMI customers in connection with published investment research have been dismissed by United States District Courts, one of which was affirmed by the United States Court of Appeals for the Ninth Circuit, and one of which is pending on appeal to the United States Courts of Appeals for the Third Circuit. Two more putative class actions raising similar claims are pending against CGMI, one in the United States District Court for the Southern District of New York (NORMAN V. SALOMON SMITH BARNEY, ET AL.) and the other in Illinois state court (DISHER V. CITIGROUP GLOBAL MARKETS INC.). On June 9, 2004, the District Court denied CGMI's motion to dismiss NORMAN V. SALOMON SMITH BARNEY, ET AL., a case which asserts violations of the Investment Advisers Act of 1940 and various common law claims in connection with certain investors who maintained guided portfolio management accounts at *Smith Barney*.

Parmalat

On July 29, 2004, Enrico Bondi, as extraordinary commissioner of Parmalat and other affiliated entities, filed a lawsuit in New Jersey Superior Court against Citigroup, Citibank, N.A. and others, alleging that the defendants participated in fraud committed by the officers and directors of Parmalat and seeking unspecified damages. The action alleges a variety of claims under New Jersey state law, including fraud, negligent misrepresentation, violations of the New Jersey Fraudulent Transfer Act and violations of the New Jersey RICO statute. On December 20, 2004, defendants filed a motion to dismiss the action. That motion remains pending.

Citigroup, Citibank, N.A. and others also are defendants in three class action complaints filed in the United States District Court for the Southern District of New York relating to the collapse of Parmalat Finanziaria S.P.A. On May 21, 2004, the court issued an order consolidating the complaints under the caption IN RE PARMALAT SECURITIES LITIGATION. The consolidated amended complaint was filed on October 18, 2004 on behalf of purchasers of Parmalat securities between January 5, 1999 and December 18, 2003. The complaint alleges violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, as amended, and seeks unspecified damages. On January 10, 2005, the Citigroup defendants filed a motion to dismiss the action. That motion remains pending.

Adelphia Communications Corporation

On July 6, 2003, an adversary proceeding was filed by the Official Committee of Unsecured Creditors on behalf of Adelphia Communications Corporation against certain lenders and investment banks, including CGMI, Citibank, N.A., Citicorp USA, Inc., and Citigroup Financial Products, Inc. (together, the Citigroup Parties). The complaint alleges that the Citigroup Parties and numerous other defendants committed acts in violation of the Bank Holding Company Act and common law. The complaints seek equitable relief and an unspecified amount of compensatory and punitive damages. In November 2003, a similar adversary proceeding was filed by the Equity Holders Committee of Adelphia. In June 2004, motions to dismiss were filed with respect to the complaints of the Official Committee of Unsecured Creditors and the Equity Holders Committee. The motions are currently pending.

In addition, CGMI is among the underwriters named in numerous civil actions brought to date by investors in Adelphia debt securities in connection with Adelphia securities offerings between September 1997 and October 2001. Three of the complaints also assert claims against Citigroup Inc. and Citibank, N.A. All of the complaints allege violations of federal securities laws, and certain of the complaints also allege violations of state securities laws and the common law. The complaint seeks unspecified damages. In December 2003, a second amended complaint was filed and consolidated before the same judge of the United States District Court for the Southern District of New York. In February 2004, motions to dismiss the class and individual actions pending in the United States District Court for the Southern District of New York were filed. The motions are currently pending.

Foreign Currency Conversion

Citigroup and certain of its affiliates as well as VISA, U.S.A., Inc., VISA International Service Association, MasterCard International, Incorporated and other banks are defendants in a consolidated class action lawsuit (IN RE CURRENCY CONVERSION FEE ANTITRUST LITIGATION) pending in the United States District Court for the Southern District of New York, which seeks unspecified damages and injunctive relief. The action, brought on behalf of certain United States holders of VISA, MasterCard and Diners Club branded general purpose credit cards who used those cards since March 1, 1997 for foreign currency transactions, asserts, among other things, claims for alleged violations of (i) Section 1 of the Sherman Act, (ii) the federal Truth in Lending Act (TILA), and (iii) as to Citibank (South Dakota), N.A., the South Dakota Deceptive Trade Practices Act. On October 15, 2004, the Court granted the plaintiffs' motion for class certification of their Sherman Act and TILA claims but denied the motion as to the South Dakota Deceptive Trade Practices Act claim against Citibank (South Dakota), N.A.

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Transfer Agency

Citigroup's 2004 results reflect an aggregate reserve of $196 million ($151 million after-tax) related to the expected resolution of the previously disclosed SEC investigation into mutual fund transfer agent matters that began in November 2003.

In 1999, Citigroup Asset Management ("CAM") recommended that an affiliate become the transfer agent for certain mutual funds managed by CAM. The affiliate that became the transfer agent, Citicorp Trust Bank ("CTB"), subcontracted transfer agency work to the previous (unaffiliated) transfer agent. At the time CAM entered the business, CAM concluded a separate agreement with the sub-transfer agent that guaranteed certain benefits to CAM and its affiliates. That agreement, and a one-time payment related to termination of the agreement, were not disclosed to the boards of the mutual funds that approved the retention of the affiliated transfer agent.

As previously discussed, in July 2004, the staff of the SEC indicated that it was considering recommending an enforcement proceeding against CAM and certain of its affiliates relating to the transfer agency and sub-transfer agency arrangements, including the creation and operation of this transfer agency, the compensation received by CTB and the adequacy of CAM's disclosures to the fund boards. The staff subsequently informed four individuals (none of whom remains in his or her prior position with CAM) that it was also considering similar enforcement proceedings against them. The Company is cooperating with the SEC in its investigation. The reserve fully covers the financial terms that the SEC staff has agreed to recommend to the Commission for resolution of this matter. The Citigroup offer of settlement is subject to final negotiation, and any settlement of this matter with the SEC will require approval by the Board of Directors of Citigroup and acceptance by the SEC.

Mutual Funds

Citigroup and certain of its affiliates have been named in several class action litigations pending in various Federal District Courts arising out of alleged violations of the federal securities laws, including the Investment Company Act, and common law (including breach of fiduciary duty and unjust enrichment). The claims concern practices in connection with the sale of mutual funds, including allegations involving market timing, revenue sharing, incentive payments for the sale of proprietary funds, undisclosed breakpoint discounts for the sale of certain classes of funds, inappropriate share class recommendations and inappropriate fund investments. The litigations involving market timing have been consolidated under the MDL rules in the United States District Court for the District of Maryland, and the litigations involving revenue sharing, incentive payment and other issues are pending in the United States District Court for the Southern District of New York. The plaintiffs in these litigations generally seek unspecified compensatory damages, recessionary damages, injunctive relief, costs and fees. In the principal market timing cases that name the Company, a lead plaintiff has been appointed but that plaintiff has not yet filed an amended complaint. In the principal cases concerning revenue sharing, incentive payment and other issues, the lead plaintiff filed a consolidated and amended complaint on December 15, 2004.

Several issues in the mutual fund industry have come under scrutiny of federal and state regulators. The Company has received subpoenas and other requests for information from various government regulators regarding market timing, financing, fees, sales practices and other mutual fund issues in connection with various investigations. The Company is cooperating with all such reviews.

IPO Allocation Litigation

In April 2002, consolidated amended complaints were filed against CGMI and other investment banks named in numerous putative class actions filed in the United States District Court for the Southern District of New York, alleging violations of certain federal securities laws (including Section 11 of the Securities Act of 1933, as amended, and Section 10 (b) of the Securities Exchange Act of 1934, as amended) with respect to the allocation of shares for certain initial public offerings and related aftermarket transactions and damage to investors caused by allegedly biased research analyst reports. On February 19, 2003, the Court issued an opinion denying defendants' motion to dismiss. On October 13, 2004, the court granted in part the motion to certify class actions for six focus cases in the securities litigation. CGMI is not a defendant in any of the six focus cases. The underwriter defendants in the focus cases have filed a petition to the United States Court of Appeals for the Second Circuit seeking review of this decision. Also filed in the Southern District of New York against CGMI and other investment banks were several putative class actions that were consolidated into a single class action, alleging violations of certain federal and state antitrust laws in connection with the allocation of shares in initial public offerings when acting as underwriters. On November 3, 2003, the Court granted CGMI's motion to dismiss the consolidated amended complaint in the antitrust case. Plaintiff has appealed the motion to dismiss to the United States Court of Appeals for the Second Circuit in New York. That appeal is pending.

Investigations of Euro Zone Government Bonds Trade

On August 2, 2004, Citigroup Global Markets Limited executed certain large trades in Euro Zone Government bonds in London that were carried out on the MTS trading platform. On August 19, 2004, the UK Financial Services Authority commenced an enforcement investigation into certain aspects of these trades. Other European regulators have also commenced similar investigations. Recently, the German regulator, BaFin, referred the results of its investigation into the trades to prosecutors for possible prosecution against employees of the Company. Citigroup is cooperating with these investigations.

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Other

The Securities and Exchange Commission is conducting a non-public investigation, which the Company believes originated with the Company's accounting treatment regarding its investments and business activities, and loan loss allowances, with respect to Argentina in the 4th quarter of 2001 and the 1st quarter of 2002. The investigation is also addressing the timing and support documentation for certain accounting entries or adjustments. In connection with these matters, the SEC has subpoenaed witness testimony and certain accounting and internal controls-related information for the years 2001 – 2004. The Company is cooperating with the SEC in its investigation. The Company cannot predict the outcome of the investigation.

Beginning in April 2003, two putative class actions on behalf of participants in, and beneficiaries of, the Citigroup 401(k) plan were filed in the Southern District of New York and later consolidated under the caption IN RE: CITIGROUP ERISA LITIGATION. Citigroup filed a motion to dismiss in January 2004. The parties have reached an agreement in principle to settle this action.

Beginning in July 2002, Citigroup and certain officers were named as defendants in putative class actions filed in the United States District Court for the Southern District of New York brought on behalf of purchasers of Citigroup common stock, alleging violations of Sections 10 (b) and 20 (a) of the Securities Exchange Act of 1934, as amended, and, in approximately half of the actions, claims for common law fraud. In November 2002, these actions were consolidated under the caption IN RE: CITIGROUP INC. SECURITIES LITIGATION. On June 2, 2003, Citigroup filed a motion to dismiss the consolidated amended complaint, which motion was granted by the district court in August 2004. Plaintiff filed a notice of appeal in October 2004.

In December 2002, Citigroup and certain members of the Citigroup Board of Directors were named as defendants in a derivative action brought by an individual Citigroup shareholder in the United States District Court for the Southern District of New York (FINK V. WEILL, ET AL.). The complaint alleges state law claims of breach of fiduciary duty, gross mismanagement and corporate waste, as well as violations of the federal securities laws. Citigroup filed a motion to dismiss in October 2003. In July 2004, plaintiff filed a motion for leave to amend, which motion Citigroup opposed in August 2004. That motion is pending.

In May 2004, in CARROLL V. WEILL, ET AL., a shareholder derivative action in New York state court alleging claims against Citigroup directors in connection with Citigroup's activities with Enron, the New York Court of Appeals denied the principal plaintiff's motion for leave to appeal from the Appellate Division's affirmance of the dismissal of the complaint. Since that date, Citigroup has received a shareholder demand containing allegations similar to those set forth in the CARROLL action referred to above, as well as various additional allegations relating to other activities of Citigroup.

Additional lawsuits containing claims similar to those described above may be filed in the future.

Executive Officers

The following information with respect to each executive officer of Citigroup is set forth below as of February 28, 2005: name, age, and the position held with Citigroup.

Name	Age	Position and office held
Sir Winfried F.W. Bischoff	63	Chairman, Citigroup Europe
David C. Bushnell	50	Senior Risk Officer
Michael A. Carpenter	57	Chairman & CEO, Citigroup Global Investments
Robert Druskin	57	CEO & President, Global Corporate and Investment Banking Group
Stanley Fischer	61	Vice Chairman; Head, Public Sector Group
William P. Hannon	56	Controller and Chief Accounting Officer
Michael S. Helfer	59	General Counsel and Corporate Secretary
Sallie Krawcheck	40	Chief Financial Officer; Head of Strategy
Marjorie Magner	55	Chairman & CEO, Global Consumer Group
Charles Prince	55	Chief Executive Officer
William R. Rhodes	69	Senior Vice Chairman; Chairman, Citicorp/Citibank, N.A.
Robert E. Rubin	66	Chairman of the Executive Committee; Member, Office of the Chairman
Todd S. Thomson	44	Chairman & CEO, Global Wealth Management Group
Sanford I. Weill	71	Chairman
Robert B. Willumstad	59	President & Chief Operating Officer

Except as described below, each executive officer has been employed in such position or in other executive or management positions within the Company for at least five years.

Sir Winfried Bischoff joined Citigroup in April 2000 upon the merger of J. Henry Schroder & Co. Ltd. with Salomon Smith Barney Holdings Inc. and, from 1995 until that time, he was Chairman of Schroders Plc, the holding company of J. Henry Schroder & Co. Ltd. Mr. Fischer joined Citigroup in 2002 and, prior to that time, was Special Advisor to the Managing Director and First Deputy Managing Director of the International Monetary Fund. Mr. Helfer joined Citigroup in February 2003 and, prior to that time, was President, Strategic Investments of Nationwide Mutual Insurance Company from 2002 to 2003, and was Executive Vice President, Corporate Strategy of Nationwide Mutual Insurance Company and Nationwide Financial Services, Inc. from 2000 to 2003. Ms. Krawcheck joined Citigroup in 2002 and until November 2004 served as Chairman and Chief Executive Officer of *Smith Barney*. Prior to 2002, Ms. Krawcheck was Chairman and Chief Executive Officer of Sanford C. Bernstein & Co., LLC and an Executive Vice President of Bernstein's parent company, Alliance Capital Management, L.P. from 2001. Prior to that time, Ms. Krawcheck was the Director of Research at Bernstein.

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10-K CROSS-REFERENCE INDEX

This Annual Report on Form 10-K incorporates the requirements of the accounting profession and the Securities and Exchange Commission, including a comprehensive explanation of 2004 results.

Form 10-K

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* For additional information regarding Citigroup Directors, see the material under the captions "Corporate Governance," "Proposal 1: Election of Directors" and "Section 16(a) Beneficial Ownership Reporting" in the definitive Proxy Statement for Citigroup's Annual Meeting of Stockholders to be held on April 19, 2005, to be filed with the SEC (the Proxy Statement), incorporated herein by reference.

** See the material under the captions "How We Have Done," "Report of the Personnel and Compensation Committee on Executive Compensation" and "Executive Compensation" in the Proxy Statement, incorporated herein by reference.

*** See the material under the captions "About the Annual Meeting," "Stock Ownership" and "Proposal 3: Approval of Amended and Restated Citigroup Stock Incentive Plan" in the Proxy Statement, incorporated herein by reference.

**** See the material under the captions "Proposal 1: Election of Directors" and "Executive Compensation" in the Proxy Statement, incorporated herein by reference.

***** See the material under the caption "Proposal 2: Ratification of Selection of Independent Registered Accounting Firm" in the Proxy Statement, incorporated herein by reference.

None of the foregoing incorporation by reference shall include the information referred to in Item 402(a)(8) of Regulation S-K.

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CORPORATE INFORMATION

EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

The following exhibits are either filed herewith or have been previously filed with the Securities and Exchange Commission and are filed herewith by incorporation by reference:

- Citigroup's Restated Certificate of Incorporation, as amended,
- Citigroup's By-Laws,
- Instruments Defining the Rights of Security Holders, including Indentures,
- Material Contracts, including certain compensatory plans available only to officers and/or directors,
- Statements re: Computation of Ratios,
- Code of Ethics for Financial Professionals,
- Subsidiaries of the Registrant,
- Consent of Expert,
- Powers of Attorney of Directors Armstrong, Belda, David, Derr, Deutch, Hernandez Ramirez, Jordan, Mecum, Mulcahy, Parsons, Pearson, Rodin, Rubin, Thomas, Weill, and Willumstad.
- CEO and CFO certifications under Sections 302 and 906 of the Sarbanes-Oxley Act of 2002.

A more detailed exhibit index has been filed with the SEC. Stockholders may obtain copies of that index, or any of the documents on that index, by writing to Citigroup Inc., Corporate Governance, 425 Park Avenue, 2nd floor, New York, New York 10043, or on the Internet at http://www.sec.gov.

Financial Statements filed for Citigroup Inc. and Subsidiaries:

- Consolidated Statement of Income
- Consolidated Balance Sheet
- Consolidated Statement of Changes in Stockholders' Equity
- Consolidated Statement of Cash Flows

United States Securities and Exchange Commission
Washington, DC 20549
Form 10-K

Annual Report pursuant to Section 13 or 15 (d) of the Securities Exchange Act of 1934 for the fiscal year ended December 31, 2004
Commission File Number 1-9924

Citigroup Inc.
Incorporated in the State of Delaware
IRS Employer Identification Number: 52-1568099
Address: 399 Park Avenue
New York, New York 10043
Telephone: 212 559 1000

Stockholder Information

Citigroup common stock is listed on the New York Stock Exchange and the Pacific Exchange under the ticker symbol "C."

Citigroup Preferred Stock Series F, G, H, and M are also listed on the New York Stock Exchange.

Citigroup Litigation Tracking Warrants are listed on the Nasdaq National Market under the ticker symbol "GSBNZ."

Because our common stock is listed on the NYSE, our chief executive officer is required to make, and he has made, an annual certification to the NYSE stating that he was not aware of any violation by Citigroup of the corporate governance listing standards of the NYSE. Our chief executive officer made his annual certification to that effect to the NYSE as of May 7, 2004.

Annual Meeting

The annual meeting will be held at 9:00 a.m. on April 19, 2005, at Carnegie Hall, 154 West 57th Street, New York, NY.

Transfer Agent

Stockholder address changes and inquiries regarding stock transfers, dividend replacement, 1099-DIV reporting, and lost securities for common and preferred stocks should be directed to:

Citibank Stockholder Services
P. O. Box 43077
Providence, RI 02940-3077
Telephone No. 816 843 4281
Toll-free No. 888 250 3985
Facsimile No. 201 324 3284
E-mail address: Citibank@shareholders-online.com

Exchange Agent

Holders of Golden State Bancorp, Associates First Capital Corporation, Citicorp or Salomon Inc common stock, Citigroup Inc. Preferred Stock Series J, K, Q, R, S, T, or U, Salomon Inc Preferred Stock Series E or D, or Travelers Group Preferred Stock Series D should arrange to exchange their certificates by contacting:

Citibank Stockholder Services
P. O. Box 43035
Providence, RI 02940-3035
Telephone No. 816 843 4281
Toll-free No. 888 250 3985
Facsimile No. 201 324 3284
E-mail address: Citibank@shareholders-online.com

The 2004 Forms 10-K filed with the Securities and Exchange Commission for the Company and certain subsidiaries, as well as annual and quarterly reports, are available from Citigroup Document Services toll free at 877 936 2737 (outside the United States at 718 765 6514), by e-mailing a request to docserve@citigroup.com, or by writing to:

Citigroup Document Services
140 58th Street, Suite 8G
Brooklyn, NY 11220

Copies of this annual report and other Citigroup financial reports can be viewed or retrieved through the Company's Web site at http://www.citigroup.com by clicking on the "Investor Relations" page and selecting "SEC Filings" or through the SEC's Web site at http://www.sec.gov.

Corporate Governance Materials

The following materials, which have been adopted by the Company, are available free of charge on the Company's Web site at http://www.citigroup.com under the "Corporate Governance" page or by writing to Citigroup Inc., Corporate Governance, 425 Park Avenue, 2nd floor, New York, New York 10043: the Company's (i) corporate governance guidelines, (ii) code of conduct, (iii) code of ethics for financial professionals, and (iv) charters of (a) the audit and risk management committee, (b) the personnel and compensation committee, (c) the public affairs committee, and (d) the nomination and governance committee. The code of ethics for financial professionals applies to the Company's principal executive officer, principal financial officer and principal accounting officer. Amendments and waivers, if any, to the code of ethics for financial professionals will be disclosed on the Company's Web site.

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Securities Registered Pursuant to Section 12 (b) and (g) of the Act

A list of Citigroup securities registered pursuant to Section 12 (b) and (g) of the Securities Exchange Act of 1934 is filed as an exhibit herewith and is available from Citigroup Inc., Corporate Governance, 425 Park Avenue, 2nd floor, New York, New York 10043 or on the Internet at http://www.sec.gov.

As of February 7, 2005, Citigroup had 5,225,357,984 shares of common stock outstanding.

As of February 7, 2005, Citigroup had approximately 203,395 common stockholders of record. This figure does not represent the actual number of beneficial owners of common stock because shares are frequently held in "street name" by securities dealers and others for the benefit of individual owners who may vote the shares.

Citigroup (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

Disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein nor in Citigroup's 2005 Proxy Statement incorporated by reference in Part III of this Form 10-K.

Citigroup is an accelerated filer (as defined in Rule 12b-2 under the Securities Exchange Act of 1934).

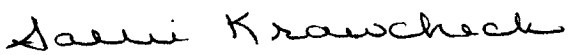
The aggregate market value of Citigroup common stock held by non-affiliates of Citigroup on February 7, 2005 was approximately $245.9 billion.

Certain information has been incorporated by reference as described herein into Part III of this annual report from Citigroup's 2005 Proxy Statement.

Signatures

Pursuant to the requirements of Section 13 or 15 (d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on the 28th day of February, 2005.

Citigroup Inc.
(Registrant)



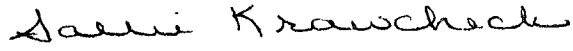
Sallie Krawcheck
Chief Financial Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated on the 28th day of February, 2005.

Citigroup's Principal Executive Officer and a Director:

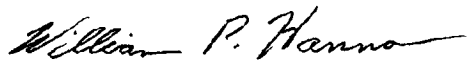
Charles Prince

Citigroup's Principal Financial Officer:



Sallie Krawcheck

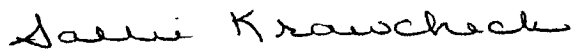
Citigroup's Principal Accounting Officer:



William P. Hannon

The Directors of Citigroup listed below executed a power of attorney appointing Sallie Krawcheck their attorney-in-fact, empowering her to sign this report on their behalf.

C. Michael Armstrong
Alain J.P. Belda
George David
Kenneth T. Derr
John M. Deutch
Roberto Hernández Ramírez
Ann Dibble Jordan
Dudley C. Mecum
Anne Mulcahy
Richard D. Parsons
Andrall E. Pearson
Judith Rodin
Robert E. Rubin
Franklin A. Thomas
Sanford I. Weill
Robert B. Willumstad



Sallie Krawcheck

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CITIGROUP BOARD OF DIRECTORS

C. Michael Armstrong
Retired Chairman
Hughes, AT&T and
Comcast Corporation

Alain J.P. Belda
Chairman and
Chief Executive Officer
Alcoa Inc.

George David
Chairman and
Chief Executive Officer
United Technologies Corporation

Kenneth T. Derr
Chairman, Retired
ChevronTexaco Corporation

John M. Deutch
Institute Professor
Massachusetts Institute of
Technology

Roberto Hernández Ramírez
Chairman
Banco Nacional de Mexico

Ann Dibble Jordan
Consultant

Dudley C. Mecum
Managing Director
Capricorn Holdings, LLC

Anne Mulcahy
Chairman and
Chief Executive Officer
Xerox Corporation

Richard D. Parsons
Chairman and
Chief Executive Officer
Time Warner Inc.

Andrall E. Pearson
Founding Chairman
YUM! Brands, Inc.

Charles Prince
Chief Executive Officer
Citigroup Inc.

Judith Rodin
President-Elect
Rockefeller Foundation

Robert E. Rubin
Chairman, Executive Committee;
Member, Office of the Chairman
Citigroup Inc.

Franklin A. Thomas
Consultant
TFF Study Group

Sanford I. Weill
Chairman
Citigroup Inc.

Robert B. Willumstad
President and
Chief Operating Officer
Citigroup Inc.

HONORARY DIRECTOR

The Honorable
Gerald R. Ford
Former President
of the United States

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