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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
Exam Cycle Ending: December 31, 2007

All correspondence should be addressed to John C. Lyons, 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 9, 2008

Board of Directors
Citibank, N.A.
3900 Paradise Road
Suite 127
Las Vegas, NV 89109

Members of the Board:

This Report of Examination (Report) summarizes findings from our supervisory activities conducted at Citibank, N.A. (CBNA) since our last report and highlights key risk and control issues that warrant attention.

The overall condition of CBNA is less than satisfactory in light of its increased risk profile and ineffective risk management process. Market events during the second half of 2007 exposed important business oversight and risk management weaknesses. Specifically, senior management and independent risk management did not fully understand, identify, measure, monitor, control, and report significant risks. As a result, management assumed excessive risk exposures which resulted in significant losses and compromised the financial condition of the bank.

The rapid and substantial build up of sub-prime collateralized debt obligations (CDO) and leveraged lending risks, and the corresponding large write-downs of the unsold positions reflects poorly on the institution's business strategy and risk management. Management simultaneously built sizable risk positions in several asset classes without fully assessing or appreciating the incremental risk to the company. Additionally, independent risk management did not serve as an effective deterrent to the build-up of these risk positions, nor did it provide sufficient information to senior management and the Audit and Risk Management Committee (ARMC).

Numerous and significant management changes have occurred over the past several months to strengthen oversight. However, many of these individuals are new to the company and to commercial banking, and will need time to demonstrate their effectiveness. Also, in recognition of the need to improve performance, management has embarked on a number of initiatives including a review of all lines of business, a major cost cutting and streamlining effort, and the

divestiture of marginal or non-core businesses. Successful implementation of these changes and initiatives is critical to addressing control and performance weaknesses, and returning the bank to a satisfactory condition.

CBNA's financial performance deteriorated and is considered less than satisfactory. Net income for the year declined significantly due to losses on the CDO portfolio and increased loan loss provisions. Absent the CDO losses and higher provisions, the bank continues to reflect average performance ratios and a below average net interest margin (NIM). The bank's sensitivity to market risk is considered high and the quality of market risk management weak, reflecting the risk management deficiencies previously discussed. The bank's poor 2007 operating performance and increased risk profile have negatively impacted its reputation and funding ability. As result of both bank specific and systemic issues, the bank utilized a considerable portion of its excess liquidity and has become increasingly reliant on shorter-term funding at higher spreads. In light of the weak operating performance, increased risk profile, and consolidation requirements, the parent injected significant additional capital into CBNA and did not draw any dividends from the bank during 2007 in order to maintain satisfactory capital levels.

Asset quality is satisfactory, although deteriorating trends are evident. Management is addressing weaknesses in credit underwriting and has taken appropriate steps to reduce risk exposure. During 2007, we noted the bank was not in compliance with the Interagency Policy Statement on the Allowance for Loan and Lease Losses. Subsequent improvements occurred in the reserve methodology, and substantial increases in reserves took place during both the third and fourth quarter 2007. However, full compliance has not yet been achieved. Management needs to ensure that reserves levels are adequate.

Consumer compliance is satisfactory overall, and the Bank Secrecy Act/Anti-Money Laundering (BSA/AML) program is considered effective. Improvements have been noted in the BSA/AML program, but significant work is still needed on the implementation of monitoring systems, as outlined in the bank's Multi-Year Plan. Throughout the year, violations of law and regulation were cited, and management provided adequate responses to address causes. Corporate governance of compliance and BSA/AML has demonstrated continued improvement.

Asset management activities are conducted in a satisfactory manner. We continue to monitor the integration of Smith Barney into Global Wealth Management and will review the impact on strategic objectives, technology needs, processes, and risk management systems. Growth, integration of past acquisitions, and increased system outages in Global Transaction Services (GTS) warrant continued attention from management. Although, the majority of activities in Citigroup Alternative Investments (CAI) are conducted outside of the bank chain, CBNA experienced direct exposure by consolidating the Structured Investment Vehicles (SIVs) onto its balance sheet. Sales of CAI product to the private bank also increase reputation risk and the risk of litigation.

Information Technology (IT) at Citigroup continues to be fundamentally sound. During 2007, Citigroup devoted significant resources to the correction of identified weaknesses in Information Security (IS). Our mid-year targeted IS examination upgraded the rating of the area to reflect a satisfactory quality of risk management. A primary objective of Operations and Technology

management is to simplify the highly complex technology architecture of systems, platforms, and networks. The Global Data Center initiative continues to make significant progress in reducing the number of large data centers. With this effort, management is implementing greater standardization around the world. A major initiative is underway to address the significant number of outages experienced by the GTS organization and its customers. We will closely track the progress of that initiative. Management continues to take appropriate steps to prepare for a potential pandemic as a part of its business continuity program. While significant progress in IT has been made overall, the organizational needs for additional new products and improved systems require ongoing close management and director attention.

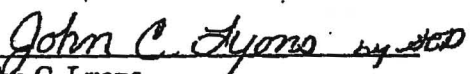
Based on our component ratings adjustments, CBNA's composite CAMELS rating is changed to a "3." By definition, institutions in this category exhibit some degree of supervisory concern in one or more of the component areas. These financial institutions exhibit a combination of weaknesses that may range from moderate to severe. These financial institutions require more than normal supervision, which may include formal or informal enforcement actions.

Board and management attention is directed to the Matters Requiring Attention (MRA) detailed in this report. It is important that prompt and effective actions be taken to address each issue. Additionally, in light of the weak rating for the quality of risk management for market risk, we have suspended our review of new models proposed by management to gain regulatory capital relief, or to approve new products that may require legal interpretation by this Office. Consideration of these activities will be resumed upon return to a satisfactory risk management rating. Management should also remain aware that additional regulatory actions may be forthcoming to formalize the bank's commitment to corrective action.

You should review the contents of this Report and sign the attached signature page. We recently received management's response dated March 24, 2008 to our Supervisory Letter 2008-05 dealing with the risk management issues previously discussed. We are reviewing management's response and will reply separately. Please provide a written response to the issues identified as MRAs in this Report by May 12, 2008. To the extent the responses in your March 24, 2008 letter address the MRA's listed in this Report so state. We look forward to attending your April 21, 2007 ARMC meeting to discuss our conclusions and answer your questions.

Please contact either of us should you have any questions or comments on this Report.

Sincerely,


John C. Lyons
Examiner-In-Charge
Large Bank Supervision

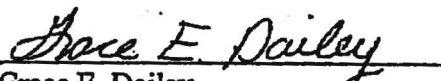

Grace E. Dailey
Deputy Comptroller
Large Bank Supervision

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MATTERS REQUIRING ATTENTION**Strengthen the company's risk management, control, and governance processes.**

We recently completed an examination of director and management oversight and governance relative to events of the third and fourth quarter of 2007. The objectives of this review were to evaluate the nature and adequacy of risk management information provided to the Board and the overall effectiveness of risk governance processes. The results are discussed in full in Supervisory Letter 2008-05, dated February 14, 2008. Principal conclusions follow:

- The Board and senior management have not ensured an effective, independent risk management process.
- The Board and ARMC were not provided meaningful or adequate systematic information on material risk and compliance with limits, controls, or concentrations.

In order to be effective, the Board and senior management must ensure that the independent risk function can and will challenge management assumptions or actions that impact the risk profile. The function needs to be reformulated and the culture changed in order to make it effective.

Strengthen oversight provided by the Citibank, N.A. (CBNA) Board to ensure effective governance and oversight of significant risk and control issues affecting the national bank subsidiaries and affiliates.

Our evaluation of the corporate governance and risk management processes incorporated legal vehicle considerations material to CBNA and the national bank subsidiaries. While we recognize that firm-wide risk management and control is essential to effective corporate governance, there has been inadequate focus on the risk implications of corporate business strategies and practices on CBNA. The CBNA Board is responsible for providing an effective oversight role regarding the risk profile of the bank. In order to be effective, the CBNA Board needs to be provided meaningful information addressing the risk profile of CBNA. Additionally, minutes need to reflect discussions and decisions regarding major issues impacting the bank.

Strengthen the Bank Secrecy Act/Anti-Money Laundering monitoring program.

The bank has an effective BSA/AML program, which is being implemented across the company. However, we have identified weaknesses in AML monitoring that continue to warrant Board and management attention.

During 2005, we found that the Citi Markets and Banking (CMB) sector was complying with the Customer Identification Program requirements in the USA PATRIOT Act, but it was not

consistently obtaining sufficient information to adequately know its customers. In 2006, the bank's system weaknesses were highlighted by its inability to implement global name search capabilities as committed to by management in 2005. Furthermore, we found that the bank had not adequately implemented the Citibank Anti-Money Business Rules and Standards (CAMBRS). These rules were designed to strengthen oversight of AML monitoring.

To address the weaknesses, management developed a Multi-Year Plan that implements a technology solution. Management has made progress in addressing previously cited governance and non-technical issues. However, the technology solution is necessary to establish needed controls, but will take several years to fully implement. In the meantime, it is incumbent on the Board and management to ensure that there is sustained implementation, commitment, and effective interim controls for the level of risk.

Ensure compliance with the Interagency Policy Statement on the Allowance for Loan and Lease Losses.

Although management has taken a number of encouraging steps to improve the Allowance for Loan and Lease Losses (ALLL) process, CBNA does not fully comply with the Interagency Policy Statement (Policy Statement) for commercial and retail reserves. Management needs to ensure that reserves are fully supported in each national bank and prepare analyses for legal vehicles to document ALLL adequacy. Other CBNA processes for evaluating and documenting reserves do not adhere to important sections of the Policy Statement. We have addressed those concerns in the Asset Quality section of this Report.

OTHER PRIORITIES**Basel II**

Progress in implementing the technical requirements of the new risk-based capital (Basel II) rules slowed over the past year, particularly with respect to the requirements of the internal rating based (IRB) approach. The company has a number of data integrity and other gaps to specific standards in the wholesale and retail IRB programs that it is working to remediate. With respect to operational risk management, we continue to monitor management's actions against a MRA pertaining to the quantitative methodology cited in Supervisory Letter 2007-43. The overall project management structure and governance process regarding implementation of Basel II's technical requirement is satisfactory. However, the retail IRB program management appears to need greater authority to ensure businesses address specific issues in a timely manner.

In order for the OCC to evaluate the readiness for and progress during parallel run, the company must provide a detailed gap analysis and Board approved implementation plan that addresses all the qualification requirements in the final rule. This plan must be provided no later than October 1, 2008. In addition to the technical specifications articulated in the rule, the determination of success during the parallel run will be heavily reliant on assessing the effectiveness of independent risk management and other control functions. As noted elsewhere in this Report, we have concerns regarding the independent risk management process. Adequately addressing these issues is necessary in order to achieve compliance with risk-based capital rules.

Violations of Laws and Regulations

The results of some of our examinations revealed violations of 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 violation.

RATINGS

	<u>12/31/07</u>	<u>12/31/06</u>	<u>12/31/05</u>
Composite Uniform Financial Institution Rating	3	2	2
Component Ratings:			
Capital	2	2	1
Asset Quality	2	2	2
Management	3	2	2
Earnings	3	2	2
Liquidity	3	1	1
Sensitivity to Market Risk	3	2	2
Uniform Rating System for Information Technology	2	2	3
Composite Uniform Interagency Trust Rating	2	2	2
Uniform Interagency Consumer Compliance Rating	2	2	2
Community Reinvestment Act Rating	Outstanding	Outstanding	Outstanding

Composite Rating – 3

The Uniform Financial Institutions Rating System (UFIRS) provides a framework for evaluating significant financial, operational, management, and compliance factors in order to assign a summary or composite rating to each federally regulated commercial bank, savings bank, savings and loan association, and credit union. This system is intended to provide in a uniform fashion, each institution's financial condition, overall operating soundness, management performance, and compliance with laws and regulations.

Under UFIRS, CBNA is assigned a composite rating of "3". By definition, institutions in this category exhibit some degree of supervisory concern in one or more of the component areas. These financial institutions exhibit a combination of weaknesses that may range from moderate to severe; however, the magnitude of the deficiencies generally will not cause a component to be rated more severely than 4. Management may lack the ability or willingness to effectively address weaknesses within appropriate time frames. Financial institutions in this group generally are less capable of withstanding business fluctuations and are more vulnerable to outside influences than those institutions rated a composite 1 or 2. Additionally, these financial institutions may be in significant noncompliance with laws and regulations. Risk management practices may be less than satisfactory relative to the institution's size, complexity, and risk profile. These financial institutions require more than normal supervision, which may include formal or informal enforcement actions. Failure appears unlikely; however, given the overall strength and financial capacity of these institutions.

Capital Rating – 2

Capital is adequate. Leverage, Tier 1, and Total capital ratios are above internal guidelines and statutory guidance for a well capitalized institution. CBNA sustained large losses during the fourth quarter of 2007 given it was a major participant in the subprime CDO and leveraged lending markets, and retained substantial risk positions. Additionally, CBNA consolidated a number of assets that had previously been viewed as contingent liabilities, such as those held by CBNA sponsored SIVs. Given the losses and significant risk exposures, Citigroup demonstrated its capital support to CBNA by both downstream equity and debt capital, and by not taking any dividends from CBNA during 2007. Citigroup provided \$25 billion in equity capital along with \$5.2 billion in subordinated debt during 2007. This has resulted in capital levels which are considered adequate at this time. In light of the bank's increased risk profile, continued deterioration in economic and market conditions increases the potential for further losses on these risk exposures. Additionally, we have concerns regarding the level and direction of credit risk in the bank's consumer and commercial lending portfolios. While historically retained earnings have provided support to capital, losses hampered this support in 2007 and the prospects for 2008 earnings are unclear.

Capital planning is generally satisfactory and the holding company is committed to maintaining risk-based capital ratios within prescribed bands. During 2008, we understand the company expects to de-leverage by divesting certain businesses, along with restraining growth in a number of product lines. Actions such as these should serve to positively impact capital ratios.

Asset Quality Rating – 2

Overall asset quality remains satisfactory, but is showing signs of strain. The ratio of criticized and classified assets to Tier 1 capital and reserves would be greater if not for the significant capital injections during 2007 and additions to the ALLL balance. At December 31, 2007, criticized and classified assets represented 54% and 20%, respectively of Tier 1 capital and reserves compared to 33% and 7% at year-end 2006. In the last six months of 2007, criticized assets rapidly increased, particularly in the substandard and worse category. Nonperforming loans and charge-offs also accelerated. In the corporate portfolio, significant contributors included automotive-related borrowers, monoline financial guarantors, mortgage companies, financial entities with sub-prime related debt, credit exposures to CDOs as well as several stalled underwriting transactions. In the consumer portfolio, problematic loans are largely concentrated in the home equity and non-prime mortgage portfolios in North America. Credit card portfolios are also showing signs of stress reflective of the softening economy in the U.S.

Corporate Credit Risk

During 2007, we observed elevated levels of problem assets, illiquid credit markets, deteriorating macroeconomic conditions, and heightened concerns with risk management. We expect credit

risk will increase as a result of the slowing domestic economy and poor credit market conditions. Before the credit markets seized in mid-year 2007, we noticed a higher, global tolerance for risk in pursuit of yields or future business. In the past, portfolio management techniques helped dissipate credit risk, but given the lack of market liquidity, we believe that management's efforts to mitigate risk will be hampered in the near term.

The quantity of corporate credit risk is considered high reflecting the increased volume of problematic assets, rising potential for bankruptcies of highly leveraged borrowers, and systemic risk posed by subprime mortgage contagion. In the second half of 2007, criticized assets rapidly increased, particularly in the substandard and worse category. Nonperforming loans and charge-offs also accelerated. In addition, automotive-related borrowers, homebuilders, and the financial sector (particularly monoline insurers) remained weak or unstable. During the summer, liquidity in credit markets deteriorated significantly forcing the bank to fund a large volume of loan underwriting exposures ("hung deals") with very weak structures and riskier debt tranches. As market liquidity evaporated it became difficult to sell these positions. Future demand for such transactions is uncertain given current market conditions and a depressed secondary loan market. Additional write-downs may be necessary. Borrowers with pending maturities or those reliant upon the capital markets for repayment face increased costs and heightened refinancing and default risks, particularly levered borrowers.

Overall, corporate credit risk management is satisfactory, but needs strengthening. ALLL policies, practices, and documentation still do not fully comply with the Interagency Guidance. Additionally, recent management changes and delays in announcing and implementing a permanent risk management structure warrant close attention. Moreover, the significant increase in underwriting limits in March 2007, the size of leveraged underwriting positions, liberal terms associated with riskier transactions, and a rapid increase in problem loans and charge-offs associated with financial sector exposures result in heightened concerns with risk management practices. Lastly, when management misjudged the speed and severity of deterioration in the credit markets, it left the bank with a large volume of low yielding loans that it never planned to retain. In the future, management should be prepared to treat all loan underwritings as if held for the loan portfolio and improve risk practices commensurately; including the discipline to maintain reasonable limits, actively manage underwriting positions, and provide meaningful, effective informational reports to senior management and the Board.

Notwithstanding the above areas of concern, the global workout group and the independent credit risk review function are sound and reliable. Also, Global Portfolio Management's (GPM) management of credit exposures in the loan portfolio is appropriate. However, current, illiquid market conditions may hamper the bank's ability to use certain risk mitigation techniques and will likely increase the cost of managing the portfolio through credit protection and loan sales. The prospect of more bankruptcy filings also raises concern that some credit default swaps will fail because counterparties to the transactions may not be able to meet their payment obligations.

Retail Credit Risk

Overall levels of delinquencies and credit losses for global consumer remain within manageable levels, but are increasing in certain North American sectors - notably home equity and mortgages (mainly non-prime mortgages). In response to the credit deterioration noted in real estate, management significantly tightened its underwriting standards and increased collection efforts. Additionally, recent market events have resulted in significantly less liquidity in the subprime mortgage market as financial institutions across the United States tighten credit underwriting terms and conditions on all but prime, conforming mortgage products. Considering this environment, management has reduced domestic growth projections and refocused its efforts on growth in the international markets. Senior management seeks to rebalance revenue to a 40/60 split in favor of international. Other external factors which could adversely impact credit risk include further increases in monthly unemployment claims and/or continuance of the stagnant or declining housing market in major markets. Several metropolitan markets experienced house price declines in excess of 5% in 2007. Citigroup has slightly over 66% of its held mortgage and home equity portfolios located in depreciating real estate markets.

Credit trends across the major portfolios within North America deteriorated in 2007. Higher delinquencies and losses in real estate products are being incurred, alongside increases in the level of foreclosures and other real estate owned. Also, delinquencies and losses on North American credit cards rose during 4Q07 after a period of unusually low delinquencies and losses since October 2005 (coincident with the change in bankruptcy law). We are concerned that further deterioration across all consumer products in North America will occur in 2008 as the housing market remains volatile, unemployment claims rise, and the general economy potentially suffers a regional or national recession.

Risk management practices remain satisfactory overall, but weaknesses do exist that must be addressed. We acknowledge the global nature of the consumer credit business (75% of Global Consumer Group (GCG) assets in North America, 25% International), and risk management and processes are adequate when viewed across this business. One weakness which needs to be addressed involves the reserve process, specifically the need to resolve existing MRAs noted in Supervisory Letter 2007-16. Further, we have concerns involving risk management within particular businesses, such as home equity where management has been slow to address the increase in credit risk. Additionally, we note the existence of a culture which has made it difficult for risk to effectively raise issues to senior management.

Allowance for Loan and Lease Losses (ALLL)

Loan loss balances are adequate, yet will continue to be pressured given the slowing domestic economy, poor credit market conditions, and softness in residential real estate. The significant increase in balances over prior year-end levels reflects management's adjustments to its consumer emergent loss period analysis and consumer assessment of qualitative factors. Real estate-related portfolios accounted for the majority of the increase. Modest increases to

corporate reserves reflect portfolio growth, acquisitions, and deteriorating credit quality; however, the rate of growth in adversely graded loans significantly outpaced the more moderate growth in the corporate portion of the ALLL.

We are evaluating management's response to Supervisory Letter 2007-16 regarding the ALLL, which outlined our major concerns and reiterated several MRAs. We discussed our initial concerns to this response with the Senior Risk Officer and believe that management's methodology, policies, practices, and documentation need further improvement to fully comply with the Interagency Guidance on the ALLL. We will continue to follow-up and provide guidance to management in an effort to improve the ALLL methodology and increase the clarity and transparency of ALLL analyses and written support for management's decisions.

Management is changing the corporate reserve process for both the statistical and environmental segments. Our most pressing concerns relate to (1) management turnover and uncertainty surrounding the supervision of the ALLL process, (2) management's revisions to the environmental portion of the reserve and supporting documentation, (3) proposed changes to the time horizon used in the corporate expected loss model, (4) the absence of legal entity analyses, and (5) management's practices between the mid-quarter and quarter-end meetings as well as ongoing documentation to support actions. We will opine on the appropriateness of changes to the environmental methodology once management completes its entire review of the corporate reserve process including time horizons used in the expected loss calculation.

For the consumer reserve process, we identified significant deficiencies in the basic methodology used to derive those reserves and the absence of legal entity reporting. Additional increases to reserves may be needed once management completes its full analysis of emergent loss periods, its assessment of the appropriate judgmental factors (environmental and qualitative) as outlined in the Interagency Policy Statement, and accounts for deterioration and increasing delinquencies and credit losses in consumer portfolios, particularly for home equity products. Management needs to ensure that reserves are fully supported in each national bank. Additionally, there continues to be a need to assess reserve adequacy using current data to offset the lag effect of not using the most current quarter's delinquency information when analyzing roll rates. Also, management should assess reserves using the same credit metric segmentations used by risk management to assess credit risk.

Management Rating – 3

Board and management supervision needs improvement as the company assumed excessive risk, which subsequently resulted in significant losses and compromised the financial condition of the company and CBNA. Management failed to understand, identify, measure, monitor, and control significant risks. Additionally, independent risk management did not provide the Board and senior management with sufficient information on material exposures and failed to serve as an effective check on excessive risk taking.

In recognition of weaknesses and poor performance, management has undergone significant change since the last examination. Specifically, a number of individuals have resigned or been replaced including the Chairman and CEO, Chief Operating Officer, Chief Risk Officer, and Chief Financial Officer (CFO). In most cases, their replacements are new to both the company and commercial banking. The Chairman and CEO roles have been split. The new Chairman was an existing Board member. The new CEO was an internal candidate, but is a recent addition to the Citigroup team and is new to commercial banking. He has articulated his priorities for the company and is conducting a review of all businesses, personnel, and other activities of the corporation. A new Chief Risk Officer has been appointed. He is also new to the company and to commercial banking. Management has stated their intention to create a comprehensive, effective risk management function. We stress the importance of ensuring this organization has core competencies in commercial banking, and that its stature in the organization enables it to serve as an effective control and not simply a reporting function. Since the last examination the company also recruited a new CFO who has undertaken a number of initiatives including the company's expense management program. We will closely monitor the new management team's ability to strengthen the company's control and operating performance.

Traditionally, the CBNA Board has been provided limited information on the material risks impacting this legal entity. Consequently, they have been unable to become fully familiar with risks assumed within the bank. In order to enable CBNA's directors to fulfill their duties and responsibilities, a reporting structure that adequately communicates material risks impacting the bank needs to be implemented. Such reporting is also consistent with the legal entity reporting requirements under Basel II.

Earnings Rating - 3

Earnings performance has declined and needs improvement. CBNA's net income for the year ending December 31, 2007 was \$2.3 billion resulting in a return on average assets of .2%. This compares to \$9.3 billion or a return on average assets of 1.12% for the year ending December 31, 2006. Earnings for 2007 were largely attributable to taxable benefits of \$1.9 billion, principally related to foreign tax credits. Exclusive of these benefits and a \$464 million gain on securities sales, the company's results were essentially break-even. The two major contributors to this significant decline in earnings were losses incurred on the bank's subprime CDO exposure and an increased loan loss provision necessitated by increasing credit risk in the bank's consumer lending portfolios. The bank is liability sensitive and benefited from the declining rate environment during the latter part of 2007. CBNA reported a net interest margin (NIM) of 2.93% for the 12 month period ending December 2007 compared to 2.85% in the prior year. The NIM stabilized during 2007 after two years of deterioration, but remains low relative to peer institutions.

Continuing concerns regarding the bank's subprime holdings along with emerging credit risks may negatively impact future earnings and their ability to support operations and provide for

adequate capital growth unless management's plans to prevent continued earnings deterioration are effective.

Liquidity Rating – 3

Liquidity has deteriorated and needs improvement. The bank's poor 2007 operating performance and increased risk profile resulting from weak earnings, asset writedowns, credit deterioration, and off-balance sheet consolidations, have negatively impacted the bank's reputation and funding ability. As a result of both bank specific and systemic issues, the bank has utilized a considerable portion of its excess liquidity and has become increasingly reliant on shorter-term funding at higher spreads reducing its flexibility. Liquidity risk management remains satisfactory, although we recommend improved reporting of risk from CMB and more frequent meetings of the FinALCO (Finance and Asset Liability Committee) committee.

Market dislocations as well as the need to support a number of contingent liabilities resulted in the bank using a considerable portion of its excess liquidity and underlying contingent capacity. These include purchasing commercial paper supporting CDO investments (for which CBNA provided liquidity puts in their trading portfolio of \$25 billion), funding certain leveraged loans in the pipeline (\$30 billion in the third quarter), and consolidation of CBNA sponsored SIVs onto the bank's balance sheet. Also, market events adversely impacted the bank's ability to gain liquidity from loan sales. Additionally, over the past year the syndicated credit markets and consumer credit markets became increasingly illiquid. Consequently, Citigroup's credit spreads widened substantially and its ability to issue in longer term tenors has been limited.

Liquidity limits were appropriately lowered in the third quarter 2007. This coupled with a lack of demand in the syndication markets has resulted in continuing limit excesses across the one year time horizon. Thus, the bank's need for wholesale funding has increased, just as spreads widened dramatically. Rating agencies downgraded Citigroup and CBNA over the past year. We understand that Citigroup's ratings are presently being re-considered by the rating agencies. Further deterioration in ratings is possible and would likely result in additional funding pressure. Deposits, both domestic and international, continue to be a stable funding source for the bank. Liquidity risk management remains satisfactory, although we note significant changes in management, treasury structure, and some relaxation of risk management practices. During the third and fourth quarters, management appointed a new Treasurer for Citigroup and committed to the consolidation of U.S. treasury operations into one unit. Plans for this unification are still in process, and although key positions have been announced, we have been told that the transition may take longer than anticipated. Management continues to refine liquidity measures and projections. As noted above, internal limits have been exceeded for a continued period of time. Management recently took actions to reduce these excesses, and developed an action plan to address this situation.

The FinALCO committee continues to be the focal point for liquidity monitoring and decision making. Unfortunately we noted this committee is not meeting with the consistency demonstrated by its predecessors (Finance and Capital, and ALCO). This committee has traditionally served a critical role in liquidity management and we encourage resumption of regular, well documented meetings. MIS is generally satisfactory; however, we noted insufficient actions by the CMB to inform treasury of its exposure to liquidity puts that eventually impacted funding requirements. We believe that additional discipline is needed to ensure that communication be improved from the CMB to Corporate Treasury, especially on contingent liquidity exposures from downtown entities. Such analyses of exposure need to be more comprehensive and focus on longer term potential exposures as well as the most immediate probable events.

Sensitivity to Market Risk Rating – 3

Sensitivity to Market Risk needs improvement. The primary reasons for this rating are the significant risk exposure in subprime CDO securities that triggered nearly \$20 billion in corporate trading losses to date, as well as deficient risk management practices surrounding the oversight and controls of this risk. Factors contributing to CDO write downs include management's assumption that the risks underlying super-senior positions were acceptable in light of the subordination present in deals and agency ratings. More significant factors were a strong emphasis on generating income and on achieving top industry rankings. Sizeable super-senior positions were retained, in part because the cost of either selling the exposure at inception or hedging would have significantly reduced initial income. Management has now segregated this exposure and is managing the risk on a centralized basis. Additional losses on this exposure are possible. While virtually all members of management responsible for assuming this risk are no longer with the company, the culture of independent risk management needs improvement. Risk management must be able to effectively challenge management as part of its responsibility.

Individual assessments for the three components of Sensitivity to Market Risks follow.

Price Risk

Price risk is assessed as high and increasing. Citigroup was a significant participant in the CDO market, ending up with a concentration in U.S. subprime mortgages that resulted in significant losses. Underlying positions existed across a number of trading desks or warehouses located in both the bank and affiliated broker/dealer vehicles. Losses were so severe on the CDO and credit trading desks that they resulted in an overall trading revenue loss for the bank. This is a significant reduction from the prior year's multi-billion dollar favorable results. Additional losses are likely if spreads continue to widen and/or monoline insurers, who hedge some of the bank's super senior positions, are unable to perform as expected.

Price risk management is rated as weak based upon recent events and the results of our recently completed CDO review. While our review was limited to subprime CDO exposure, underlying risk management issues apply across the CMB unit. We believe the build-up in risk exposure and subsequent large losses highlight management weaknesses. Additionally, independent risk management either had insufficient authority or failed to exercise its authority to constrain business activities. A similar concern was raised in our year-end 2005 Report following a review of the Credit Derivatives Trading business. We also found significant inconsistencies in practices, particularly in limit applications and how businesses are risk managed across the company. Management has identified the need for a consistent view of risk across the company as one of its lessons learned. Significant front office management changes have already occurred and changes in risk management practices are being implemented or are anticipated. The bank is reconstituting the risk management committee into more of a front office management committee, and the new CEO has stated that he will be active with this group. We believe that the risk culture in the CMB needs to incorporate a much more proactive risk management role, with the ability of that control function to restrain the business if inordinate risk is being assumed.

Model validation remains an area of regulatory concern, although management has initiated steps to address this issue. A new management team was named for model validation at the end of 2006, and risk management personnel have been given the responsibility to oversee this important function. We are performing a review of this function now, but are concerned with the initial valuation of the Intrinsic Cash Flow model used to value CDO securities, and the fact that current projections to reduce the backlog of Level 2 validations is not acceptable. Additional attention is needed to address this concern.

Foreign Currency Translation Risk

The quantity of risk is moderate. The Tier 1 hedge program has been effective in reducing the variability of its capital ratio. The bank is able to effectively hedge most significant currencies; however, there are some minor currencies which cannot be hedged due to lack of market or extremely high execution costs. The potential impact from these situations is modest, but has risen as the bank has expanded its activities abroad. Additionally, management implemented an effective program of hedging translation risk exposure for non-U.S. dollar earnings of its foreign subsidiaries. Foreign currency translation risk can also be impacted by country risk factors or other events that could impair the ability to repatriate or convert foreign currency earnings or capital. The bulk of this risk is in emerging market countries, and in particular, countries on the bank's watch list. Risk in emerging market countries has generally been stable with several small exceptions.

Foreign currency translation risk management is satisfactory. Management has addressed all concerns surfaced at previous examinations. Corporate Treasury personnel review all significant changes to strategies with senior management on an ongoing basis. Staffing is adequate and controls over translation reporting and hedging are satisfactory. Management information systems are satisfactory. Reports are timely and provide adequate information to monitor and

manage risk. Hedging continues to be conducted within prescribed guidelines and consistent with the organization's risk appetite. Deviations from the standard hedging program are approved and monitored by senior management. Country risk management is effective. The bank continues to actively manage its exposure to higher-risk countries.

Interest Rate Risk

The quantity of risk is moderate. From an earnings standpoint, Citigroup's banking entities are vulnerable to a flattening or inverting yield curve, as it is principally sensitive to increases in short-term rates. The December 31, 2007 estimate of U.S. dollar exposure to a +100 basis point instantaneous shock to the yield curve is 2.6% of net interest income for the bank chain and 2.4% for the holding company. These were both up from last quarter, but near year-end 2006 levels. From an economic value standpoint, scenario analyses reflect vulnerability to a declining rate environment. During the last half of 2007 several businesses began opening short term gaps in anticipation of declining rates. As a result, the one year interest rate exposure increased during the last half of the year after declining for much of the first half of the year. The NIM stabilized during 2007 after declining the previous two years, in large part due to the decline in short term funding rates and the sales of certain longer term assets funded at nominal spreads. The corporation has exposure to many foreign interest rates; however, these exposures are all small in size versus the U.S. Dollar position.

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. The FinALCO provides appropriate corporate oversight to the process, although we did note FinALCO meetings have been less consistent during 2007 due to reorganization and management changes. Overall MIS has improved over the course of the past few years and continues to be refined to meet the needs of various committees and constituencies. The decentralized nature of the company presents challenges when trying to consolidate information on a corporate level. In late 2007, Citigroup announced a major treasury restructuring which will consolidate many of the treasury functions into a central corporate treasury. This has the potential to significantly improve information flow to the corporate level and should allow the corporation to manage risk positions centrally. Progress towards moving to the centralized treasury has been slowed by the subprime credit crisis and related events. We intend to closely monitor the progress of this initiative.

Information Technology Rating – 2

Information Technology (IT) continues to be fundamentally sound. During 2007, significant resources were devoted to the correction of identified weaknesses in Information Security (IS). Our mid-year targeted IS examination upgraded the rating of the area to reflect a satisfactory quality of risk management. This upgrade was based on two primary components. First, the work completed and programs implemented during 2006 and early 2007, and second, the commitments identified in the Strategic Implementation Plan (SIP). The SIP reflects longer-range plans to address known

weaknesses over the next 18 to 24 months. Achieving the milestones and deliverables outlined in the SIP for 2008 and 2009 are critical to maintaining a satisfactory IS rating.

In addition to the efforts in IS, senior technology management continues to address other areas that will improve the risk management practices governing IT. Senior Operations and Technology (O&T) management articulated strategic objectives for the technology organizations that focus on simplification and standardization. The highly complex technology architecture combined with different directions adopted by businesses and technology organizations have long been recognized as major contributors to weaknesses in the IT risk management practices. As an example, there are over 30 large data centers globally that contain a mixture of mainframe, mid-range, and server-based hardware platforms. The 2010 target is 24 data centers (14 strategic plus 10 satellite centers). This number is down from the high of 52 just over four years ago and the initiative is ahead of schedule. While this represents significant progress in both standardization and appropriate simplification, management still needs to evaluate a number of additional small and medium sized data sites to determine where they fit in the global strategy. Citigroup acquired these facilities over the past two to three years through M&A activities or they were previously managed by lines of business and/or regions and are now subject to centralized oversight/management by the Corporate O&T organization. These simplification and standardization efforts should provide a variety of efficiencies going forward, and are critical for continued progress in improving the control environment.

The IT Risk Re-engineering initiative goes beyond the area of IS. The initiative will provide an up-to-date framework for IT risk management that covers areas that have not been addressed in the past several years due to the focus on IS. This effort will address the topics covered under the Citigroup IT Management Policy to ensure updated policies and practices are utilized by Citigroup technology organizations. At the same time, the governance of IT is undergoing changes through the creation and revising of committee structures to ensure proper representation across the company and a more stream-lined decision making process. We recognize that these areas are in need of management's attention and will be monitoring progress throughout 2008.

The integration of acquired businesses continues to require significant management attention. The issues identified with the acquisition of Egg in the United Kingdom are a good example of how difficult this can be. Management must improve the planning process for the identifying the resources necessary to accomplish the integration of new businesses. Also, given the current environment at Citigroup it will be important for senior management to understand the implications of divestitures on technology, which are often greater than integration, and to prepare accordingly.

In the last half of 2007, we became aware of significant outages and disruptions of services in the Global Transaction Services (GTS) organization of the CMB. Corporate O&T management instituted an internal evaluation of the 'Severity One' outages during the period of August through November. The team identified a number of areas in need of attention including improved end-to-end testing and upgrading legacy systems. Management is now developing detailed plans to implement the recommendations. The joint 'task force' of GTS and Citigroup Technology Infrastructure (CTI) should complete the plans in February and we will monitor the progress in addressing these issues during 2008.

Significant resources have been invested in preparing for a pandemic and satisfactorily incorporated pandemic planning into their Continuity of Business processes. We reviewed the pandemic preparedness program during December 2007, as part of our ongoing supervision program. We believe the program has satisfactorily addressed the regulatory pandemic preparedness recommendations. We will continue to monitor actions to address outstanding MRAs in the area of business continuity in today's challenging environment to ensure the various businesses remain prepared.

Trust Rating – 2

Asset management activities are conducted in a fundamentally sound manner. Those activities are offered primarily in Global Wealth Management (GWM) and in Securities Funds Services (SFS). Management in those areas is qualified and capably controls the risks associated with asset management activities. Management and committee oversight structures are effective. Policies and procedures are comprehensive. Internal audit is satisfactory and meets regulatory requirements. However, we noted significant turnover of GWM audit staff over the past year. We will continue to monitor and review the audit program and staffing levels to determine suitability. Similarly, we anticipate evaluating the evolving compliance testing process. Asset management operations are satisfactory, but there are significant IT initiatives that will warrant close attention going forward. Earnings are satisfactory, with both GWM and GTS generating strong revenues for the bank.

To more fully assess whether GWM management is meeting their fiduciary obligations to clients, we conducted examinations of the Tailored Portfolio Group, Domestic Personal Trust Administration, and New Product Governance. Our primary findings from those reviews are that management is appropriately managing accounts and providing effective oversight of fiduciary activities. The current committee structure provides accountability for administrative and investment management processes. Account administration and investment practices are satisfactory. Management is implementing enhancements to the account review and monitoring process by installing the Charles River System. Additional initiatives include improved controls over the management of special assets and oversight of third parties that provide asset management services. When fully implemented, these enhancements should enhance overall risk controls. With the continued integration of Smith Barney into GWM, management is planning a comprehensive review of policies and procedures.

GTS continues to experience strong growth. SFS is in the process of integrating past acquisitions. The acquisition of The BYSIS Group moved the bank to the forefront of the fund administration business, expanding the global presence of SFS. Because of the nature of activities conducted in GTS, management does not typically exercise discretion over client assets. Risk management practices are generally appropriate. However, we have supervisory concern over the increased number of Severity 1 outages experienced in GTS over the past year.

Losses and settlements associated with these outages increased. Management should continue to elevate the technology needs of GTS.

The investment products offered by CAI are primarily managed outside of the national bank chain. However, turmoil in the mortgage securities, commercial paper, and municipal securities markets, has increased the level of risk to the bank from CAI. The support provided to the SIVs, and the subsequent consolidation onto CBNA's balance sheet, demonstrates the potential for CAI products to impact the bank. Current liquidity issues with certain fixed income funds exposes CBNA to increased reputation risk, despite the fact the bank has not directly supported those funds. To the extent that CAI continues to expose CBNA to direct or indirect risk, we will monitor the activities conducted in CAI.

Consumer Compliance Rating – 2

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

Compliance Management

Significant improvement in compliance oversight was noted in 2006 and 2007. Management continued to expand and improve governance of compliance risk. Improvement is also noted in the oversight of the BSA/AML governance. However, despite these improvements additional actions are needed regarding BSA/AML transaction monitoring. This issue is further discussed in the Risk Assessment Summary - BSA/AML section of this Report.

As in previous years, we still note inconsistencies in compliance testing. The compliance department has worked to address this issue. At year-end 2006, all businesses developed a regulatory risk matrix (RRM). Management recognized that in some businesses, most notably CMB and CAI, the RRM was an initial draft, and refinement was still needed. Subsequently, management changed the requirement from doing risk-based testing to testing only high risk areas. Compliance management in the GCG and GWM sectors continue to use risk-based factors in performing compliance testing, whereas CMB has decided to only test important risk areas. We are concerned that the stance CMB is taking might neglect significant risks or possibly result in delayed detection and remediation of compliance issues.

We reviewed the bank's fair lending performance from applications reported on the 2006 Home Mortgage Disclosure Act – Loan Application Report. We did not find any evidence of illegal discriminatory practices.

Bank Secrecy Act/Anti-Money Laundering

BSA/AML compliance risk is considered high as the bank provides a number of high-risk products and operates in a number of high-risk geographies. This rating is incorporated into the overall compliance risk rating and expanded upon in the Risk Assessment Summary – BSA/AML section of this Report.

Community Reinvestment Act Rating – Outstanding

The last public evaluation of the bank's performance under the Community Reinvestment Act (CRA) was dated June 9, 2003 and was rated "Outstanding." We performed an examination in 2006, but have not yet concluded on the bank's performance. As part of the CRA rating, we must factor in the bank's performance under fair lending laws. For the 2006 report evaluation period, the Federal Reserve Bank of New York found discrimination in a subsidiary, the data of which is included in the bank's performance. This matter has been referred to the Department of Justice. Until a decision is reached, we are delaying our conclusion on the bank's performance.

RISK ASSESSMENT SUMMARY *

RISK PROFILE	QUANTITY OF RISK	QUALITY OF RISK MANAGEMENT	AGGREGATE RISK	DIRECTION
Strategic	----	----	High	Increasing
Reputation	----	----	High	<i>Increasing</i>
Credit	Moderate	Satisfactory	Moderate	Increasing
Interest Rate	Moderate	Satisfactory	Moderate	Stable
Liquidity	<i>High</i>	Satisfactory	<i>High</i>	<i>Stable</i>
Price	<i>High</i>	<i>Weak</i>	<i>High</i>	<i>Increasing</i>
Foreign Currency Translation	Moderate	Satisfactory	Moderate	Stable
Transaction	High	Satisfactory	High	<i>Increasing</i>
Compliance	High	Satisfactory	High	<i>Increasing</i>

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

	OVERALL RISK
Internal Control	Satisfactory
Audit	Satisfactory

* Bold italics represent a change since last examination.

The overall risk profile of the bank is considered high as strategic, reputation, liquidity, price, transaction, and compliance risks all have high ratings. Additionally, credit risk, while rated moderate, shows an increasing trend.

Strategic risk is high and increasing. Recent events illustrate management's difficulty in assessing external factors and successfully implementing strategic initiatives, which have had a major negative impact on its profitability. Citigroup's aggressive risk appetite and rapid expansion, both domestically and internationally, coupled with profit pressures resulted in culture and control problems.

Reputation risk is high and increasing. The events of the second half of 2007 negatively impacted Citigroup and CBNA, financially and reputationally. Thus, strong efforts are needed to maintain and strengthen internal systems and controls to better protect the bank's stature and repair its reputation.

Credit risk remains moderate and overall credit risk management practices are satisfactory, but need strengthening in some areas as discussed in the Asset Quality section of this Report. At this time, we are uncertain of the full impact and long-term implications on the credit environment and the bank's borrowers due to subprime-related mortgage problems and contagion, volatility in all market places, and contraction of liquidity in credit markets. A cautious outlook is warranted, and the increasing direction of credit risk indicates a change in the credit cycle. For a more detailed discussion refer to the Asset Quality rating section of this Report.

Interest rate risk is moderate and stable. From an earnings standpoint, Citigroup's banking entities are vulnerable to a flattening or inverting yield curve, as it is principally sensitive to increases in short-term rates. 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. The FinALCO provides corporate oversight to the process, although we did note FinALCO meetings have been less consistent during 2007 due to reorganization and management changes. For a more detailed discussion refer to the Sensitivity to Market Risk rating section of this Report.

Liquidity risk is high and stable. Market dislocations as well as the need to support a number of contingent liabilities resulted in the bank using a considerable portion of its excess liquidity and underlying contingent capacity during 2007. These included buying commercial paper supporting CDO investments, funding leveraged loans in the pipeline, and consolidating CBNA's sponsored SIVs onto the bank's balance sheet. The leveraged lending market remains highly illiquid, with prices falling substantially. Management has recently taken actions to stabilize the bank's funding position, which includes using the new Federal Reserve liquidity facilities. For a more detailed discussion refer to the Liquidity rating section of this Report.

Price risk is assessed as high and increasing with the quality of risk management rated weak. This assessment was changed in the third quarter 2007. That quarter's market dislocations triggered a re-assessment of all factors underlying the bank's trading businesses. Citigroup was a significant participant in the CDO market, ending up with a concentration in U.S. sub-prime mortgages that resulted in significant losses. For a more detailed discussion refer to the Sensitivity to Market Risk rating section of this Report.

Foreign currency translation risk is moderate and stable. The Tier 1 hedge program has been effective in reducing the variability of its capital ratio. The bank is able to effectively hedge most significant currencies; however, there are some minor currencies which cannot be hedged due to lack of market or extremely high execution costs. The potential impact from these situations is

modest, but has risen as the bank expanded its activities abroad. For a more detailed discussion refer to the Sensitivity to Market Risk rating section of this Report.

Transaction risk is considered high and increasing. Historic factors supporting a high overall transaction risk rating included a pattern of internal control and information security failures. Actions taken over the past several years had begun to strengthen the management of transaction risk. Many were responses to recommendations by the OCC, including a formal agreement and the implementation of a Part 30 Plan. Broadly, these included initial elevation and independence of the Risk function, greater emphasis on testing and monitoring, and other efforts intended to improve the control culture. However, recent events question the effectiveness of these changes as losses in the latter half of 2007 cannot be solely attributable to credit or market risk.

Transaction risk remains high for a number of reasons. First, the losses incurred in the second half of 2007, particularly those pertaining to the subprime CDOs, include an element of transaction risk, particularly product complexity, how new products are vetted, and how related risks are aggregated and reported. Second, the recent and aggressive acquisitions abroad (e.g., Turkey, Central America, UK, Japan) heighten the level of transaction risk in terms of integrating the new entities, as well as managing such a broad array of complex businesses located in several foreign countries. Some of these entities, such as Egg, present elevated transaction risk related to the control environment as well. Third, the complexity of product offerings and services, legal vehicles, accounting requirements (e.g. Level 3 valuations) has risen significantly.

Consideration was given to downgrading the quality of transaction risk management to weak, in view of the risk management and control failures demonstrated in the second half of 2007 as well as ongoing concerns related to information technology. However, we captured most of the factors related to the second half of 2007 when assessing Price and Credit risk, as the weaknesses were most clearly evidenced in functions specifically related to these exposures and the overall integrity of the risk management function. Citigroup's operational risk management framework remains satisfactory overall, and we have not identified systematic transaction risk control failures in the other major lines of business. Management will need to implement corrective action addressing its risk management framework as noted in the MRA section of this Report.

Compliance risk is high and increasing. Significant improvement in compliance oversight was noted in 2006 and 2007. Management continues to expand and improve governance of compliance risk. However, compliance over mortgage activities was rated "needs to improve" prior to the bank buying a high-risk, sub-prime mortgage company. As a result, the compliance risk trend remains increasing. Improvement is also noted in the oversight of the BSA/AML governance. Despite these improvements, further actions are needed in the controls for BSA/AML.

BSA/AML risk is high with quality of risk management as weak. While BSA/AML oversight has improved, the weak risk management rating continues largely based on weaknesses in

transaction monitoring, which are primarily due to deficient technology systems. While we found weaknesses, the overall BSA/AML program remains effective based on the strength of management's governance and their process for addressing deficiencies. Many of our compliance concerns were outlined in the Part 30 Plan and subsequently corrected. However, management was unable to immediately implement an effective technology solution. In response, management developed a Multi-Year Technology Plan. For more detail on this topic refer to the MRA section of this Report.

Internal Control

Internal control is considered satisfactory overall. However, the company had demonstrated weakness in risk and compliance management, as evidenced by both publicly disclosed events in the US and other jurisdictions as well as various issues identified during specific OCC examinations. A focus on revenues, 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 a pattern of control and compliance failures. Addressing these issues continues to require significant investment in people, training, business processes, and technology. Progress was noted by the removal of formal and informal agreements with OCC and the Federal Reserve. However, Citigroup continues to face control issues particularly as they relate to BSA/AML technology, information security, and the integration of new acquisitions. We have some concerns that recently announced cost cutting and other process initiatives could hamper control, although there is no specific information indicating that this has occurred so far.

Recent events generating significant losses indicate that prior actions taken to improve risk management by both the Board and senior management have not been fully effective. However, these are failures of one part of the overall control process and are reflected in the Price and Credit risk assessments.

Audit

The audit program is satisfactory. The internal audit and control review function is performed by Audit and Risk Review (ARR). Board oversight is provided through the ARMC. While ARMC oversight of the independent risk management function needs improvement, oversight of audit, accounting, and financial controls is satisfactory.

We evaluate audit via targeted reviews, ongoing workpaper review, and regular meetings with audit staff. We also review information provided to ARMC as well as sector executives. Overall, audit identification of the most significant control issues is consistent with OCC findings, although we have identified instances where applicable audits have not cited corresponding audit issues. These are discussed with audit directors and, if necessary, the company's general auditor. In view of critical weaknesses in the company's risk management process and other demands on ARR resources, we are placing increased emphasis on the manner

in which ARR evaluates and determines staffing needs. Processes must ensure that resources devoted to audit activity remain satisfactory.

Operational Risk Management

Management has implemented a satisfactory operational risk framework. The bank's process and measurement methodology is intended to be compliant with Basel II. Management needs to address the outstanding MRA cited in Supervisory Letter 2007-43 regarding methodology and the selection of tail parameters before we can opine on the suitability of the methodology for AMA measurement. Additionally, the allocation methodology across the national bank subsidiaries needs to be evaluated. However, it is noted with the broader qualification all advanced approaches under Basel II will require the bank to address weaknesses in the overall governance and risk management functions, and make appropriate changes to capital management processes.

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, 2007.

NAMES:	SIGNATURES:	DATES:
Ajay Banga	_____	_____
Jorge Bermudez	_____	_____
Gary L. Crittenden	_____	_____
Steven Freiberg	_____	_____
Deborah Hopkins	_____	_____
Kevin Kessinger	_____	_____
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.