

FEDERAL RESERVE BANK OF NEW YORK

NEW YORK, N.Y. 10045-0001

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April 10, 2006

BY HAND

Board of Directors
Citigroup Inc.
399 Park Avenue
3rd Floor
New York, N.Y. 10043

Enveloped Addressed:
C/O
Mr. Sanford I. Weill
Chairman

Dear Board Members:

Enclosed please find our annual report of inspection for Citigroup Inc. (Citigroup), prepared by the Federal Reserve Bank of New York, as of December 31, 2005. The report conveys an overall assessment of Citigroup and outlines issues that are in need of management attention. Our findings are based on the results of continuous monitoring efforts, specific target exams conducted throughout the year, and assessments made by primary bank and functional regulators.

The risk management component is now rated 'satisfactory.' The financial condition component is rated 'strong' and the potential negative impact of non-depository entities on subsidiary depository institutions is considered limited. Overall, our findings confirm that Citigroup is in satisfactory condition and assigned a composite rating of '2.'

Last year, in our annual assessment, we expressed significant concern with compliance risk management. The amount of compliance monitoring and testing conducted by the firm was not commensurate with the level of inherent risk. We also expressed concerns with continued weaknesses related to information security and anti-money laundering efforts. Further, we noted the expectation that management take a more forward looking approach to anticipating control weaknesses.

The risk management rating upgrade of this year was driven by observed improvements in the compliance structure and its effectiveness, as a result of substantial management effort expended. We expect the coming year will be one of transition for the firm, as management further embeds and fully implements improvements to key control processes. Management must remain committed to implementing fully the compliance monitoring, testing and reporting framework. Management is expected to execute on the remediation plan related to information security, as well as focus on strengthening the corporate-wide technology program more generally. More comprehensive oversight of AML processes and control implementation also is needed.

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As you are aware, representatives of this Reserve Bank plan to meet with you on April 17, 2006 to discuss our current assessment of Citigroup. After you have had an opportunity to review the report, and within 60 days of the receipt of this letter, we would appreciate receiving management's written response to the matters discussed therein.

In closing, please note that this letter contains confidential examination material that should be treated accordingly by your organization. As such, the contents of this letter and the enclosed report are subject to the rules of the Board of Governors of the Federal Reserve System regarding disclosure of confidential supervisory information.

Very truly yours,



Dianne Dobbeck
Assistant Vice President
Central Point of Contact

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Enclosures