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Comptroller of the Currency
Administrator of National Banks

880 Third Avenue, Fifth Floor
New York, New York 10022
212-527-1020

December 22, 2005

Mr. Geoffrey O. Coley, Co-head
Global Fixed Income Division
Citibank, N.A.
390 Greenwich Street, Fourth Floor
New York, NY, 10013

Dear Mr. Coley:

Attached is a copy of our conclusion memorandum from our recently completed Credit Derivatives Trading examination. Our objectives were to review the activities performed within Structured Credit Derivatives, Credit Trading, and Total Return Swap lines of business. We assessed the quantity of risk and quality of management for both price and transaction risks related to the front and middle office processes. We also performed a follow-up of our November 2004 examination of Global Portfolio Optimization.

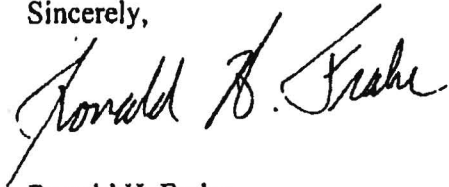
The findings of this examination are disappointing, in that the business grew far in excess of management's underlying infrastructure and control processes. Furthering our concerns is that underlying management processes in the middle office were not capturing relevant metrics to determine whether the pace of growth was sustainable and sufficient. Additionally, control functions raised questions as to the business's capacity to accommodate future growth, but warnings went unheeded. We recognize, however, that there has been considerable turnover of management of these businesses and that management did very recently recognize most underlying problems. This resulted in the development of a comprehensive remediation plan to address major infrastructure and systems issues immediately preceding our examination. Ratings are provided for each trading desk reviewed, but on an overall basis, price risk across the three desks is moderate and transaction risk is high. Management oversight is considered less than satisfactory.

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Senior trading management is responsible to ensure that growth is in line with the capacity of underlying controls and management, which includes the ability to measure and monitor this expansion. Given this oversight failure, we are considering options that would limit the bank's ability to perform future business. We will await management's response to this examination before determining a relevant course of action. Management should reflect on how this situation occurred, and what structural or process changes are warranted to ensure that future growth is measured, monitored, and controlled in a way that is appropriate for a national bank.

Please provide a response to our matters requiring attention, to include a projected date for corrective action, within 30 days of the receipt of this letter. Please feel free to contact either National Bank Examiner Daniel Staehle or me at (212) 527-1040 or 1043 respectively if you have any questions or comments. We appreciate the level of cooperation extended to us by management during this examination.

Sincerely,



Ronald H. Frake
National Bank Examiner

cc: D. Bushnell, L. Kaden, M. Helfer, B. Howard, S. Krawcheck, T. Rollaeur, M. Wong
R. Druskin, E. Greene, T. Maheras, C. Leat, J. Palmer, Chron