

**Pamela P. Flaherty Comments for
the Federal Reserve Public Meeting
Thursday, June 25, 1998**

Thank you. My name is Pamela Flaherty. As John Reed explained, I am responsible for Citibank's community involvement.

This merger breaks new ground in its combination of insurance and banking services. While many of our community partners are excited by the opportunities this suggests, some are concerned that this will somehow diminish Citibank's community commitment. Nothing could be further from the truth.

I want to make three points this morning:

1. Our lending record is good and improved dramatically in 1997, particularly in terms of lending to low and moderate income consumers and to minorities.
2. We provide a broad range of products and services and access to consumers of all income levels. And,
3. We intend to do even more in the future, as evidenced by our community commitment.

Let me first address lending. In the eight areas around the country where we serve the local retail banking market, we have a strong record of

lending to all segments of the community. In 1997 in those markets, we provided \$9 billion of credit to low and moderate income consumers, to small businesses and to organizations engaged in community economic development.

We are particularly proud of our commitment to our local neighborhoods. Since their emergence thirty years ago, we have partnered with local community development organizations, combining their knowledge of local community needs with our human and financial resources.

Today our program is significantly expanded and Citibank's community development lending supports affordable and special needs housing, small business and economic development, health and human services, as well as the educational and cultural activities in LMI communities. New community development lending originations in 1997 in all US Citibank markets totaled \$238 million versus \$146 million the year before -- up 63%. Of the 1997 lending, 42% was in metropolitan New York, Citibank's largest US marketplace. Here in NY our lending commitments have doubled over the last two years to \$100 million in 1997.

We employ a comprehensive strategy based on building strategic partnerships with nonprofit, government and other financial partners to respond to the specific needs of local communities. In addition to lending, Citibank employs a range of investment tools. In 1997, our Community Investment portfolio totaled \$67MM, while we made \$26MM in grants to community and educational programs.

Citibank has also long provided the financing that addresses small business credit needs. In 1997, nationwide, Citibank lent approximately \$1.9 billion to small businesses, a total of more than 13,000 loans. We are especially proud that 10,000 of these loans were for less than \$100,000—the loan size most often needed by small businesses. What's more, 29% of the dollars lent were in LMI census tracts. In New York we provided \$768 million in credit to small businesses. 35% of our loans were for less than \$25,000. And 30% of the dollars lent were in LMI census tracts.

Communities are also stabilized through home ownership. As early as 1978, Citibank began to reach out to LMI families eager to purchase homes through our Stretch Mortgage piloted in Brooklyn — the first 10% down-payment product in New York. Until 1991, Citibank was a leader in mortgage financing, but the economic downturn in the early 90's and the

collapse of the real estate market forced us to restructure and cut back on our lending. We regained momentum in 1996 and 1997.

In 1997, Citibank made 53,000 HMDA-reportable loans for a total of \$9.5 billion — almost a 50% increase from the prior year. Our lending to LMI consumers and communities grew even faster, at \$1.2B — nearly doubling.

During 1997, Citibank also dramatically increased its lending to minorities with \$1.5 Billion in HMDA-reportable lending. Lending to African-Americans doubled as did lending to Hispanics.

Let me now turn to access to financial services. Citibank has made a deep commitment to the use of technology to increase choice and convenience for all customers. We introduced the first ATMs in 1977. Since then, we have expanded the use of telephone access as well as PC banking.

Our data on customer usage patterns show that across all income levels, customers increasingly perform their financial transactions outside a branch — on the phone, through a PC or at an ATM. Customers who live in low- and moderate-income census tracts do not differ significantly in their usage from the rest of our customers. Our data show that these customers

perform 76% of their transactions outside a branch (versus 80% for all customers) and 25% on the phone or the PC (versus 30% for all customers).

Because consumers use the branch less frequently, the quality has to be uniformly great. Our branches have been recently upgraded with better training for our people, better and more user friendly technology and longer hours.

Two years ago, in New York we closed a number of branches and converted several to Citicard Banking Centers, while renovating and upgrading the remaining branches. When we started this process, 16% of our branches were located in LMI census tracts. Today, 22% of our branches are located in LMI tracts.

And we continue to open different kinds of specialized "stores" like our new manned Electronic Banking Facility on Burnside Avenue in the Bronx, a loan store in Harlem, both of which will open this summer, and a Retirement store in Oakland, California.

Electronic Benefits Transfer is another innovation which has opened a new opportunity for us to serve low-income people. The most important benefit for EBT recipients may well be the ability to participate in the mainstream world of electronic banking and payments systems.

We're encouraging customers to use technology and alternative access points in two ways — pricing and education. In NY, we eliminated fees for our ATMs, PC banking, and telephone bill payment.

With regard to education, we have multi-lingual hosts to assist in-branch customers and a unit of full-time educators who give seminars on banking, credit and technology. Each year we conduct roughly 400 seminars onsite, with nonprofits and at schools across New York.

We also support a number of nonprofit organizations dedicated to improving education and job skills training through technology in our schools including Classroom, Inc.; CitiTech; and Junior Achievement.

Finally, let me talk about our 10 year \$ 115 Billion lending and investment commitment. Our Citigroup commitment is a national pledge that responds to our community partners by focusing on lending and investing, financial literacy and insurance. We will execute the commitment by working with our community partners. We will also aggressively market these products ourselves. We seek to increase this lending in all our markets, being responsive to each of them individually. We will report publicly on how we're doing on annual basis.

Citigroup built its pledge through conversations with some 300 community organizations across the country. They told us they wanted to ensure that we would remain an active partner through community development lending and investing; increasing our small business and mortgage lending; expanding our work in financial literacy; and offering greater access to insurance.

Our pledge was also designed as a challenge to our business. To meet our targets, we must grow the areas our community partners are particularly concerned about — mortgages, small business and community development lending— at an average annual rate of 8-10% over the ten year period, and social investing must average over 12% growth per year. We believe this pledge is a very aggressive commitment.

The commitment is more than numbers and growth rates; it includes insurance for the first time, as Chuck Prince described. It also addresses Financial Literacy, a critical need of consumers of all income levels.

Let me close by saying that we believe we have done a great job of meeting the credit and convenience needs of the communities where we accept deposits, as required by CRA. And beyond that, we also believe we

have met the test of being an excellent corporate citizen in all the communities where we do business.

But we intend to do more. We intend to use the resources of the combined company to improve the financial lives of all customers as well as the communities in which we operate. We will do this primarily through our business – offering quality banking services, loans, insurance and investments – and participating in the financing of community improvements. We will also continue to innovate to expand access to financial services and information so individuals and families of even modest means can improve their economic well being.

We have listened to our community partners – those organizations with which we work every day in our communities. Many of them are speaking at this meeting and we thank them. We intend to continue to listen to them and to work with them.

Thank you for your time this morning.