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Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

April 5, 2007

Board of Directors
Citibank, N.A.
399 Park Avenue, 2nd Floor
New York, NY 10022

Subject: Part 30 Notice and Part 30 Compliance Plan

Dear Members of the Board:

This letter is to inform you that Citibank, N.A. has met the safety and soundness standards contained in Appendix A to Part 30 pertaining to internal control, internal audit, and information systems. Citibank, N.A. is in compliance with the Part 30 Plan submitted in response to our June 13, 2005 Notification of Failure to Meet Safety and Soundness Standards and Request for Compliance Plan (Part 30 Notice).

The Board and management need to ensure that the processes and controls implemented in response to the Part 30 Notice continue to receive appropriate attention and are effective. Specifically, the Board and management need to ensure that matters requiring attention identified in the annual report of examination and supervisory letters are addressed. Ongoing attention is needed to ensure that new processes become fully effective controls. In addition, the Board and management need to ensure that the multi-year Anti-Money Laundering Technology Plan is appropriately managed and executed as described in our letter of January 12, 2007 to Messrs. Wong and Kessinger. We will continue to evaluate the effectiveness of these processes through our regular supervisory activities.

Please contact Scott N. Waterhouse, Examiner-in-Charge, at 212-527-1045 if you have any questions regarding this letter.

Sincerely,

Grace E Dailey

Grace E. Dailey
Deputy Comptroller
Large Bank Supervision

THIS REPORT OF EXAMINATION IS STRICTLY CONFIDENTIAL

This Report of Examination is the property of the OCC, and its contents are strictly confidential. Unauthorized disclosure of the contents of this report, including component and composite ratings, is generally prohibited. However, when necessary or appropriate for bank business purposes, a national bank is allowed to disclose the Report of Examination to a person or organization officially connected with the bank as officer, director, employee, attorney, auditor, or independent auditor. Disclosure may also be made to the bank's holding company and, under certain conditions, to a consultant employed by the bank. These exceptions to the general prohibition on disclosure are described in OCC regulations, 12 CFR 4.37(b)(2). Any other disclosure of the Report of Examination or its contents without the OCC's prior approval is a violation of 12 CFR 4.37(b) and subject to criminal penalties in 18 USC 641 for conversion of U.S. Government property.

The information contained in this report is based on the books and records of the bank, on statements made to the examiner by directors, officers, and employees, and on information obtained from other sources believed to be reliable and presumed by the examiner to be correct. It is emphasized that this Report of Examination is not an audit of the bank and should not be construed as such. This examination does not relieve the directors of their responsibility for performing or providing for adequate audits of the bank.

Each director, in keeping with his or her responsibilities both to depositors and to shareholders, should thoroughly review this report. Subsequent to this review, the directors should sign the form attached to this report. If the board is not in substantial agreement with the contents and conclusions of this report, a request should be made promptly for a conference between selected members of the board and officers of the bank and representatives of the deputy comptroller to review these matters.

Name of Bank:	Citibank, N.A.
City, State:	Las Vegas, Nevada
Charter No:	1461
Examination Cycle Ending:	
	December 31, 2006

All correspondence should be addressed to Scott N. Waterhouse, National Bank Examiner, 880 Third Avenue, 5th Floor, New York, NY 10022, with a copy to Grace E. Dailey, Deputy Comptroller, Comptroller of the Currency, Large Bank Supervision, Mail Stop 6-1, Washington, D.C., 20219.

Comptroller of the Currency
Administrator of National Banks

National Bank Examiners
250 E Street, SW
Washington, DC 20219

April 5, 2007

Board of Directors
Citibank, N.A.
399 Park Avenue, 2nd Floor
New York, NY 10022

Members of the Board:

Attached is our Report of Examination for Citigroup's national bank subsidiaries (Citibank or banks) covering our CAMELS ratings and Risk Assessments. This report also summarizes our supervisory conclusions since our last report and highlights key risk and control issues that warrant continued attention.

The overall condition of each of Citigroup's national bank subsidiaries is satisfactory. We note management's ongoing efforts to improve compliance and controls. We terminated one formal action and found the bank satisfied another informal agreement. We also upgraded our Information Technology and Compliance Risk Management ratings. Management must continue to enhance its compliance and control processes to ensure they remain appropriate for an institution as complex as Citigroup. Please refer to the Matters Requiring Attention page of this report for more detail on outstanding issues of concern.

Management is satisfactory, as significant progress was made in 2006 to strengthen controls and repair the company's reputation. Management achieved full compliance with the Formal Agreement on Complex Structured Finance Transactions and we removed the agreement in December. The bank continued its work in other areas where controls and processes are being substantially upgraded. Management met its commitments under the Part 30 Plan, which was designed to strengthen internal controls. We determined the plan was satisfied on April 5, 2007. Information Technology management also completed a number of important projects. Finally, management completed a major legal vehicle restructure that simplified the regulatory structure and consolidated capital and liquidity into Citibank, N.A.

Notwithstanding these efforts, management still faces important challenges. The bank needs to complete its multi-year effort to strengthen controls. We view the continued strengthening of the compliance and audit staffs and the effective execution of the Risk and Control Self Assessments and the Monitoring, Testing, and Reporting initiatives as critical components of this task. While we understand the company's need to control expenses, management and the board need to ensure that cost cuts do not compromise the progress made in enhancing the control infrastructure, including information technology.

Citigroup has designed a reasonable Anti-Money Laundering (AML) program, but we continue to find weaknesses in its execution. AML oversight needs strengthening to ensure consistent and effective AML processes throughout the company. We reported issues to management regarding monitoring and investigating suspicious activities. We are also working with management to ensure that we have a consistent set of expectations regarding AML processes. Management provided us with a multi-year plan to improve AML technology. While this long term solution to certain issues is being developed, it is important that interim controls operate effectively. The need to strengthen AML management and related technology are Matters Requiring Attention.

Asset quality is satisfactory as effective management and risk mitigation has reduced problem assets and kept credit losses at reasonable levels. However, we found that the Global Consumer Group is not in compliance with the Interagency Policy Statement on the Allowance for Loan and Lease Losses (ALLL). The Board and management need to ensure that the process for assessing the allowance includes not only past due loans, but also current loans over an appropriate emergent loss period. Management still needs to improve its documentation of its ALLL analysis including all of the qualitative factors in the Interagency Policy to fully support that quarter-end reserves cover inherent loss. These analyses need to support reserves for each of Citigroup's national banks. Deficiencies in the ALLL process are a Matter Requiring Attention.

Citibank, N.A.'s financial performance is satisfactory, and liquidity remains strong. While Citibank's net income is substantial, its performance ratios when measured against peer banks are average. In particular, Citibank's net interest margin remains below peer due to the wholesale nature of its balance sheet, the relatively small domestic deposit base, and pressure on asset yields. The company has embarked on a major cost cutting initiative to better align expense and revenue growth and improve earnings. Capital is now satisfactory, as management is leveraging the balance sheet in an effort to generate more net interest revenue. Liquidity remains strong with substantial product and geographic funding diversification, and the sensitivity to market risks is satisfactory.

Citibank N.A.'s composite CAMELS rating remains a "2." By definition, only moderate weaknesses are present and are well within the Board and management's capabilities and willingness to correct. These financial institutions are stable and capable of withstanding business fluctuations. We changed two CAMELS ratings during this supervisory cycle. We downgraded capital to a "2" reflecting the increased use of leverage to enhance earnings, and we upgraded IT to "2," recognizing the positive work in project management. CAMELS for the other national bank subsidiaries are addressed in the attachments to this report.

Please contact either Scott Waterhouse or Grace Dailey should you have any questions or comments on this Report of Examination.

Sincerely,

Scott N. Waterhouse Examiner-In-Charge Large Bank Supervision	Grace E. Dailey Deputy Comptroller Large Bank Supervision

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Matters Requiring Attention

Bank Secrecy Act/Anti-Money Laundering

While the bank has designed a reasonable Bank Secrecy Act (BSA)/AML program and is implementing it across the company, we identified certain weaknesses that warrant board and management attention. This includes the technology initiatives described below. However, management needs to ensure that interim controls continue to provide appropriate AML oversight while the program is being implemented.

Our testing of AML activities identified weaknesses that require continued board and management attention. In 2005, we identified significant weaknesses in the appropriateness of customer due diligence, primarily in the company's Markets and Banking sector. Management committed to implement corrective action, and much of this is now complete. In 2006, we identified deficiencies in transaction monitoring controls. The objectives and requirements for monitoring transactions are contained in the Citigroup Anti-Money Laundering Business Rules Standards (CAMBRS) directive. This Directive was issued bank-wide in early 2005. Yet our testing throughout 2006 found implementation deficiencies. We found areas where the quality of transaction monitoring was not commensurate with the level of risk. Management has committed to implement corrective action. The need to effectively implement these controls is a Matter Requiring Attention.

Citibank, N.A.'s Part 30 Plan detailed a number of specific actions to improve controls over AML through the implementation of specific technologies. The plan noted that "technology projects are subject to change based on business priorities, technology requirements and other deliverables." We understood this technology would include automated global name search capabilities. In March 2006, Citibank informed us that the solution implemented in December 2005 was unable to meet this requirement. During 2006, we held a number of meetings with management to discuss concerns regarding the management of AML technology projects and specifically re-emphasized the need for automated global name search capabilities. We agreed to a proposal by the bank for a multi-year plan. In addition, we asked that management articulate a governance framework that would ensure that the associated projects are effectively managed. Citibank provided this information and we accepted this new AML technology plan on January 12, 2007. Our approval specifies that automated name-search capabilities must be expanded to global databases and places a heavy emphasis on ensuring management processes are effective to ensure that milestones are met. As we determined that Citibank has satisfied the Part 30 Plan, we will continue to monitor and evaluate progress against the AML technology plan as part of our ongoing supervision.

Allowance for Loan and Lease Losses

The Global Consumer Group (GCG) loan loss reserve methodology is not in compliance with the 2006 Interagency Policy Statement on the ALLL. GCG reserves are calculated on a loss roll-rate methodology plus management adjustments. Depending on the portfolio, the roll-rate may be either six months or four. Some portfolios reserve for the current or "zero" bucket while others do not. Management adjustments have been made on occasion for major events such as Hurricane Katrina and the bankruptcy law change. Beyond these major events, adjustments for general reserve levels have been limited. The ALLL policy states that additions will be made "on an exception basis." However, a roll-rate methodology needs appropriate management adjustments to overcome the method's inherent shortcomings and ensure reserves are sufficient to cover incurred losses in the portfolio. The effect of this ALLL process has been to reduce Citigroup's reserves substantially over the past few years while loans have grown.

The Board and management must bring the GCG methodology in line with the Interagency Policy Statement and ensure that reserves are maintained at appropriate levels on a legal entity basis. Management needs to provide for and measure the ALLL for all "current loans" and have an ALLL that represents an appropriate emergent loss period (i.e. the period of time for which the probable loss has already been incurred to the event confirming the fact of the loss being the charge off). The Interagency Policy states that this period is generally measured by applying at least a 12 month average net-charge off rate to the group of loans. The four or six month roll-rate is not consistent with an appropriate emergent period for the different types of consumer loans considering that it only represents the period of time for which loans begin delinquency to the charge off. The "incurred" loss event happens over a period of time prior to delinquency. Management needs to fully analyze and support its use of a particular emergent loss period.

Management needs to improve its documentation of GCG and Corporate and Investment Bank reserve adequacy. In 2002 and again in 2005 we made recommendations to improve documentation in order to fully support reserve adequacy. While we confirm improvement, additional documentation is needed to address all of the qualitative or environmental factors articulated in the Interagency Policy Statement. Management also needs to explain and document variations from its mid-quarter reserve analyses that do not result in quarter-end reserve decisions, or simply use the quarter-end computations. The Board and management also need to ensure that reserves are adequate and supported for each national bank.

Other Priorities for the Coming Year

Basel II

Citigroup management is implementing Basel II based on information available. Citigroup's overall management structure and governance process regarding implementation is satisfactory. The company's activities and progress are consistent with OCC expectations at this point in the rulemaking process. It is important to refresh existing gap analysis and implementation plans in light of the U.S. Notice of Proposed Rulemaking and other guidance, and to produce a more detailed gap assessment as rules are finalized. The planning process should remain comprehensive and structured using a rigorous framework and appropriate project management disciplines.

Given the state of the rulemaking process, the OCC has not conducted detailed testing of all aspects of the company's anticipated Basel II solution. We have focused on management of the Basel II implementation project, and those applications used as part of current risk management processes. Our examinations of credit and operational risk management have resulted in comments and recommendations that, if adopted, are consistent with the control principles needed to enable an effective implementation of Basel II. Qualification for the advanced approaches under Basel II will continue to rely heavily on the structure and integrity of the bank's implementation process. During the parallel run, we will place an increased focus on an evaluation of capital calculations, and verify the effectiveness of risk management and internal controls. Significant emphasis will be placed on evaluating internal controls and quality assurance processes. Our expectation is that Citibank will rely significantly on its internal risk management and Audit and Risk Review (ARR) resources to test and validate compliance with final Basel II standards. Our supervision will incorporate both testing of the bank's control process around Basel II, and a risk based evaluation of selected systems, models and other controls.

Information Technology

We have upgraded the information technology rating to "2" in recognition of substantial efforts to address issues identified in previous reports of examination. It is important that progress continue. In particular, we will conduct an examination of the information security program during 2007 to verify the adequacy of actions implemented under that program. We will also monitor and evaluate the impact of cost cutting initiatives to ensure that progress in addressing issues is maintained and continues.

Violations of Laws and Regulations

Our examinations have on occasion disclosed violations of specific technical requirements of certain laws and regulations. These are described and documented in supervisory letters provided to management at the conclusion of each examination. Management is taking the appropriate corrective action on each of them.

Risk Assessment Summary

RISK PROFILE	QUANTITY OF RISK	QUALITY OF RISK MANAGEMENT	AGGREGATE RISK	DIRECTION
Strategic	----	----	High	Increasing
Reputation	----	----	High	Decreasing
Credit	Moderate	Satisfactory	Moderate	Increasing
Interest Rate	Moderate	Satisfactory	Moderate	Stable
Liquidity	Low	Satisfactory	Low	Increasing
Price	Moderate	Satisfactory	Moderate	Stable
Foreign Currency Translation	Moderate	Satisfactory	Moderate	Stable
Transaction	High	Satisfactory	High	Stable
Compliance	High	Satisfactory	High	Stable

	QUANTITY OF RISK	QUALITY OF RISK MANAGEMENT	AGGREGATE RISK	DIRECTION
BSA/AML	High	Weak	High	Stable

	OVERALL RISK
Internal Control	Satisfactory
Audit	Satisfactory

Strategic Risk – Aggregate Risk is High

Strategic risk is high and increasing. Citigroup's rapid expansion earlier this decade, both domestically and internationally, and intense profit pressures resulted in critical problems in the bank's culture and controls. Management has since made significant progress addressing these problems. In the fourth quarter 2006, the bank achieved full compliance with the Formal Agreement on Complex Structured Finance Transactions. It also satisfied the terms of the Safety and Soundness Notice and made good progress in its information technology oversight. While the effectiveness of some of these changes is still being tested, we feel comfortable that weaknesses in the control environment are being addressed.

Citigroup continues to face shareholder pressure to demonstrate that its business model can achieve superior returns. Citigroup's original vision of profitably cross-selling products across a financial conglomerate has been difficult to achieve. Moreover, certain acquisitions over the past few years have been financially disappointing, organic growth is challenged, and expense growth exceeds revenue growth. Management has a number of plans underway to address these issues.

Citibank itself is fundamentally safe and sound from a bank regulatory perspective. Citibank's product, market and geographic business mix provides significant risk diversification. Moody's recently upgraded Citibank's debt rating to "Aaa" and S&P upgraded Citigroup's rating to "AA." As management addresses the pressure to rationalize expenses and improve returns, it is important that it continue to support the bank's financial profile and strengthen its control environment. We believe that prior under-investment in technology and controls led to many of the high-profile failures from which Citibank is just now emerging.

Management is actively pursuing acquisition targets throughout the world, increasing strategic risk. Over the past year, acquisitions have included whole banks, minority interests in banks, and selected portfolios and business activities. Management anticipates more acquisitions in the coming months, particularly internationally. While some of these are outside of the national banks, each consumes management time and attention. The strategic challenge is to integrate these entities as fully and quickly as necessary to provide positive returns while minimizing compliance, AML, regulator, reputation and other risks. This challenge is made more difficult as the bank continues to have significant management turnover at senior positions.

Reputation Risk – Aggregate Risk is High

Reputation risk remains high. Management is successfully repairing Citigroup's image following a series of high-profile control failures, and we now view Reputation Risk as decreasing. Corrective actions include management changes, the formation of Business Practices and other oversight committees, the execution of the Part 30 and Five Point Plans, and closer oversight by the Audit and Risk Committee. The two major external rating agencies acknowledged Citibank and Citigroup's progress through recent upgrades in its debt ratings. Ongoing efforts are needed to maintain and strengthen internal systems and controls to better protect the bank's stature and repair its reputation. We believe this is an ongoing management priority.

The company still has important regulatory investigations and lawsuits underway that could result in more negative publicity. With over 300,000 employees, operations in 100 countries, and a complete product menu, it will take time before the cultural changes are fully embedded throughout the company and Citigroup is able to fully restore its reputation. Moreover, Citibank remains a focal point for special interest groups, elected government officials, and various regulatory bodies. It is particularly important that the bank have strong processes and controls over AML, IS, fair lending, structured finance activities, privacy, foreign outsourcing, and other sensitive topics to ensure business is consistently conducted in conformance with corporate standards and objectives.

Credit Risk – Aggregate Risk is Moderate

Credit risk remains moderate, and overall risk management practices are satisfactory. The direction of credit risk is increasing and indicates a potential change in the credit cycle. Also, a highly competitive credit environment is pressuring underwriting standards industry-wide, impacting the direction of risk.

Corporate Credit Risk

Aggregate corporate credit risk remains moderate. The volume of problem assets is manageable, problem loan identification is good, and overall risk management practices are effective. While portfolio management techniques help dissipate credit risk and foster continued lending, we have noticed a higher, global tolerance for risk in pursuit of yields or future business. The increasing direction of risk accounts for the mounting risks embedded within the loan portfolio that may not be fully visible in current portfolio reports. A benign credit environment continues to drive risk taking, and low default rates, high recovery expectations, and excess market liquidity may mask negative trends. We expect the combination of aggressive loan structures, growth in riskier transactions, high fuel prices, slower consumer spending, and the increased cost of credit, wages, and raw materials to negatively impact corporate credit risk in the future.

The quantity of corporate credit risk is moderate. The quantity of risk remains moderate due to a manageable volume of problem loans, nonperforming assets, and credit losses. However, automotive-related borrowers remain weak, homebuilders are fragile, and volatility in emerging market countries subjects those borrowers to additional uncertainties. The quantity of risk signifies to some degree the abundance of market liquidity. Generally low interest rates and investor demand for higher yielding assets have allowed borrowers to repair their balance sheets while bank management has sold loans at favorable prices and performed successful restructurings. Underwriting standards are lenient, and we are concerned that relaxed terms and structures provide minimal protection for the bank.

Corporate credit risk management is satisfactory. Although we have provided management with conclusion memoranda summarizing issues that need attention, overall risk management practices are sound. Management has built a system of checks and balances that includes independent risk managers, multiple credit approvers, and an independent Credit Risk Review function. Overall management of credit exposures by Global Portfolio Management is appropriate. We continue to monitor the effectiveness of risk management practices given the recent implementation of new, streamlined credit policies, increased reliance on credit-related processes in remote locations, reductions in credit risk management staff, and ongoing corporate cost pressures.

Retail Credit Risk

Aggregate retail credit risk is moderate, with the direction of risk increasing. There continues to be growth in total receivables, led by a substantial increase in North America home equity loans and more broadly in international markets. Credit metrics for North American businesses indicate some deterioration in 2006, particularly in the second mortgage portfolio segment, as portfolio seasoning in home equity drove increases in delinquencies and credit losses. Still, credit administration is adequate and management has taken action to mitigate the impact to plan, earnings and overall capital. During 2006, supervisory issues were noted in U.S. Cards pertaining to compliance with the Account Management Guidance. These have not yet been fully addressed. While management has put in place appropriate action plans to achieve compliance, some require system changes which are scheduled but not yet completed.

The quantity of credit risk for GCG is moderate. Credit trends across the major portfolios saw some deterioration during 2006. With over $500 billion in credit receivables, Citibank has significant holdings in all types of consumer credit, and those assets are internationally diverse. This diversification provides some insulation from the adverse impact that would occur due to credit problems relating to a particular product or geography. Subsequent to the October 2006 legal entity integration, the majority of mortgage, home equity, and auto loan businesses were merged into Citibank, N.A. Additionally, in excess of $30 billion in middle market commercial and commercial real estate credit was consolidated into Citibank, N.A., where it is housed in the Commercial Business Group under Global Consumer Group. Early in 2007, Citibank purchased the Mortgage Group of ABN AMRO. This acquisition adds $9 billion in net assets and $224 billion in mortgage servicing portfolio assets, and solidifies Citibank's position as a major player in originations, servicing and wholesale activities. Management has effective control processes in place to be able to successfully integrate large acquisitions.

While credit indicators are sound overall, there are signs the credit cycle is moving towards higher risk. We are concerned that an environmental event that adversely impacts the current high level of credit liquidity enjoyed by the U.S. consumer could translate into increased credit risk and higher credit losses. There is also concern that credit quality could be adversely impacted by the slowdown in housing (regional and national), and by over-leveraged consumers.

Notwithstanding the issues with the consumer reserves noted below, the quality of consumer credit risk management is satisfactory. The risk management function is being reorganized to focus on growth initiatives and align with the various lines of business. Senior management is pursuing a strategy to expand distribution points for credit in the U.S. and internationally, seeking to deepen and grow customer relationships, increase revenue and execute cross product strategies. Given the company's focus on expense control, we are monitoring these changes to assess if they result in a less effective control function at the corporate level.

Allowance for Loan and Lease Losses (ALLL)

Total Citigroup loan loss reserves were $10 billion at year end, including $1.1 billion in an Other Liability account for unfunded lending commitments. From our examination of the reserve process completed as of December 31, 2006, we noted significant deficiencies in management's reserve evaluation process for the consumer portfolio and some ongoing deficiencies in the corporate portfolio. The bank's ALLL process does not fully comply with the Interagency Policy Statement on the ALLL. Management does not have a process to fully support that reserve levels are adequate to absorb credit losses inherent in the portfolio. Management also needs to provide a reserve analysis by legal entity to better support both the environmental portion of the ALLL, and use the most current information available when determining quarter end reserve levels. Additional details were provided to management. This issue is more fully discussed in the Matters Requiring Attention section of this report.

Price Risk – Aggregate Risk is Moderate

Price risk remains moderate, with the direction of risk stable. The level of risk, in part measured by Value-at Risk (VaR) and stress testing, is reasonable in relationship to the institution's earnings and capital base. Citigroup has a diversified trading portfolio and is a significant participant in global financial markets across a spectrum of products. The bank has a large customer base and a strong distribution network that results in a trading culture that is principally based upon customer flow. Management adopted a multi-year strategy to improve its competitive position in derivative transactions. Management's goals included upgrading technology, both software and hardware, being faster and more efficient in execution; expanding electronic trading platforms for high volume/low margin products; and expanding its exotic and structured products customer business. Management is also placing more emphasis on proprietary trading and instituted proprietary desks in a few locations. The extent of proprietary trading remains modest and management's position is that this type of trading should be done selectively and in those instances where risk/reward characteristics are in its favor. Trading revenues for the year were very good even in a year of a flat, then inverted yield curve, tightening credit spreads, and generally overall low volatility. Transactions with hedge funds continue to be a significant source of trading revenues, and we continue to monitor this source of counterparty exposure.

Price risk management remains satisfactory. Management is capable and experienced, and has implemented the appropriate levels of control and oversight. All businesses are subject to multiple levels of limits set by Market Risk Management. Model validation remains an issue of regulatory concern. We have found that there continue to be a large number of models that require further validation work and expanded testing/analyses. Management hired additional staff to handle the higher volume and expand the depth of these analyses. However, the number of models requiring full validation continues to increase. Additionally, Internal Audit also recently found issues related to limits on partially validated models. We expect management to take appropriate actions to resolve this problem, so that the backlog is reduced in a meaningful way and analyses expanded where appropriate. Management has positively responded to the issues noted in the 4Q05 structured credit derivatives business examination, and to concerns that we have had with the compliance testing process.

Interest Rate Risk – Aggregate Risk is Moderate

The quantity of risk is moderate. From an earnings standpoint, Citibank has been vulnerable to a flattening or inverting yield curve, as it is principally sensitive to increases in short-term rates. Deposit and borrowing rates have increased more rapidly than loan and investment yields over the past two years. The year end 2006 estimate of US dollar exposure to a +100 basis point instantaneous shock to the yield curve is 2.9% of net interest income for the bank chain. This is up from historically low levels in 2005. From an economic value standpoint, scenario analyses reflect vulnerability to a declining rate environment. The company continues to be an active user of derivatives, particularly interest rate swaps, as a means to hedge and manage interest rate risk. The corporation has exposure to many foreign interest rates; however, these exposures are all small in size versus the US Dollar position. Citibank has been experiencing significant net interest margin (NIM) compression over the past three years. NIM has been impacted by rising short term rates, the continuing inverted yield curve, as well as by competitive pressures. Additionally, during 2006 management began being more aggressive in pricing its deposit products worldwide to increase the deposit base.

Overall interest rate risk management is satisfactory. Day to day interest rate risk management is the responsibility of individual business line managers and/or their delegated treasurers. During the past year, management consolidated the Capital and Finance Committee and the ALCO Committee into one group called FinALCO; this committee provides appropriate corporate oversight to the process. The decentralized nature of Citibank presents challenges when trying to consolidate information on a corporate level. Senior management was slow to react to the margin deterioration which started in 2004. Analysis and monitoring of the NIM has received more attention in 2006 and initial reports on the NIM are now regularly included in the FinALCO package. Management is in the process of developing better tools to help analyze the margin. Overall management reporting has improved over the past few years and continues to be refined to meet the needs of various committees and constituencies. A significant accomplishment in 2006 was the implementation of a new long-term interest rate risk measure. The new and novel measure represents a major improvement over the five year discounted cash flow methodology. We requested management to review the underlying assumptions at least annually, and will periodically review management's analysis of this modeling approach.

Liquidity Risk – Aggregate Risk is Low

The quantity of risk is low, but increasing. This is consistent with management's stated desire to keep ample liquidity in the banks. Funding continues to come from highly diversified sources globally, with deposits representing a significant portion of third party funding. While reputation risk remains high, credit spreads remain low and the company has ready access to the wholesale markets globally with over 50% of 2007 planned debt funding expected to come from overseas sources. Also, during the third quarter 2006, Moody's upgraded Citibank, N.A.'s rating to triple-A. During the fourth quarter 2006, S&P upgraded Citigroup ratings. As part of its contingency funding plan, management ranks actions that would be taken to meet funding gaps. Historically, the plan has shown excess capacity arising from first tier actions. The October 2006 iteration of the plan shows that 100% of first tier actions would need to be used for the first time. Credit card trusts remain sound, with minimal impact from the new bankruptcy laws and the implementation of the credit card account management guidance.

During 2006, management implemented an aggressive deposit raising program in order to bring several liquidity ratios in line with more traditional levels. This included an internet banking campaign, de-novo branch expansion, a Smith Barney cross-marketing initiative, and payment of interest rates at considerably higher levels than Citibank's historic practices. While these programs have been successful in raising deposits, it is unclear whether these deposits will exhibit the same behavioral and loyalty characteristics as the bank's traditional deposit base.

Risk management is satisfactory. The FinALCO will be the focal point for liquidity monitoring and decision making. Analyses of different aspects of the bank's liquidity structure continue to be presented to the committee. Also, senior management recently appointed a head of treasury and global markets. This individual has established several committees that review aspects of liquidity management. Limit exceptions are monitored and reported to the appropriate level of management. Corporate oversight is active. During the fourth quarter of 2006, management changed the reporting lines for part of the independent liquidity oversight group. Independent risk will retain oversight responsibilities but those charged with policy implementation and risk calculation will now report to the Head of Corporate Finance and Treasury. We will continue to review the interaction of independent risk with the business to ensure that this situation is adequate. Management information is satisfactory; however, we have recommended that management develop a more sophisticated approach to modeling core deposits, especially since the pricing for retail deposit products has become aggressive.

Foreign Currency Translation Risk – Aggregate Risk is Moderate

The overall level of foreign currency translation risk to capital and earnings is moderate and stable. This assessment incorporates the amount of risk exposure to translation gains or losses as a result of shifts in exchange rates, as well as the amount of capital exposed to uncertainty as a result of country risk. Citigroup's Tier 1 hedge program has been highly effective in reducing the variability of its capital ratio. Management has also implemented an effective program of hedging translation risk exposure for non-U.S. dollar earnings of its foreign subsidiaries. However, a recent FASB interpretation will likely require management to make significant changes to its current program. Foreign currency translation risk can also be impacted by country risk factors or other events that could impair Citibank's ability to repatriate or convert foreign currency earnings or capital. Overall, risk in emerging market countries has been stable.

Foreign currency translation risk management is satisfactory. Staffing is good, controls over translation reporting and hedging are effective, and management information systems provide timely and adequate information to monitor and manage risk. Monitoring by senior management is satisfactory. Foreign currency translation hedging results are regularly reported to the FinALCO. There is also an EBT steering committee which is made up of senior management and meets periodically to discuss relevant hedging strategies and issues. Hedging continues to be conducted within proscribed guidelines and consistent with the organization's risk appetite. Country risk management is effective, with exposure to higher-risk countries actively managed.

Transaction Risk – Aggregate Risk is High

The quantity of transaction risk is high as a result of an extensive global franchise and the highly sophisticated and complex nature of both the products offered and technology required to support businesses, financial reporting, risk management and internal control processes. Citibank is also a major provider of cash management and transaction services and has relationships with approximately 500 value transfer networks. Growth in the transaction services business has been and continues to be significant.

Citigroup's active acquisition strategy further increases transaction risk. The corporation continues to expand specific lines of business through acquisitions as well as organic growth in selected markets. Much of this growth is expected to occur overseas. Citigroup's existing system infrastructure is already fractionalized, and each acquisition adds to this complexity. The ability to aggregate information across business lines or geographic areas is often problematic.

Transaction risk management is satisfactory. While specific OCC examinations have identified issues requiring management attention, management is effective and actions are being taken to address weaknesses and improve fundamental control. Management also made good progress in implementing its operating risk policy and the associated risk measurement, management and economic capital processes. These changes, coupled with actions undertaken as part of the Part 30, "five point" plan, and other OCC recommendations, result in our view that the level of risk is stabilizing. However, the bank must demonstrate sustained improvement in internal controls, information technology, and IS. We note progress in IT project management, IS, and other aspects of information technology. It will be critical to ensure that initiatives designed to reduce costs do not compromise the control infrastructure or the implementation of strengthened compliance and control processes.

Citibank has been participating in regulatory and industry working groups to improve derivatives operations and underlying processes. Significant progress has been made to reduce operational risk in credit derivatives, and industry groups are now exploring additional efficiencies in equity derivatives. With respect to Citibank, management adopted an Infrastructure Committee during the year as a response to our 2005 credit derivatives examination. Its purpose is to oversee and control business growth in light of existing infrastructure. We believe this is a positive addition to the control processes in the Markets and Banking sector. Senior management and structural changes in the Markets and Banking sector place finance and operations under the direct control of the individual responsible for the business' capital markets activities. This structure could potentially compromise the independence of the trading operations functions. We will closely monitor the businesses to determine if there is a negative impact on the risk profile or control environment.

Pandemic Preparedness

The Office of Business Continuity (OBC) has developed a global plan to ensure consistent Citigroup-wide pandemic preparedness across businesses, sectors, and regions. The plan is based on guidelines from the World Health Organization and the Centers for Disease Control, and approved by the Board in June 2006.

During the fourth quarter of 2006 Citibank (UK) participated in the "Tripartite (FSA, Bank of England and HM Treasury) Pandemic Market Wide Exercise." One high level concern was identified by the exercise that is relevant to Citigroup. The number of institutions relying on telework, work at home, or other Internet-based solutions during a pandemic will significantly stress the Internet infrastructure to the point that performance could be significantly impacted. Citigroup's world-wide plans rely on Internet-based solutions. While we are still comfortable with the bank's pandemic preparations to date, management should consider this risk in its plans. We will focus on this issue as part of our ongoing supervision.

Internal Controls

In previous years the company demonstrated weakness in risk and compliance management, as evidenced by both publicly disclosed events in the U.S. and other jurisdictions as well as various issues identified during specific OCC examinations. An aggressive sales culture, a historic partnering of compliance, legal and, in some cases, risk management with the business, as well as a history of cost cutting that caused an underinvestment in operations and systems, contributed to resulting control and compliance failures. Addressing these issues required significant investment in people, training, business processes and technology. Examination results during 2006 as well as overall improvement in the audit and risk control and self-assessment ratings indicates that an improved control culture is being attained. However, strengthening controls has contributed to expense growth and it is likely that some processes are duplicative. Citigroup's "control optimization project," while conceptually sound, should be implemented in a manner that does not adversely impact investment and maintenance of the control infrastructure. Ensuring improvement and maintenance of a strong control process is an OCC supervisory priority.

Operational Risk Management

Citibank has implemented a satisfactory program to measure and monitor operational risk. Since the bank began to capture loss event data in 2002, significant accomplishments have been made in developing operational risk structure, policies, management reporting, and control processes.

An OCC/Federal Reserve review of Citigroup's operational risk management and capital framework found that the company's process is satisfactory. We identified two Matters Requiring Attention but expect that they will be addressed as part of the ongoing risk management process. The company continues to work on approaches to scenario analysis. The bank's process and measurement methodology is intended to comply with Basel II. However, this determination can not be made until U.S. rules and standards become final. In the interim, management should assess potential gaps to Basel II standards as new information becomes available or is finalized.

Audit and Risk Review

Internal audit as performed by ARR is satisfactory. A significant increase in staffing in 2005 in coordination with training and quality assurance (QA) programs has had a beneficial impact on audit coverage and effectiveness.

In the past year we evaluated audit activities through on-going supervision and a target examination of ARR's QA processes. The latter was tied to our efforts to verify the bank's compliance with the bank's Part 30 Plan. We determined that QA's assessments are generally accurate and that QA processes are effective in promoting improvements in audit quality. One breakdown audit quality related to compliance with the policies surrounding the Formal Agreement was not fully corrected until late 2006. Overall, however, the results of the QA reviews, as well as our on-going review of audits throughout the past year, indicate that overall audit quality is satisfactory and ARR has met its obligations under the Part 30 Plan.

Compliance Risk – Aggregate Risk is High

Compliance risk is high. This rating includes compliance both with the spirit and intent of laws and regulations as well as the technical requirements. The compliance rating considers performance across the national banks and within each line of business. The group's complex legal vehicle structure compounds compliance reporting and monitoring requirements. The rating also includes the risk of money laundering.

Compliance oversight has improved significantly, and compliance risk management for areas impacting the national banks is now satisfactory. This upgrade is based on the positive actions that management has taken to correct previously identified deficiencies. Notwithstanding these actions, improvement is still needed in the area of BSA/AML compliance oversight as discussed in that section of this report.

In previous years, we noted inadequacies in compliance testing. The compliance department has worked diligently to address this issue. At year end, all businesses had developed a regulatory risk matrix (RRM). Management recognized that in some businesses, most notably Markets and Banking and Citigroup Alternative Investments, that the RRM was an initial draft and refinement is still needed. A recent OCC review noted much progress in monitoring, testing and reporting results but additional work is needed to address inconsistencies and establish a fully effective process. We want to caution management that with the optimization of the control environment, it is necessary to ensure that compliance risks are appropriately addressed and improvements are not compromised.

Fair lending is unique in that when a single act of discrimination for housing credit is found, regulators must report it to the Department of Justice. Furthermore, fair lending must be commented upon in the Performance Evaluations of the bank's compliance with the CRA. We will delay concluding on the bank's CRA performance until a decision is reached by the Federal Reserve concerning a bank affiliate activity in Puerto Rico. Also, during the CRA examination, the Home Mortgage Act disclosure data for the affiliates in Puerto Rico and the CRA disclosure data for Citibank, N.A. had to be corrected for the examination and for the public.

Bank Secrecy Act/Anti-Money Laundering Risk – Aggregate Risk is High

BSA/AML compliance risk is high because the bank provides a number of high-risk products and operates in a number of high-risk geographies. This rating is factored into the overall compliance risk rating.

Although BSA/AML oversight has improved, overall BSA/AML risk management for the bank continues to be weak. This rating is based primarily on the deficiencies in transaction monitoring. While we found weaknesses in the BSA program, it is considered to be fundamentally sound. Many of our compliance concerns were addressed in the Part 30 Plan and corrected. However, management was unable to implement the technology solution, which resulted in management having to develop a Multi-Year Technology Plan as discussed in the Matters Requiring Attention section of this report.

The change in senior compliance management has had a positive effect on correcting deficiencies in BSA/AML oversight. However, the global implementation of the BSA program has required extensive management time and attention. Consequently, management remains in a position of reacting to issues rather than anticipating problems through a fully functioning program. Management has made significant progress this past year correcting deficiencies we identified in customer acquisition due diligence. However, this year we noted new deficiencies in customer and transaction monitoring. As a result, we issued a supervisory letter criticizing the systemic deficiencies of monitoring oversight. Management is in the process of developing appropriate controls to correct this deficiency.

Ratings*

	12/31/06	12/31/05	12/31/04
Composite Uniform Financial Institution Rating	2	2	2
Component Ratings:			
Capital	2	1	1
Asset Quality	2	2	2
Management	2	2	2
Earnings	2	2	1
Liquidity – Asset/Liability Management	1	1	1
Sensitivity to Market Risk	2	2	2
Uniform Rating System for Information Technology	2	3	2
Composite Uniform Interagency Trust Rating	2	2	2
Uniform Interagency Consumer Compliance Rating	2	2	2
Community Reinvestment Act Rating	Outstanding	Outstanding	Outstanding

***Refer to OCC Bulletin 97-1(January 3, 1997) for a description of the CAMELS and Specialty Ratings.**

Composite Rating – 2

Citibank, N.A.'s composite CAMELS rating remains a "2." The bank is fundamentally sound. Overall management is satisfactory and has made good progress strengthening controls and improving the bank's reputation. Asset quality is satisfactory as management effectively controls both corporate and retail credit risks. Management, however, needs to provide better support for the level of its loan loss reserve. Capital, earnings, and the sensitivity to market risks are satisfactory, and liquidity is strong. Institutions rated "2" are stable and capable of withstanding normal business fluctuations.

Capital Rating – 2

Capital is satisfactory. Leverage, Tier 1, and Total Capital ratios exceed "well capitalized" regulatory guidelines. The bank has strict guidelines for both Tier 1 and Total Capital levels, and ensures that these ratios remain within or even above the bands. However, the leverage ratio has decreased 36 basis points when compared to 2005 year-end results, and 2007 projections indicate that it will continue to decrease an additional 30 basis points to approximately 5.8%. This leverage strategy is intended to generate additional core net interest revenue. When compared to peer banks, leverage is below average, Tier 1 capital approximates average, and total capital is above average. Additionally, credit quality remains satisfactory, with acceptable classified loan levels in 2006. While credit risk is moderate, the direction of this risk is increasing. Retained earnings are expected to continue to provide adequate support to maintain capital. Oversight of capital planning by Citigroup's Global Finance & ALCO Committee (FinALCO) is effective.

Asset Quality Rating – 2

Overall asset quality remains satisfactory. Criticized and classified assets are manageable at 33% and 7% of Tier 1 capital and reserves as of December 31, 2006 compared to 46% and 12%, respectively, at year-end 2005. Although the volume of classified assets declined slightly in both the corporate and retail portfolios, this favorable trend primarily resulted from an increase in Tier 1 capital when certain legal entities were consolidated during the fourth quarter. Nonperforming assets (NPAs) in the retail portfolio increased in the last twelve months. NPAs in the corporate portfolio continued to decline through loan sales and effective restructurings.

Analysis of the loan loss reserve needs improvement. The methodology applied to retail assets does not fully consider risk to current loans over an appropriate emergent loss period. This is not consistent with the requirements of the Interagency Policy Statement on the ALLL. Management needs to fully analyze and support its use of a particular emergent loss period, and fully document and support its analyses of all of the qualitative factors in the Interagency Policy Statement. Management needs to provide for any reserve shortfall identified in this analysis. Documentation also needs to support reserves, both consumer and corporate, in Citibank, N.A. Finally, management needs to fully document the differences between its mid-quarter and quarter-end reserve analyses and support why quarter-end information is not used.

Management Rating – 2

Management is satisfactory. Significant efforts have been expended to strengthen the overall control environment, and progress is noted in the key areas of compliance management and information technology. Staff levels have increased in key control functions to help strengthen the company's effectiveness in addressing financial, compliance, and reputational risks. As a result of this progress, we terminated the Formal Agreement on Complex Structured Finance Products and determined that the bank has satisfied the Safety and Soundness Notice of Deficiency. We upgraded our Compliance Risk Management risk assessment rating and our Information Technology CAMELS rating.

Much work remains to further strengthen the control infrastructure and ensure it is consistent with Citibank's large and complex organization. It is important that the current cost cutting initiative not compromise the effectiveness or further development of these controls. As detailed elsewhere in this report, management attention is still needed to strengthen the AML and ALLL processes.

Earnings Rating – 2

Earnings performance remains satisfactory. Citibank's net income for the year ending December 31, 2006 totals $9.3 billion, representing an increase of 5.8% from the prior year. During the year, the return on average assets was 1.01%, or a decline of 26 basis points from the prior year. This result uses adjusted average assets to account for the corporate consolidation as of October 1, 2006. Additionally, the net interest margin declined a significant 54 basis points compared to 2005 results and is impacted by the consolidation of largely residential real estate assets from the former Federal Savings Banks. The flat to inverted yield curve, in concert with the bank's short term negative gap position and changes in business mix and competition, has also caused NIM compression. Nonetheless, the bank's geographic and business/product diversification supports continued earnings quality and future stability. Citibank is expected to continue to demonstrate satisfactory earnings performance in the near term. Budgeted net income for 2007 is $9.3 billion, which will be unchanged from 2006 actual results.

Liquidity Rating – 1

Liquidity remains strong. The overall funding profile continues to exhibit strong product and geographic diversification. Citibank demonstrates the ability to raise debt at favorable spreads, and possess ample capacity in a variety of markets at highly competitive prices. Although the company is still subject to considerable reputation risk, this has no appreciable impact on the company's debt ratings, funding and associated debt spreads. Citibank's international deposits continue to provide a stable source of funds. Aggressive deposit raising campaigns during the past year have returned key liquidity ratios to historic levels. The bank's satisfactory capital position and earnings also support this liquidity assessment. Asset liquidity is ample. Liquidity risk management is satisfactory, and during the year we noted an increased emphasis on liquidity in the overall financial planning process. Contingency planning efforts remain sound.

Sensitivity to Market Risk Rating – 2

The sensitivity to market risk is moderate. Trading risk remains within well-defined limits. The business continued to focus on customer flow; however, growth in derivatives remains a multi-year strategy and management remains interested in increasing risk taking where prudent. Additionally, current strategies are emphasizing exotic and/or structured transactions. Market risk from trading and treasury activities within the banks remains stable. The level of US dollar interest rate risk is moderate, and reflects the bank's susceptibility to yield curve twists and inversions, as well as to increasing short term interest rates. The net interest margin continues to compress and to be adversely impacted by current interest rate levels as well as changes in the bank's balance sheet composition. Aggregate non-US dollar exposure remains low; long term interest rate risk is centered in countries with significant consumer franchises. Interest rate risk management practices are satisfactory. Active management is decentralized with satisfactory corporate oversight; positions are governed by an appropriate limit structure.

Information Technology Rating – 2

Significant efforts by management and staff during the past year to strengthen technology risk management have improved the overall IT rating to satisfactory. In particular, management effectively completed a number of high-profile projects and proposals that are important for information security (IS) and AML activities. Given the large complex technology environment, new concerns will continue to be identified that will require significant management attention and resources. Information security, pandemic preparedness, project management and executing corporate Operations and Technology strategies under strict expense management pressures remain significant concerns and we will monitor them throughout 2007. The continuing development of IT architectures and roadmaps coupled with defining and improving organizational maturity will be crucial to ongoing improvements in technology risk management through standardization.

While the overall condition of IT has been upgraded, our IS Program rating remains less than satisfactory pending completion of a formal examination. IS requires continued management focus and attention. Management was able to substantially complete the "Fast Track-2006" program as scheduled. This well-managed effort provides the foundation necessary to fully implement a satisfactory IS Program. Priority projects for 2007 have been identified and are underway. Management has developed a Strategic Implementation Plan to guide the IS Program's long term direction. Development and execution of tactical plans to implement strategic goals and strong senior management support across the lines of business are critical to fully address IS concerns. The OCC will evaluate the IS Program in mid-2007.

Project management in large, complex, cross-business projects has improved. However, AML technology projects had significant issues during the early part of 2006. With the development of a high-level, multi-year plan and improved overall governance process, these initiatives are now progressing. Efforts to improve Continuity of Business (CoB) throughout Citigroup continue. During 2006, CIB successfully completed its activities to fully align with the Interagency Sound Practices Paper. Citigroup continues to implement the CoB Trac system and related processes that are needed to fully address issues in the CoB program. Multiyear plans to address the proximity risks with data centers in London and Singapore are underway.

Trust Rating – 2

Fiduciary activities are conducted in a fundamentally sound manner. Management continues to adequately identify, manage, and monitor risk. Board and committee oversight of fiduciary activities is satisfactory. Fiduciary activities are conducted in substantial compliance with applicable laws and regulations, and no violations of law were identified during our examinations. A satisfactory fiduciary risk management and control environment is established, supported by a risk and control self-assessment process and independent risk, compliance, and audit functions. We continue to assess the impact of ongoing organizational changes and expansion initiatives.

Consumer Compliance Rating – 2

The consumer compliance rating incorporates our evaluation of the overall effectiveness of the bank's compliance programs for fair lending, consumer protection, and Bank Secrecy Act/AML laws and regulations. This rating does not include compliance with non-consumer protection laws or the effectiveness of corporate compliance programs.

Consumer compliance remains satisfactory. Citibank has well-established consumer compliance processes, and its consumer complaint performance as measured by the OCC Customer Assistance Group compares favorably to peer banks. We conducted several examinations of consumer protection regulations of various business units throughout the year and found generally effective controls. However, we did find some instances where corrective action to consumers was necessary. The quality of compliance monitoring and testing varies among the different businesses, but is generally effective for consumer protection regulations. Finally, we continue to see weaknesses in certain aspects of the bank's AML oversight. We have reported these to management as Matters Requiring Attention, and appropriate corrective action is being implemented.

Community Reinvestment Act (CRA) Rating – Outstanding

The CRA rating of Outstanding was assigned on June 9, 2003 and will remain in effect until we complete the current examination. Management should remain diligent in providing loans, investments, and services to designated communities, and fully document these efforts. Home Mortgage Disclosure Act data and fair lending performance are also being reviewed to evaluate the bank's performance.

Signatures of Directors

We, the undersigned directors of Citibank, N.A., Las Vegas, Nevada, have reviewed the contents of the Report of Examination for the cycle ending December 31, 2006.

NAMES:	SIGNATURES:	DATES:
Ajay Banga		
Jorge Bermudez		
David Bushnell		
Steven Freiberg		
Deborah Hopkins		
Kevin Kessinger		
Sallie Krawcheck		
Alan MacDonald		
William Rhodes		
Michael Schlein		

NOTE: This form should remain attached to the Report of Examination and be retained in the institution's file for review during subsequent examinations. The signature of committee members will suffice only if the committee includes outside directors and a resolution has been passed by the full board delegating the review to such committee.