Roll-Up Presentation: 2006
Citigroup, Inc.

(LFIT Vetting: Feb 13, 2007)

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Significant Rating Items for Discussion

- RFI and CAMEO ratings remain stable
- Legal & Compliance Risk (slides 30-34)
  - Proposed upgrade to 'Monitoring & MIS' subcomponent based on improvements in compliance MTR program
  - AML program improving but critical challenges remain
    - FRBNY exam found new leadership has laid foundation for improved corporate-level AML oversight; Continued execution required
    - Substantial reliance on OCC work to assess quality of existing AML controls within businesses; OCC exams continue with possibility of 'formal action' should concerning findings arise
    - Improved governance of AML technology initiatives evident during 2H06; Execution of technology rollout remains key supervisory focus
  - Weakness identified in Puerto Rico Fair Lending activity with consumer compliance managed effectively overall

Significant Rating Items (cont.)

- Operational Risk (slides 35-39)
  - IS requires continued heightened management attention
  - 'Fast Track' project management relied upon for IS improvement
    - Noted advancements in addressing IS weaknesses relative to prior year
    - FRBNY review (mid-2006) noted data quality issues with projects captured under 'Fast Track' and called into question management's ability to rely on program enhancements for managing IS risk
    - Citi has since initiated efforts to address quality assurance issues with progress noted by FRBNY examiners through recent monitoring
    - Level and trend of IS-related audit issues found within businesses have not declined during 2006 (most being addressed by to Fast Track initiatives); IS audit issues expected to decline as IS processes mature

Formal Actions Lifted

- **Board Order: Restricting Significant Expansion** (April 2006)
  - During the 2005 roll-up, the risk management (R) component was upgraded to 'satisfactory' from 'fair' with Citigroup considered 'well-managed' for the purposes of Regulations K and Y. Accordingly, management was free pursue expansionary activity in the normal course of business. On April 4, the lifting of the Board order was made public.
- **Cease & Desist Order (C&D): CitiFinancial** (June 2006)
  - On June 22, the Federal Reserve terminated the May 27, 2004 Cease and Desist Order (C&D) against Citigroup Inc. and CitiFinancial Credit Company. Lifting of the agreement was contingent upon management having fully implemented remedial measures at CitiFinancial related to audit, compliance, internal controls, managerial oversight and training. Examiners found this to be the case, as well as determined that the compliance culture at CitiFinancial, from senior levels of management to entry-level employees, had improved significantly.
- **Written Agreement (WA): Structured Finance** (December 2006)
  - On December 21, the WA (in response to management deficiencies associated with Enron-related transactions) was terminated. The Federal Reserve's efforts to lift the WA were coordinated with those of the OCC, which also lifted its Enron-related Agreement with Citibank on Dec 21. The decision to lift was based on evidence of improved controls, transparency, and accountability around structured finance transactions, including internal audit processes.

Other Items of Interest

- CPC Team also remains focused on (among other items):
  - Counterparty credit risk management inclusive of HF exposure
  - Refining analysis of financial condition
  - Sufficiency of capital (particularly for credit risk) taking into account methods for assessing current and potential future exposure, and stress testing
  - Concentrations arising from inter-affiliate hedging
  - Integration of controls (AML, compliance, risk) as part of M&A process given partial ownership model

Summary of Ratings

Legal Entity	Exam Date	Agency	Rating	CRA	Consumer Compliance	Assets ($B)*
Citigroup, Inc.	12/31/06	FRS	RFI/C (D) (proposed) 2-1-2/2 (2)	N/A	N/A	$1,883
Citibank, NA	12/31/05	OCC	CAMELS 1-2-2-2-1-2/2	S	2	$816
Citibank Overseas Investment Corp.	12/31/06	FRS	CAMEO (proposed) 1-2-2-1-2/2	N/A	N/A	$311
Citibank (SD), NA	12/31/05	OCC	CAMELS 1-2-2-2-1-2/2	O	1	$80
Citicorp Trust Bank, FSB	09/06/05	OTS	CAMELS 2-2-2-1-1-1/2	S	1	$20
Citibank International (FL)**	12/31/06	FRS	CAMEO (proposed) 1-1-2-1-2/2	N/A	N/A	N/A

* *Asset amounts are as of 9/30/06, except 12/31/06 for Citigroup, Inc. and Citibank (SD), NA*

** *Liquidated on 1/2/07*

Supervisory Ratings: Citigroup

(Unchanged from year-end 2005 assessment)

R	2	• Risk management considered satisfactory with improvements in compliance risk management and need for continued heightened management attention around information security
F	1	• Financial condition considered strong with stable asset quality and earnings performance, strong capital base, and well-developed liquidity sources
I	2	• Parent company provides substantial financial strength. Primary non-bank entities, Citigroup Global Markets Holding Inc. (CGMHI) and CitiFinancial, viewed as in satisfactory condition by relevant supervisors
C	2	• Composite rating is satisfactory
(D)	2	• Bank subsidiaries considered in satisfactory condition (OCC ratings not yet finalized as of February 2007)

Supervisory Ratings: COIC

(Unchanged from year-end 2005 assessment)

C	1
A	2
M	2
E	1
O	2
	2

- Capital – Strong risk-based capital measures supported predominately by retained earnings (86% of equity capital)
- Asset Quality – Credit quality driven by retail exposure, which remains satisfactory with pockets of credit deterioration (e.g. Japan, Brazil)
- Management – COIC and its subsidiaries apply Citigroup global standards for risk management and compliance, which are satisfactory
- Earnings – Strong earnings driven by strong revenues and decreased credit costs, despite CitiFinancial Japan events and increased expenses from branch expansion
- Operations – Audit review and Compliance MTR provide satisfactory internal controls; sufficient monitoring for Regulation K limits and activities
- Composite rating is satisfactory

An analysis of:

- Financial Condition (F)
- Impact of Parent & Non-bank subs on DIs (I)
- Depository Institutions (D)

Financial Condition

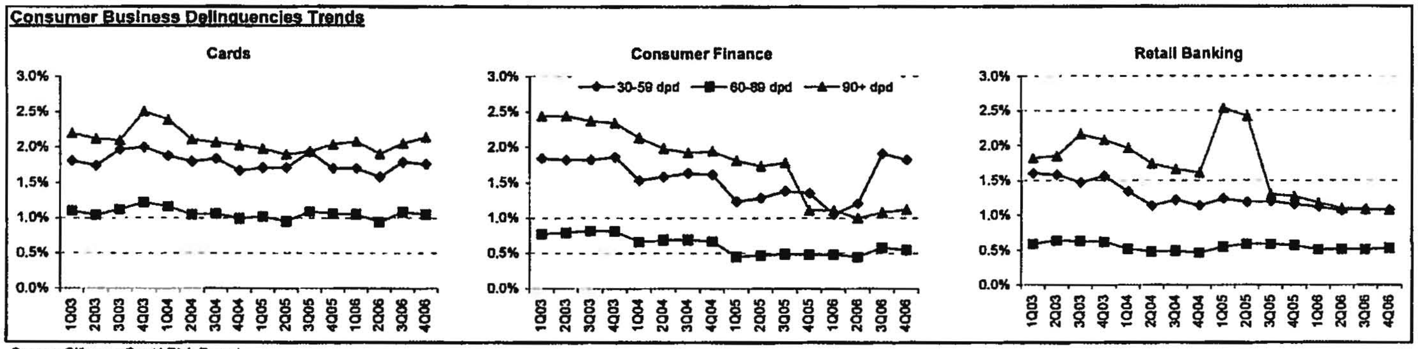
(Unchanged from year-end 2005 assessment)

Asset Quality	Earnings	Capital	Liquidity	Overall Financial Condition
1	1	1	1	1

- **Financial condition remains strong with:**
  - Stable consumer and corporate asset quality;
  - Stable earnings performance;
  - Strong, high quality capital base; and
  - Well-developed liquidity sources and market access.

Asset Quality

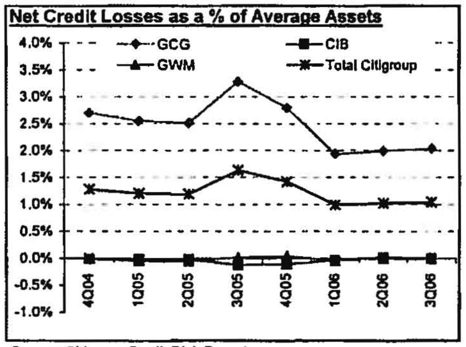
Asset Quality Assessment: Strong (1)



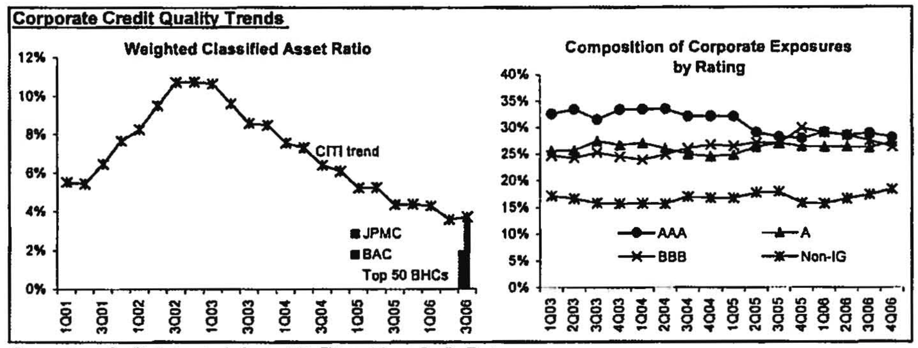
Source: Citigroup Credit Risk Report

- Stable delinquency and credit loss trends across major consumer product portfolios, including mortgages (40% of consumer exposures) and credit cards (32%)
  - International credit market conditions driving pockets of rising delinquencies and losses, including consumer overleveraging in Taiwan and Mexico, and Japan consumer finance beginning to see losses and increased delinquencies related to recent government actions
  - Citi's sub-prime mortgage portfolio, representing 24% of Citi's overall mortgage portfolio and 6.5% of total consumer exposures, is performing better than peer (e.g. HSBC, Wells Fargo, Countrywide)
  - Auto and Home Equity portfolios starting to show deteriorating loss trends and delinquency rates above seasonal expectations

Asset Quality (cont.)



Source: Citigroup Credit Risk Report

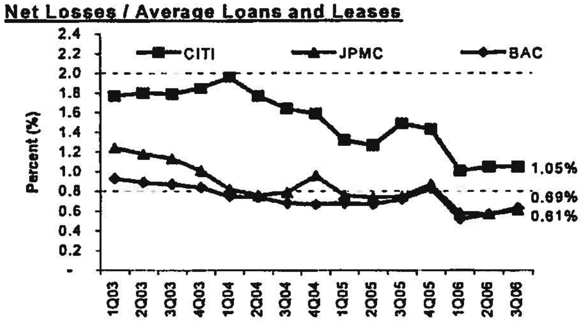


Source: Asset Quality Data submission for Nifty Fifty and Asset Quality Tool

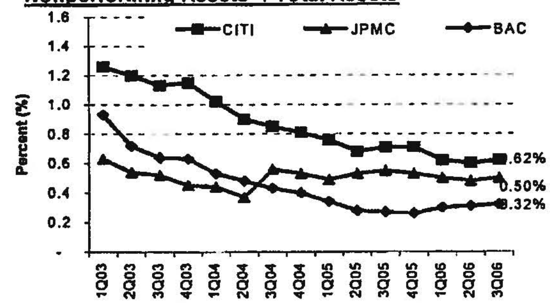
- Corporate credit performance strong and stable
  - Net credit losses remain low following the 2Q06 reversal of 7 straight quarters of net credit recoveries
- Corporate credit portfolio remains high quality
  - Continued improvement in Tier 1 capital and reserve coverage of classified exposures as measure by weighted classified assets ratio (in line with peers)
  - Over 83% of corporate lending (based on asset quality tool) and derivative exposures investment grade (compares favorably to peer)
  - Strategy targeting 'next tier' of largest corporate names not showing signs of deteriorating portfolio quality, as names remain predominately investment grade

Asset Quality (cont.)

Net Losses / Average Loans and Leases



Nonperforming Assets* / Total Assets



* 90+ DPD, Nonaccrual Assets & OREO

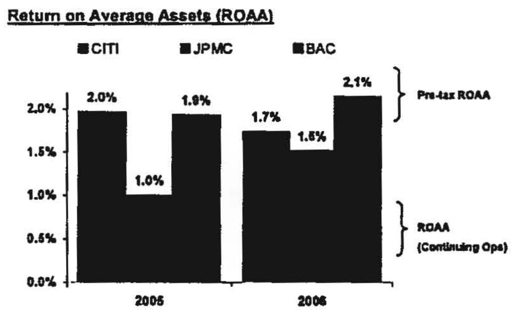
	Net Losses as % Category Loans			% of Total Firm Loans & Leases		
	CITI	JPMC	BAC	CITI	JPMC	BAC
Real Estate Loans	0.22	0.11	0.02	39.56	38.61	55.76
RE Loans Secured By 1-4 Family, Revolving	0.14	0.12	0.06	3.62	12.57	10.29
RE Loans Secured By 1-4 Family, Closed-End	0.27	0.11	0.02	26.52	20.47	32.99
Commercial Real Estate Loans	-0.01	0.07	0	2.71	4.9	11.42
Commercial and Industrial Loans	0.25	0.14	0.23	22.51	21.7	17.45
Loans to Individuals	3.35	2.11	2.76	25.68	25.65	19.43
Credit Card Loans	4.01	3.04	4.51	10.01	15.79	10.08

Source: Regulatory Report, BHCPR

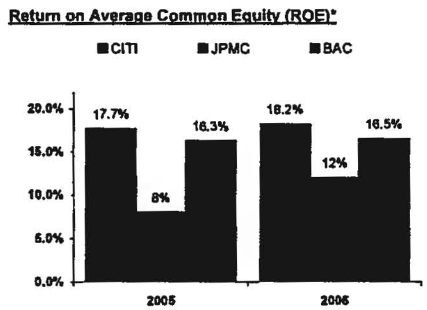
- Firm-wide loss and delinquency trends improving, but levels remain slightly above LFI peer owing to Citi's activities in international markets and sub-prime customer segments

Earnings

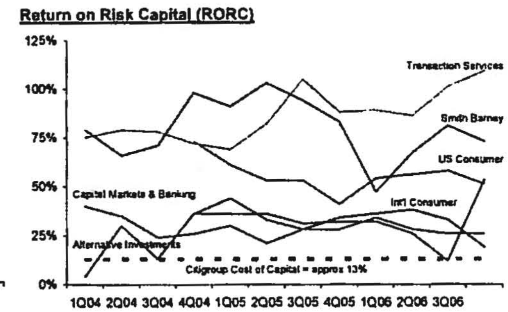
Earnings Assessment: Strong (1)



Source: Quarterly Financial Supplements, Regulatory Reports



* Based on Income from Continuing Operatings



- Strong and stable earnings, comparing favorably to peer both in terms of return and volatility performance
- Revenue of $89.6B and net income from continuing operations of $21.2B, both increasing 7% year-over year; ROAA and ROE remain in line with strongest peer
  - Year-over-year earnings performance propped by significant tax reserve releases; however, relative performance remains strong on a pre-tax basis
  - 2006 performance most challenged by US consumer business, which showed incremental progress over the year; Second half investment banking and trading performance lagged peer, with strong first half results driving 12% revenue growth in that segment
- Solid risk-return performance in core businesses, as measured by return on risk capital

Earnings (cont.)

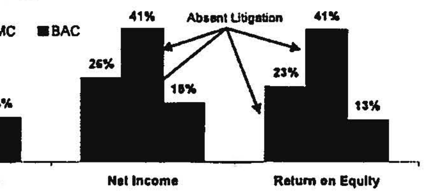
- Primary source of income, net interest income, has been quite stable; Majority of revenues coming from stable consumer banking activities
- Volatility in commissions and fees income coming from CIB and SB, with credit and bank cards fees (24% of this category) stable; Principal transactions (inherently volatile) represent a low percentage of Citi revenues
  - Strategic initiative towards expanding proprietary trading activities may lead to modest increase in volatility moving forward
- International revenues not significantly more volatile than domestic; provides revenue smoothing in the CIB
- Citi's volatility experience compares favorably with peer, particularly with respect to consistency of strong returns
  - NI and ROE variation differential driven by 2004 litigation charges

Citigroup Earnings Volatility

(Coefficient of Variation and Contribution to Net Revenues in %)

Income Statement (1Q03 to 4Q06)	St. Dev	Mean	CV	% Rev
Net Interest Income	317	10,038	3%	48%
Insurance premiums	72	755	9%	4%
Commissions and fees	586	4,388	13%	21%
Principal transactions	581	1,489	39%	7%
Asset mgmt and admin fees	162	1,548	10%	7%
Realized G/(L) from Sales of Investments	256	382	67%	2%
Other revenue	444	2,474	18%	12%
Business Lines (1Q03 to 4Q06)	**St. Dev**	**Mean**	**CV**	**% Rev.**
Consumer				
Cards	558	4,374	13%	22%
Retail Banking/Consumer Finance	441	6,814	6%	34%
Commercial Business	68	538	13%	3%
Commercial				
Investment Banking	154	1,034	15%	5%
Commercial Lending	78	491	16%	2%
Equity Markets	204	712	29%	4%
Fixed Income Markets	392	2,410	16%	12%
Transaction Services	240	1,159	21%	6%
Wealth Management				
Smith Barney	232	1,708	14%	8%
Private Bank	32	495	7%	2%
Alternative Investments	325	582	56%	3%

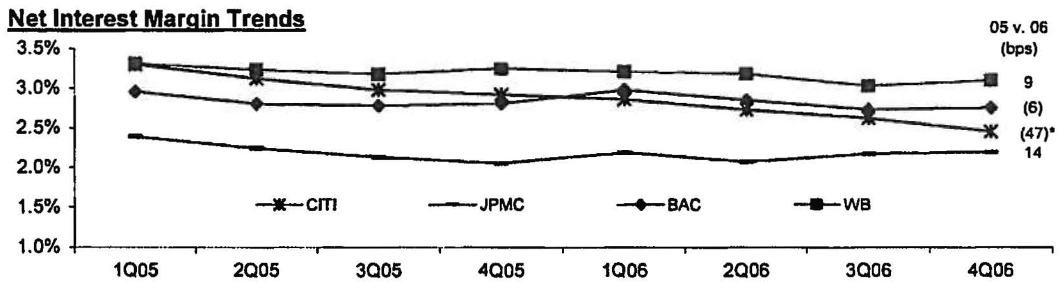
Volatility vs. Peer (1Q03 to 4Q06)



Firm	Net Revenues			Net Income			Return on Equity		
	St. Dev	Mean	Variation	St. Dev	Mean	Variation	St. Dev	Mean	Variation
CITI	1,630	20,280	9%	1,311	5,064	26%	4%	19%	23%
JPMC	788	14,610	5%	1,002	2,425	41%	4%	10%	41%
BAC	2,178	15,989	14%	794	4,375	18%	2%	17%	13%

Source: Quarterly Financial Supplements

Earnings (cont.)

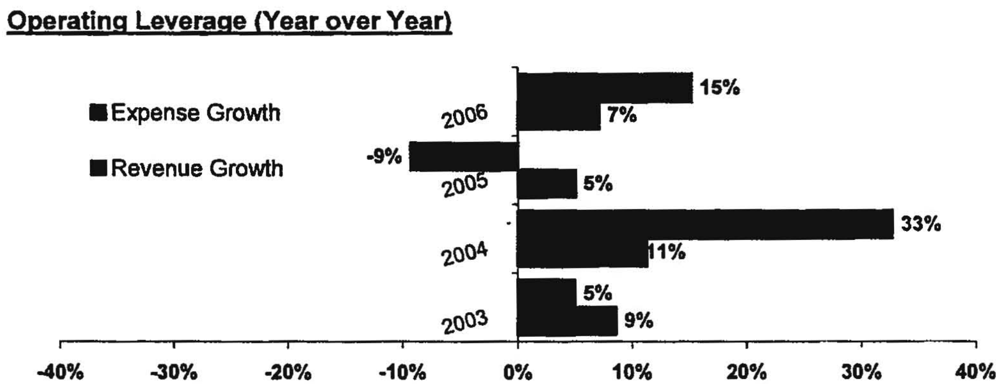


* Excluding $666MM charge related to CitiFinancial Japan in 4Q05, decline is 27bp over prior year

Source: Citigroup Quarterly Financial Supplements & Citigroup FinALCO Reports

- NIM continues to narrow with composition of Citi balance sheet and higher costs of funding
  - Asset composition relatively low yielding versus peers; Further exacerbated by recent initiative of shifting US consumer portfolio further toward mortgages (aimed at future returns) and client driven increases in securities (i.e. MBS) as investments and in trading accounts
    - 2007 initiatives look to realize growth in higher yielding or growth consumer portfolios globally and trading activities (e.g. commodities)
  - Continued reliance on more expensive funding (i.e. capital markets & wholesale); however, signs of incremental progress in improving interest expense
    - Deposit growth initiatives such as e-Savings and branch expansion beginning to offset higher costs associated with other funding sources; Higher deposit volume from on-line products providing cost offset from operating efficiency
    - Smith Barney sweep accounts revamped from fixed money market rates to Bank Deposit Program with tiered-rate structure based on AUM
- Incremental NIM decline subsiding; Absent the impact of Japan consumer finance, NIM was flat during the last two quarters of 2006

Earnings (cont.)



Source: Citigroup Quarterly Financial Supplements

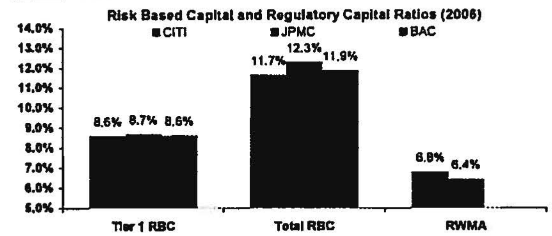
- Strategic initiatives and investment spending aimed at long-term growth coupled with economic, legal, and tax environment factors resulted in expense growth outpacing revenue growth in 2006
  - Revenue results most challenged by performance of the US consumer business; Strategic growth targeted for higher growth businesses (focusing on international consumer, CIB, and GWM) while moving business model weighting away from US consumer
  - Near-term expense control efforts underway, focused on structural improvements to drive long-term efficiencies; Management of on-going investment spending will take into account prevailing environment (i.e. credit) and progress of strategic expansion initiatives (i.e. meeting goals of strategic footprint, results of test market expansions)

Capital

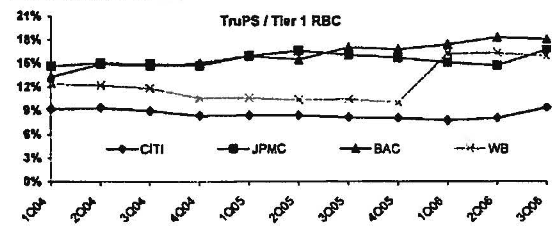
Capital Assessment: Strong (1)

- Regulatory capital remains above 'well-capitalized' levels and in-line with peers
- Strong capital base with steady earnings stream comprising largest component of capital; low reliance on innovative instruments such as TruPS
  - TruPS represent only 9% of Tier 1 capital, lowest proportion among peers
  - Incremental refinancing of TruPS inventory with e-TruPS securities that qualify for rating agency capital treatment; Improved rating agency capital ratio (TCE/RWMA) while maintaining overall TruPS level well below regulatory limits
- In terms of leverage, Citi's Tier 1 Leverage ratio trends lower relative to peer due to concentration of 'secured financing' activities (SFA)
- Holding company capital further strengthened by ability to transfer capital through bank consolidation effort, and adoption of 'alternate net capital' rule at broker/dealer subsidiary (which generated an increased capital buffer)

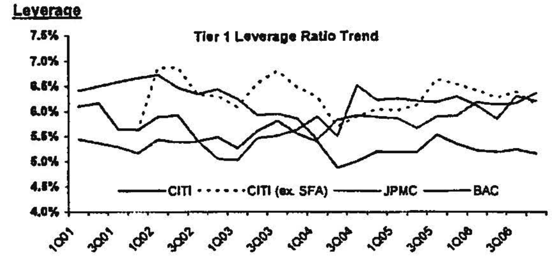
Capital Ratios



Composition of Capital

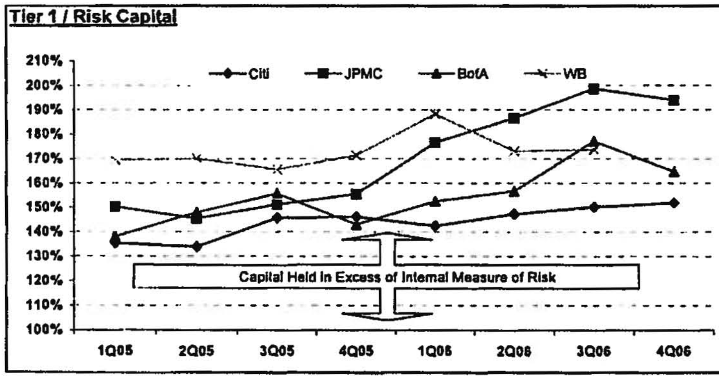


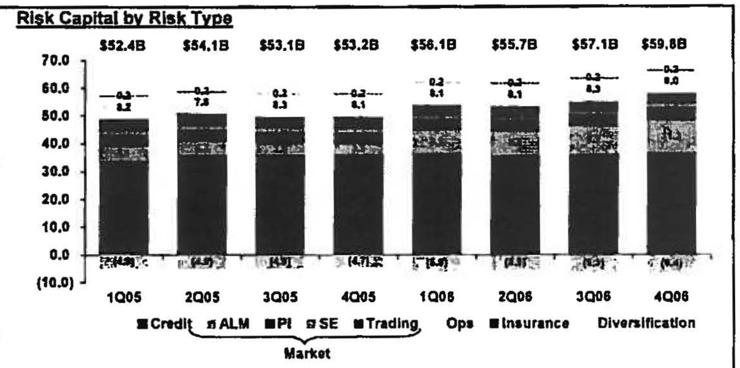
Leverage



Source: Regulatory Data, Firm Internal Reports (RWMA)

Capital (cont.)





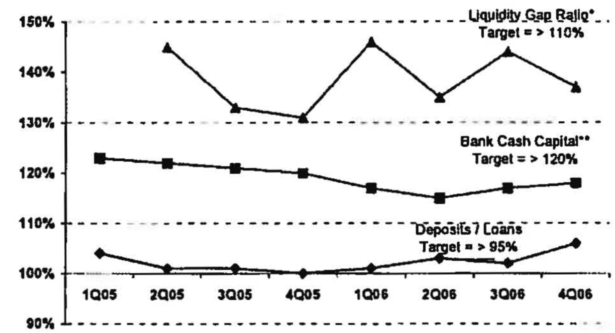
- Citi holds regulatory capital well in excess of internal view of risk, as measured by Economic (or Risk) Capital (RC) (which is consistent with peers)
  - Risks captured by RC are primarily credit (57%), trading (6%), and operational (13%) risk; but also include more discrete risks such as accrual (15%) and proprietary investment (8%)
- Capital buffer dictated by regulatory and rating agency capital requirements, as such relationship between RC and capital (while monitored) does not drive management decisions on capital adequacy
- CPC team currently ramping up efforts to evaluate sufficiency of capital (particularly for credit risk) taking into account methods for assessing current and potential future exposure and limited stress testing

Liquidity

Liquidity Assessment: Strong (1)

- Citigroup maintains strong liquidity position and access to funds
- 'Cash capital' performance in relation to other liquidity measures is below target; Recent improvement reflects management's heightened focus on structural liquidity
- Deposit growth driven by long-term funding initiatives including online banking efforts and branch expansion, as well as GTS deposit growth
- Increasing use of FHLB, tripling to $90B during 2006; Further increases expected in 2007
- Non-bank (CBC) deposit program to be fully converted to money market notes or bank deposits by mid-2007, with only $350MM of original $30B remaining
- Debt ratings remain unchanged and highest among LFI peers, with the primary bank (Citibank NA) rating upgraded by Moody's to Aaa in Sept 2006

Citigroup Liquidity Ratios



Source: Citigroup Internal MIS

* Liquidity Sources / Cash Obligations ** LT Funding / Illiquid Assets

Citigroup Debt	Moody's	S&P	Fitch
Senior Debt	Aa1	AA-	AA+
Subordinated Debt	Aa2	A+	AA
Preferred Stock	Aa3	A	AA
Commercial Paper	P-1	A-1+	F1+

Impact Assessment

Parent Company and non-DIs pose limited likelihood of significant negative impact:
2

- **Impact assessment remains unchanged with:**
  - Parent company providing substantial financial strength;
  - Principal non-depository subsidiaries, CGMHI and CitiFinancial, considered in satisfactory condition.

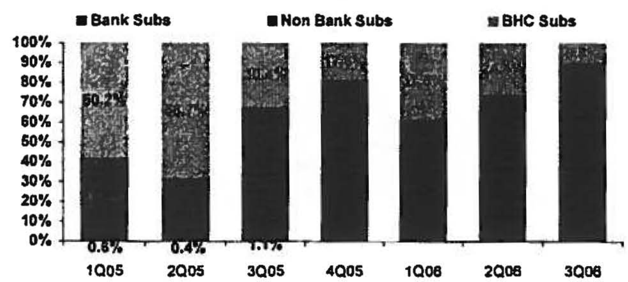
Impact of Parent & Non-Bank Subs

Impact Assessment: Limited Likelihood of Negative Impact (2)

Primary Non-Bank Subsidiaries		Contribution to Citigroup (%) Assets	Net Income
Citigroup Global Markets Holding Inc. (CGMHI)	Broker/Dealer Holding Co.	35%	18%
CitiFinancial Credit Company	Finance Co.	10%	6%

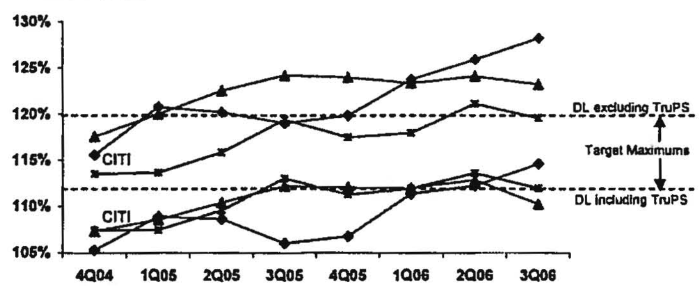
- **Parent Company Cash Flow and Leverage**
  - Parent company provides substantial financial strength and access to global markets, with limited dependence on banking subsidiaries for operating income
  - Parent has ample cash flow and double leverage within target (in line with peer); Double leverage relief achieved through bank consolidation and application of alternate net capital at the broker/dealer

Contribution to Citigroup Operating Income



Source: Regulatory Reports, FR Y-9LP

Double Leverage



Source: Citigroup Corporate Finance Quarterly Report

FCIC-FRBNY000400

Impact of Parent & Non-Bank Subs (cont.)

- **Risk management considered satisfactory**
  - Controls of CGMHI and its primary broker/dealer subsidiaries (CGMI in US, CGML in UK) considered satisfactory by SEC and UK FSA, respectively; During 2006, CGMHI and other relevant businesses fulfilled the conditions outlined in the WA concerning structured finance transactions with it having been lifted in December 2006
  - CitiFinancial risk management considered effective with the C&D Order lifted in June 2006; Fair lending controls in need of improvement in Puerto Rican entities, which fall outside the CitiFinancial legal vehicle but are overseen by its management
- **Strong retained earnings and capital positions**
  - CGMI holding approx $6B in excess net capital (related to adoption of 'alternative net capital rule') with SEC relying on FRBNY market risk approvals
  - CitiFinancial generates substantial retained earnings, providing for 61% of the entity's equity capital as of 3Q06; CitiFinancial not subject to stand-alone regulatory capital requirements allowing for dividends to the holding company as appropriate
- **Intra-group Exposures / Strategic Plans for Growth**
  - Supervisory discussions underway concerning Citibank NA having outsized credit limits and exposures to CGMHI affiliates in relation to similarly situated third-party financial institutions (Section 23B); Exposure arises from affiliates executing back-to-back trades with Citibank NA to facilitate centralized risk management and to accommodate customer trades
  - Within CGMHI, trading business targeted for growth in 2007, with incremental increased risk taking; CitiFinancial continues to expand with commensurate buildup of controls

Depository Institution (D) Ratings

- **DI ratings currently under review by OCC:**
  - Bank consolidation resulted in three major banks;
  - OCC examiners confirming progress relative to Part 30; and
  - Ratings to be accompanied by risk assessment.

Depository Institution Ratings

Depository Institutions Assessment: Satisfactory (2)

Subsidiary Banks	Exam Date	Agency	CAMELS	CRA	Consumer Compliance	Assets ($B)
Citibank, NA	**12/31/05**	OCC	**1-2-2-2-1-2/2**	**S**	**2**	**$816**
Citibank (SD), NA	**12/31/05**	OCC	**1-2-2-2-1-2/2**	**O**	**1**	**$80**
Citicorp Trust Bank, FSB	**09/06/05**	OTS	**2-2-2-1-1-1/2**	**S**	**1**	**$20**

- During 2006, 12 banking organizations consolidated into 3 major banks, as detailed above. Rationale for consolidation includes: greater ease of sharing customer information across legal entities; enhance oversight of banking operations; maximize capital deployment; and increase regulatory investment and lending limits (e.g. related to Reg K and Reg W).
- Citibank NA remains the flagship bank comprising retail banking assets (including auto and student loans and most mortgage assets) and corporate banking activities; Citibank (South Dakota) NA was spun out from Citibank NA to become a direct subsidiary of Citigroup Inc., consolidating all credit card activities into one bank; and Citicorp Trust Bank fsb houses mortgage assets originated by Primerica sales agents.

Depository Institution Ratings (cont.)

- OCC on-site team has not yet completed its rating assignment process, which includes validation of remediation efforts by Citibank management in response to the 'Part 30' (memorandum of understanding) imposed by the OCC following the 2004 control weaknesses. The most recent risk assessment is as follows:

OCC Risk Assessment* of Citibank NA (3Q06)

Risk/Control Type	Aggregate	Quantity of Risk	Quality of Controls	Direction
Credit	Moderate	Moderate	Satisfactory	Increasing
Interest Rate	Moderate	Moderate	Satisfactory	Stable
Liquidity	Low	Low	Satisfactory	Increasing
Price / FX Translation	Moderate	Moderate	Satisfactory	Stable
Transaction	High	High	Satisfactory	Stable
Audit / Internal Controls	-	-	Satisfactory	-
Compliance	High	High	Weak	Stable
BSA/AML	High	High	Weak	Stable
Reputation and Strategic	High	-	-	Stable

Based on following rating scale: Low/Moderate/High or Weak/Satisfactory/Strong

An analysis of:

-Risk Management (R)

Risk Management

	Legal & Compliance	Operational	Credit	Market & Liquidity	Risk Management
Board & Management Oversight	2	2	2	2	**2**
Policies, Procedures, & Limits	2	2	2	2	**2**
Monitoring & MIS Reporting	**2***	2	2	2	**2**
Internal Controls	2	2	2	2	**2**
Overall					**2**

** Denotes a proposed rating increase*

Legal & Compliance Risk: Main Messages

- **Considerable level of compliance risk is managed satisfactorily**
  - Noted improvements in compliance monitoring, testing and reporting (MTR) reflected in upgrade to '**satisfactory**' for 'Monitoring & MIS Reporting' subcomponent within Legal & Compliance Risk
  - Intense management attention on improving enterprise-wide AML program
- **Continued progress in Compliance MTR Program**
  - CIB and CAI (sector identified in 2005 FRBNY review as farthest to go in adopting firm-wide compliance MTR directive) efforts substantially complete to develop risk-ranked inventories of applicable laws, regulations, and internal policies (RRMs) and map them to Risk Control Self Assessments (RCSAs)
  - Improvements in monitoring and testing processes across firm, with management leveraging more mature GWM program
  - Improving quality of MIS reports and metrics providing ability to identify and track emerging compliance issues and trends across the firm

Legal & Compliance Risk: Main Messages (cont.)

AML Program improving, but critical challenges remain

- Leadership change has laid foundation for improved corporate-level oversight
- Stronger partnership between business and AML compliance staff with corporate-level AML providing guidance and oversight for implementation
  - Systematic approach developed to assess AML risk across businesses and geographies, including a survey of compliance with Citigroup monitoring principles (CAMBRS) for prioritizing AML technology solutions across firm
  - Pockets of risk exist in AML monitoring, notably in CIB and potentially in GCG (pending results of recently completed OCC review), with controls heavily dependent on implementation of technology solutions in high volume businesses/countries
- Focus on improving due diligence efforts firmwide, particularly in CIB
  - Projects underway to remediate CADD information on existing clients and to solidify a consistent process when collecting CADD information on new clients
- Optimization of automated monitoring solutions to identify and track potential suspicious activity viewed as critical, given the AML risk profile of Citigroup
  - Improved governance of AML technology initiatives evident during 2H06; execution of technology rollout remains key supervisory focus

Legal & Compliance Risk: Main Messages (cont.)

- **Reputational Risk Management: efforts related to WA follow-up**
  - Written Agreement on Structured Finance, lifted in December 2006, generated heightened management focus on reputational risk
  - Complementary oversight processes in place to review reputational elements of firm activities:
    - Business Practices Committees (BPC): Business sector and firm-wide committees for assessing activities against reputational risk tolerance
    - Underwriting, Distribution, Conflicts, and Structured Products (UDCS) – Umbrella structure comprised of Commitment Committees – review securities offerings:
      - Capital Market Approval Committees (CMAC) – review and approve all new Capital Markets products and complex transactions; and
      - Retail Distribution Committee (RDC) – review risks and potential conflicts associated with structured products offered to Citi's retail clients
- **Overall, Consumer Compliance risk managed effectively with weaknesses in Puerto Rico operations**
  - CitiFinancial C&D Order lifted in June 2006
  - FRBNY exams of Citi's operations in Puerto Rico (housed in COIC Edge sub but managed by CitiFinancial) identified HMDA data accuracy problems, as well as Reg B violations concerning spousal signatures

Legal & Compliance Risk

	Overall Rating – Satisfactory
Board and Management Oversight	*Subcomponent Rating: Satisfactory*
	• Committee structure (BPC, UDCS, CMAC, RDC) in place to assess legal, compliance and reputation risks associated with firm's activities; conducted in normal course of business • Compliance and AML Risk Assessment conducted in 2006 with commitment to update on an annual basis; provides senior management with a point in time view of controls and areas for improvement • Regularly scheduled formal communications to discuss compliance issues involve senior compliance management
Policies, Procedures, & Limits	*Subcomponent Rating: Satisfactory*
	• Enhanced AML guidance to clarify standards (CAMBRS, EDD on non-US accounts, embassy accounts, senior public figures) compliments 2005 guidance requiring escalation of 'unusual activity' within legal means • Revised policy clarifies role of compliance staff with dual responsibilities and places more accountability on business compliance officers • Efforts underway to further refine monitoring requirements as outlined in Compliance MTR Directive, as well as to align with RCSA guidance

Legal & Compliance Risk

	Overall Rating – Satisfactory
Monitoring & MIS Reporting	*Subcomponent Rating: Satisfactory (Upgrade from 'Fair' rating last year)*
	• All four business sectors, most importantly CIB and CAI, completed RRM-RCSA mapping by year-end, which is a critical step in the MTR process • Formalized discussions within regions taking place to share compliance monitoring and testing results; AML monitoring largely manual and in need of automation • Monthly compliance dashboard reports now include compliance testing results and slated to include output from AML surveillance unit going forward
Internal Controls	*Subcomponent Rating: Satisfactory*
	• Findings from compliance, ARR, and other controls functions quickly factored into business-level RCSAs as a means of ensuring issues are addressed • Internal audit's (ARR) compliance unit uses subject matter experts (e.g., AML) to improve the quality of audits conducted; ARR now presents an annual assessment of the firm's AML program to Board with AML controls deemed effective for 2006 • FRBNY reviewed determined that compliance & ARR efforts failed to identify signature requirement issues in Puerto Rico operations of COIC

Operational Risk: Main Messages

- **Continues to be inherently high and managed in a satisfactory manner**
  - Overall control environment is effective and continues to be strengthened
  - Technology efforts remain focal point of management, particularly Information Security (IS) where Operations & Technology (O&T) must continue to partner with business to execute on and ensure sustainability of IS framework
  - Internal Audit (ARR) efforts are satisfactory, but are not without areas for improvement (e.g. Written Agreement (now complete) and fair lending); and
  - Efforts around business resiliency and SOX processes are deemed effective

- **Information Security requires heightened management attention**
  - Noted advancements in addressing IS weaknesses relative to prior year
  - IS traction realized through implementation of 'Fast Track' project management; but FRBNY review (mid-2006) noted data quality issues and called into question managements ability to rely on program enhancements for managing IS risk
  - Management has since initiated efforts to address quality assurance issues with progress noted by FRBNY examiners through recent monitoring
  - The level and trend of IS-related audit issues have not declined during 2006 with majority of findings related to 'Fast Track' initiatives
  - Material IS breaches involving customer data have declined over 2H06

Operational Risk: Main Messages (cont.)

Technology Risk (other than IS)

- Strategic initiatives are underway to consolidate, streamline and integrate IT systems with the objective of reducing expenses and complexity to better foster business development and innovation:
  - Data center consolidation program on track
  - Multifactor authentication applications successfully remediated to meet year-end 2006 FFIEC mandate
  - Business resiliency program meets standards; Work continues in resolving remaining proximity risk issues
  - Management has a good handle on pandemic preparedness
  - Needed changes made to AML technology strategy, including stronger governance model coupled with a simpler technology framework; New strategic direction gaining traction, but 2007 is a critical year for execution (see Legal & Compliance risk section for further details)

Operational Risk: Main Messages (cont.)

- **Audit & Risk Review (Internal Audit) Effective:** Quality of risk assessments, and issue tracking processes considered satisfactory; During 2006, noted opportunities for ARR to improve processes, for example, related to complex structured transactions, including work paper documentation, quality assurance and staff training; 'Business Monitoring' documentation met standards with improvement observed

- **Effective Risk Control Self-Assessment (RCSA) Process:** Updated RCSA policy implemented with focus on 'important' risks and key controls; FRBNY examiners found to be 'effective' and management is working on a firm-wide technology solution to aggregate operational risk data

- **No Material SOX 404 Weaknesses**: During third year of SOX implementation, management continues to standardize and streamline processes with emphasis on 'important' risks and key controls. Efforts underway to integrate SOX and RCSA processes; No material SOX weaknesses or significant deficiencies in 2006

- **Weaknesses in Regulatory Reporting Controls**: FRBNY exam revealed data quality and integrity issues rooted at the business line level, with Citi required to restate regulatory reports; Management demonstrating strong commitment to address specific errors, and understands need to address weaknesses in underlying processes (including need for general ledger account descriptions for lead Bank)

Operational Risk

Overall Rating – Satisfactory	
	Subcomponent Rating: Satisfactory
Board and Management Oversight	• Board and senior management fully engaged in strategic technology initiatives, and pandemic preparedness • O&T management continues to actively engage businesses; however they must be held more accountable to ensure business sectors implement change and execute strategy • O&T management team strengthened with the naming of several key positions • ARR realigned senior staff in Japan which resulted in stronger management oversight
	Subcomponent Rating: Satisfactory
Policies, Procedures, & Limits	• Firm's Operational Risk Policy (including RCSA) reissued in early 2006 provides greater clarity around identification and reporting of important risks; consistent application across the firm accomplished through significant training and other implementation efforts • Data standards manual issued early 2006 to better identify and capture operational risk events • Citigroup Fiduciary Policy reissued; clarified requirement for appointment of independent compliance officer for all fiduciary businesses world wide

Operational Risk

Overall Rating – Satisfactory	
	Subcomponent Rating: Satisfactory
Monitoring and MIS Reporting	• ARR and IS QA processes have been enhanced and positive results noted • IS metrics are satisfactory but need improved trend and risk analysis • New Control Optimization project is a significant step in rationalizing control efficiencies • O&T strategic initiatives metrics are comprehensive
	Subcomponent Rating: Satisfactory
Internal Controls	• Percentage of effective RCSAs rose to 90% compared to 77% in 2005 • ARR full-year results indicate a 93% satisfactory control rating • 2006 audit plan completion rate was 98%, with 96% of all audits published within 30 days of fieldwork completion • ARR moving to 36 month cycle for low risk entities with more limited scope as long as the RCSA remains effective – expected to provide management with greater flexibility to redirect resources to higher risk reviews • No material weaknesses or significant deficiencies identified through SOX testing

Credit Risk: Main Messages

- **Wholesale and retail credit risk moderate and managed effectively**
  - Wholesale credit risk subject to concentration monitoring, effective limit structure, and active loan portfolio management
  - Retail credit risk with solid underwriting and credit administration practices
- **Concentration management complemented by risk aggregation process**
  - Within the CIB, limits denominated in notional and economic capital terms at the obligor, product, and country levels. Outsized individual obligor exposures are actively monitored through exception process and risk reduced via CDS protection (doubled in 2006)
  - In 2006, hedge funds and real estate exposure focus of risk aggregation efforts to dimension firm-wide risk and reconfirm tolerance
- **Refinement of counterparty credit risk management**
  - Reliance on potential future exposures measures covering two confidence intervals for setting limits formalized through policy
  - Counterparty credit risk arising from hedge funds (HFs) modest for Citigroup; Recent efforts included refining risk rating scorecards for HFs; assessing the quality of data disclosed by HFs; and stress testing individual hedge fund counterparties

Credit Risk: Main Messages (cont.)

- **Stress Testing conducted at portfolio / sector levels**
  - Risk management moving from 'ad-hoc' to more regular stress testing of credit risk within business lines
  - Management questions the usefulness of aggregating quantitative results to obtain 'top of house' credit risk view
  - For economic capital purposes, stock taking of stress tests done at the business level; Next phase to consider relevance / need for new stress scenarios for economic capital
- **Sound underwriting contributing to limited sub-prime deterioration**
  - Sub-prime mortgages originated and retained with limited reliance on mortgage brokers, which allows for more control and oversight; Non-traditional mortgages (i.e. pay option ARMs and negative amortization) not offered
  - Refined segmentation practices at CitiFinancial to better track performance of individual forbearance programs
- **ALLL process enhanced**
  - Improved transparency and documentation of reserves levels (mid-quarter and quarterly basis) prompted by past OCC recommendations; Consumer processes refined to better address seasonality
- **Credit Outlook for 2007**
  - Citi expects some credit deterioration (consistent with view of other LFIs); Cost of credit budgeted by Citigroup management to increase by 31% in 2007

Credit Risk

	Overall Rating – Satisfactory
Board and Management Oversight	*Subcomponent Rating – Satisfactory* • Regularly scheduled board and senior management updates • Recent risk management reorganization reflects an enhanced alignment of expertise across the credit risk function. Independent risk functions are adequately staffed with competent individuals aligned to each business •Integration of all residential mortgage activities, now consolidated under one manager
Policies, Procedures, & Limits	*Subcomponent Rating – Satisfactory* • Revised corporate and consumer policies implemented, including those related to new businesses in international regions • Obligor and concentration limits (covering loans, commitments and derivative related credit exposures) are effective • Active portfolio management program for mitigating risk in wholesale portfolio • Developing credit model validation policies and procedures

Credit Risk

	Overall Rating – Satisfactory
	Subcomponent Rating – Satisfactory
Monitoring and MIS Reporting	• Risk Oversight group is adequately and effectively staffed; charged with managing the bank's risk systems and developing risk models, including those to be used for Basel II implementation • MIS to Board and senior management adequately captures firm's major credit related risks • Risk and the business have developed a number of early warning indicators to assist with credit portfolio decisions • Active monitoring of Obligor Limit Exceptions covering lending and derivatives exposures • ARR actively tracks and monitors business unit progress on resolving credit related audit issues; Issues that are not resolved by due dates are actively elevated to senior management
	Subcomponent Rating – Satisfactory
Internal Controls	• Recent naming of head of GCG Audit, who also has oversight of audits role for Basel II • Strengthening the model validation group through additional resources dedicated to credit risk • ARR effectively covers all major elements of credit risk management, including risk ratings process; behavioral scoring; collections, risk system development and maintenance; adherence to credit policies and procedures; and Basel II product management efforts • No major credit risk issues noted in 2006 ARR audits • Moved to regional global credit centers which approve and manage derivative exposures • Centralized and streamlined consumer collection centers which assisted in limiting losses

Market Risk: Main Messages

- **Market risk is moderate and MRM remains satisfactory in managing and monitoring exposure**
  - Lower year-end positions and historically low interest rate volatility lead to a VaR of $88MM (unchanged year-over-year) and corresponding Historical Correlation Stress test results; Conversely, Risk Manager Estimate (RME) stress test results (which have judgmental elements and serve as basis for limit setting) have trended higher to account for concentration, among other items
  - Market liquidity and more granular data available through third-party firms (as of 3Q06) resulted in improved risk measurement and a decrease in VaR
  - Well-developed process for specific risk modeling applications to FRB & OCC
    - FRB's VaR and specific risk approvals were leveraged for broker-dealer CSE application
    - Citi beginning to seek specific risk modeling approval for more complex products incorporating both market and credit risk factors
- **MRM meeting demands of complex trading products**
  - Actively involved in vetting risks associated complex products through established venues (i.e. Capital Markets Approval Committee and Business Practices Committee)
  - Market Risk Analytics (within Risk Aggregation) provides solid support as measurement and management of complex exposures requires greater reliance on models

Market Risk: Main Messages (cont.)

- **Market / credit risk convergence resulting in realignment of risk management**
  - CIB management acknowledges closer linkage between market and credit risk exposures with new Chief Risk Officer structure co-headed by senior most Market & Credit staffers
  - Trading and market risk management infrastructure now relied upon for hedging credit risk:
    - 'Credit trading' desk now consulting with credit risk managers to provide single-name Credit Derivative Swaps (CDS) for Global Portfolio Management's (GPM) loan hedging program; executed $60bn in CDS protection throughout 2006 on behalf of GPM
    - Newly established desk is actively hedging unsecured counterparty credit risk for names that are liquid in CDS market
- **Controlled build-out of Commodities businesses is planned, utilizing both bank and non-bank entities**
  - Strategic importance to the franchise as a market maker and a customer leader; New products included storage and transportation of natural gas, transmission and real-time trading in power; Risk mitigated by skilled management and traders operating below approved risk limits and VaR triggers by hedging price risk
  - 2007 anticipates expansion in North America to include coal and emissions and expects to introduce similar products in EMEA by 4Q07; Phibro will continue to be the niche proprietary trader across a full spectrum of commodities

Liquidity Risk: Main Messages

- **Liquidity risk moderate and remains well-managed through decentralized management combined with strong corporate oversight**
  - Market Access Report (MAR) framework provides local and consolidated gap analysis and limits, which are actively monitored to ensure businesses remain self-funding
  - Implemented stronger risk management dialogue with businesses, during the budget process, to better link M&A, balance sheet, and P&L projections to corporate funding projections

- **'Cash Capital' measure used to manage structural liquidity**
  - Has been adopted for use in both the Bank and Broker/Dealer as a management metric
  - Calculated as the ratio of long-term funding to illiquid assets
  - Objective is to structurally maintain sufficient long-term funding for illiquid assets
  - Nearing 120% target; with additional planned secured financing and the total benefits of new deposit initiatives not yet realized

Interest Rate Risk: Main Messages

- **Interest rate risk limited and remains well-managed using a decentralized management structure combined with strong corporate risk aggregation and oversight**
- **Reliance on new Long Term Interest Rate Risk Measure (LTIRRM)**
  - Introduction of a new LTIRRM that relies on a hybrid model for linear (by gap analysis) and convex (by economic value) products; FRB and OCC approved Citi's LTIRRM as meeting SR 99-13 standards
  - LTIRRM incorporates firm-wide stress testing scenarios for US$ & Non-$; Implemented YE2005 for IR economic (risk) capital calculation; Led to an increase from $3.5B to $9.4B in stand-alone IR risk capital but also yielded a higher cross sector diversification benefit
- **Interest rate exposure remains at minimal levels**
  - 12-month interest rate exposure (IRE) based on 100-bp instantaneous increase in interest rates represents a 1.9% reduction ($728mm) in year-end 2006 net interest income
  - In 2006, IRE results have ranged between $155mm and the year-end level of $728mm against a $1.5B trigger for taking action

Market, Interest Rate, & Liquidity Risk

Overall Rating – Satisfactory	
	Subcomponent Rating: Satisfactory
Board and Management Oversight	• Board review MIS and special reports to remain aware of risk profile and new products • CIB Risk Management Committee appropriately oversees trading risk-taking activities including review of special topical presentations • Senior Management provides oversight to Independent Risk in escalation procedures • Effective corporate framework provides oversight and an aggregate views of market, interest rate risk and liquidity, including stress testing
	Subcomponent Rating: Satisfactory
Policies, Procedures, & Limits	• Corporate policies are adopted within businesses with adequate procedures to control activities • Annual review sizes trading limits to business plans, risk drivers and risk capital allocation • Comprehensive liquidity management policy provides clear definitions and responsibilities • MAR limits, gap management and market stress triggers are reasonable • Strong global contingency funding plan with quarterly stress-testing scenarios assess funding requirements in crisis situations

Market, Interest Rate, & Liquidity Risk

Overall Rating – Satisfactory	
	Subcomponent Rating: Satisfactory
Monitoring and MIS Reporting	• Trading and Treasury MIS is timely and provides both broad and detailed risk perspectives • Continued improvements in market data capture and VaR methodologies; more models approved for Specific Risk capital treatment • Management working toward further integration of stress testing into decision-making process; RME sizes desk limits and Risk Capital allocations
	Subcomponent Rating: Satisfactory
Internal Controls	• Internal audit results show acceptable control environment for trading and treasury (both IRE and Liquidity) activities • Comprehensive controls for price testing, valuation and reserving

Cross Risk Perspective

- Horizontal Reviews
  - Corporate-Level Stress Testing
  - Collateral Management
  - GLBA 501(b)
- Basel II Efforts
- CAMEO ratings / International Expansion

Horizontal Reviews

- **Corporate-Level Stress Testing: At Peer**
  - Firm-wide effort related to Pandemic Preparedness to capture correlations of risk across businesses; Linked to business continuity
  - Country risk scenario process is an integrated stress testing practice that assesses the impact of credit, market, and funding liquidity risks on Citi's top 25 countries as measured by risk capital
  - Market, Interest, Rate and Liquidity subject to 'top of the house' stress tests; Credit risk stress results not subject to same level of aggregation
  - All risk functions perform 'ad hoc' stress tests for specific concentrations; moving toward more periodic stress testing regime
- **Collateral Management: At Peer**
  - Effective risk transfer and mitigation tool for HFs and other financial counterparties' trading exposures
  - Offering VaR, Cross-Product, and Cross-Affiliate margining to address HF demand for lower initial margin and less administration costs
  - Minimal deviations from standard terms; internal rating of investment grade is key criteria; Share industry challenges with regard to disputed calls and reconciliations
- **GLBA 501(b): At Peer**
  - Conclusions from horizontal review consistent with IS review, need for management to execute on initiatives (see IS detail in Operational Risk section)

Basel II Efforts

Commitment to Home / Host interaction

- Ongoing joint (FRB/OCC) outreach to determine specific host needs
- Various foreign regulators (and in turn Citi) have re-visited their Basel II implementation timetables; Currently, Citi will implement in Germany (AIRB retail /AMA) and the UK (AMA only) in 2008, prior to US timetable
- FRBNY examiners remain abreast of Citi's Basel II efforts, and continue to conduct relevant supervisory work from a current risk management perspective

Basel II Preparedness

- User acceptance testing targeted for completion by June 07; Internal parallel run for data and process validation scheduled to start 3Q07
- Challenges with data collection and the IT Infrastructure (primarily wholesale data warehouse)
- Initiatives underway to reassemble the project team dedicated to securitization. A technology resource has been assigned and a revised project plan will be developed by the end of February

Basel II Efforts (cont.)

Risk Management observations

- **Operational Risk:**
  - Noted improvements to both business line operational risk management practices and work in process around solidifying capital quantification model, although more work remains
  - More attention needs to be given to the use of internal data in loss severity distribution and in the process for choosing final tail parameters
  - Initiatives are underway to refine RCSA processes across the firm and to develop a common integrated platform for the capture and reporting of relevant elements of the framework

- **Credit Risk:**
  - Data submission to the central databases and data quality remain a challenge
  - While internal risk rating methodologies for wholesale exposures are generally viewed favorably, some concerns about the use overrides to Debt Rating Models surfaced in 2006
  - For retail exposures, documentation of risk segmentation drivers and pool clustering should be enhanced. For the cards portfolio, management should segment its forbearance enrollments into separate portfolios. These re-written portfolios will be an area of focus for the upcoming future

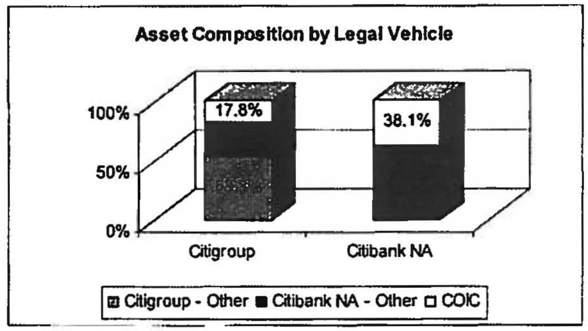
An analysis of:

- Edge Corporation CAMEO Ratings
- International Activities

Edge Corporations

- **Citibank Overseas Investment Corporation (COIC): CAMEO – 1-2-2-1-2/2**

(Billions, USD)	3Q05	3Q06	% Change
Assets	288.8	311.0	7.7%
Equity	32.5	38.4	18.2%
Net Revenue	12.4	14.3	14.9%
Net Income	2.9	3.8	34.7%
ROAA	1.0%	1.3%	NM
Equity/Assets	11.3%	12.3%	NM
Tier 1 Capital Ratio	17.8%	19.0%	NM
Total RBC Ratio	19.1%	20.2%	NM



  - Primary activities include retail banking and consumer finance
  - Wide geographic dispersion with concentrations in Korea, European Union (legally UK), Japan, Singapore, Hong Kong, and Germany
  - Reviews of Japan and Brazil franchises evidenced a strong culture of compliance and controls with effective oversight of growth initiatives
  - CitiFinancial Japan (CFJ) subject to a $449mm cost stemming from 'Gray Zone' legislative changes
    - CFJ also has elected to significantly scale back branch & automated loan machine operations ($40mm)

- **Citibank International (FL): CAMEO – 1-1-2-1-2/2**
  - Closed and liquidated on 1/2/07 as part of bank consolidation; assets and deposits moved to Citibank NA

CAMEO Rating: COIC

(Unchanged from year-end 2005 assessment)

C	1
A	2
M	2
E	1
O	2
	2

- Capital – Strong risk-based capital measures supported predominately by retained earnings (86% of equity capital)
- Asset Quality – Credit quality driven by retail exposure, which remains satisfactory with pockets of credit deterioration (e.g. Japan, Brazil)
- Management – COIC and its subsidiaries apply Citigroup global standards for risk management and compliance, which are satisfactory
- Earnings – Strong earnings driven by strong revenues and decreased credit costs, despite CitiFinancial Japan events and increased expenses from branch expansion
- Operations – Audit review and Compliance MTR provide satisfactory internal controls; sufficient monitoring for Regulation K limits and activities
- Composite rating is satisfactory

International Operations

International Expansion in 2006

- Primarily through rapid branch expansion in Brazil, India, Russia, and Turkey
- Significant investments in Guangdong DB and Shanghai-Pudong DB (China); Akbank (Turkey); HDFC Mortgage Bank (India); and acquisitions of Grupo Financiero Uno and Grupo Cuscatlan (Central America)

- Acquisition activity mostly through Edge Vehicle (Reg K authority)
    - Focus on BSA/AML controls, including impact of foreign jurisdiction restrictions on reviewing and testing customer information for AML
- Investment Strategy of Partial Ownership Model (e.g. Guangdong, Akbank)
    - 2007 supervisory efforts will focus on firm's ability to implement Citigroup risk management and compliance standards without full managerial control
    - Assessment will include how control functions are involved in M&A integration process

International Operations (cont.)

Franchise Governance

- Reliance on regional oversight and country committee structures providing effective franchise governance
- With change in senior management, oversight responsibility shifting from head office to regional management
  - Regional management already overseeing implementation of key initiatives
  - Head office will provide policy guidance and promote global best practices
- 2006 franchise governance reviews targeted 'Priority Growth Countries'
  - Full-scale on-site reviews conducted in Brazil, India, Japan, Russia, and Turkey
  - Periodic franchise governance self-assessments required for all other countries
- Management emphasis on strengthening dialogue with host supervisors
  - Agreements reached in Korea on local/global management issues with host supervisors and labor unions
  - Japan FSA remains cautious but positive about improvements to control and compliance infrastructure there; approved holding company structure (Jan 07), which allows for greater ease in expanding bank branch network