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FRB Summary of Supervisory Activity and Findings 2001-01-01 - 2001-12-31 on Citi

Homer Hill III

Federal Reserve System: Federal Reserve Bank of New York

Thacher Proffitt & Wood

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**Copy for
Board of Governors of the
Federal Reserve System**

Bank Holding Company

**SUMMARY OF SUPERVISORY
ACTIVITY AND FINDINGS**



Name: CITIGROUP INC.

Period Covered: JANUARY 1, 2001 - DECEMBER 31, 2001

Location: NEW YORK, NEW YORK

RSSD ID Number: 1951350

Start: FEBRUARY 4, 2002

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FEDERAL RESERVE BANK OF NEW YORK

CONFIDENTIAL

FEDERAL RESERVE BANK OF NEW YORK

NEW YORK, N Y 10045-0001

AREA CODE 212-720-2164

April 1, 2002

BY HAND

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

Enveloped Addressed
C/O
Mr Sanford I Weill
Chairman

COPY

Dear Board Members

Please find enclosed a printed and diskette copy of our Summary of Supervisory Activity and Findings for Citigroup Inc for the year 2001. We intend to furnish you with such a report once each year to present to you our assessment of the company and to advise you on any significant concerns found throughout the year. Please acknowledge the receipt of the report by signing the enclosed printed form and returning it to us in the envelope provided.

Our findings confirm that Citigroup Inc remains in satisfactory condition and has accordingly been assigned a composite supervisory rating of "2". Organizations so rated are fundamentally sound but may reflect modest weaknesses that are fully correctable in the normal course of business.

The risk management function continued to make substantial progress in 2001 in further developing its infrastructure and standardizing methodologies to aggregate market and credit risks. Although improving, legacy systems still exist that are not consolidated on the corporation's common risk platforms. Thus, the inability to fully aggregate risks on an automated basis remains at the forefront of managerial challenges. We acknowledge management's efforts over the past two years in steadily addressing this issue and expect that adequate resources will be devoted to meet its projected completion date in 2002. Progress has also been noted in both operational risk governance and the continued development of the firm's economic capital framework, and continued emphasis should be placed on further developing these risk management disciplines.

Despite the challenging economic environment, increased credit costs, and losses related to the tragic September 11th events, the firm continued to perform extremely well in 2001, posting record earnings. These results are commendable and attributable to the diversification of the Citigroup franchise and management's aggressive approach to maintaining expense controls. As such, the diversified revenue stream results in consistent earnings to bolster the corporation's capital base, which provides ample support for global operations. However, consolidated credit quality has deteriorated substantially over the past year, reflective of the economic environment, turbulence in emerging markets and the integration of Associates and Banamex portfolios which are being brought up to Citigroup standards. Given the increase in credit risk, management should continue its monitoring efforts and ensure that the loan loss reserve process is well documented and fully effective in reflecting the changes in the company's risk profile.

April 1, 2002

Representatives of this Bank plan to meet with you on April 15, 2002 to discuss our current evaluation of the firm. After you have had an opportunity to review the report, we would expect to receive a written response to the matters discussed within 60 days of the receipt of this letter.

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

COPY

Sincerely,



Homer C. Hill, III
Assistant Vice President and
Central Point of Contact

Enclosures

HCH SJD WLR/hch

RSSD No 1951350

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12 CFR 261

**SUMMARY OF SUPERVISORY
ACTIVITY AND FINDINGS**

Citigroup Inc Corporate Title	399 Park Avenue Street	New York City
New York County	New York State	10043 Zip Code

Homer C Hill, III
**Federal Reserve Bank of New York
Central Point of Contact**

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Inspection Date	December 31, 2001	Previous Inspection Date	December 31, 2000
Financial Statements	December 31, 2001	Financial Statements	December 31, 2000

SUPERVISORY ACTIVITIES AND SCOPE OF REVIEWS

Supervisory Activities

The Federal Reserve's supervisory program is accomplished through a combination of on-site meetings and reviews conducted at Citigroup, and extensive off-site analysis of the company's internal risk management reports, publicly available information, and information from the functional and foreign regulators. The review of internal risk management reports is a critical element of the process.

An important aspect of the supervisory program is reliance to the greatest extent possible on the primary bank and functional regulators. Examination and financial information received from these regulators were reviewed, including reports from the OCC, SEC and the State of Connecticut Insurance Department's (CID). Reviews of business lines, which included functionally and foreign regulated entities, were coordinated with those regulators. Meetings were held with the relevant bank, functional and foreign regulators to communicate the Federal Reserve's supervisory plans.

Scope of Reviews

The following on-site reviews were conducted in 2001 and the findings of most of these reviews were conveyed to the corporation in separate letters or meetings.

Operational Risk Reviews

- A review was conducted of the Corporate Compliance infrastructure to assess its effectiveness. Included in the review was an assessment of the governance structure, enhancements made to the process, the adequacy of Anti-Money Laundering policies and procedures and an evaluation of key Management Information System (MIS) reports.
- A review of the Mergers and Acquisitions process was conducted to assess the level of senior management and Board oversight. The review focused on determining whether acquisitions are aligned with management's strategic plan, if the due diligence process adequately identifies risks and opportunities, and whether the integration process and post merger performance evaluation are appropriately conducted.
- An assessment of MIS Risk Reporting for both senior management and the Board of Directors was conducted. The review focused on firm-wide credit, market, liquidity and operational risk reporting. The review also encompassed Citigroup's inclusion of insurance activities into the risk reporting process.
- Corporate Information Security Governance was assessed to review changes in the governance structure and managerial processes, review key MIS reports, and evaluate Audit coverage.
- An evaluation of the Payment Systems Risk Management methodology and compliance with the Federal Reserve's Payments System Risk Self-Assessment process was conducted jointly with the OCC.
- The Regulatory Reporting process was evaluated. The review included an assessment of the effectiveness of controls over accuracy, completeness and integrity of data preparation and output. Progress made in integrating insurance and other new entity data, as well as the implementation FAS 133 were also reviewed.

Economic Capital Review

- Reviews were conducted by the OCC in which the FRBNY participated to assess progress in implementing the

SUPERVISORY ACTIVITIES AND SCOPE OF REVIEWS - CONTINUED

firm's economic capital framework. Specifically, the FRBNY participated on the reviews for GCIB market risk and GCB credit risk. These reviews focused on assessing assumptions and selected valuation models used to estimate exposure. As the methodology was still evolving, implementation issues with respect to individual businesses were not part of these targets.

Credit Risk Reviews

- GCIB and GCB credit policies and procedures were reviewed to assess modifications to the existing processes. The reviews focused on credit approval authorities, the assignment of responsibilities, the level of credit risk management participation in the process and the guidelines covering credit programs for high-risk businesses.
- In conjunction with the OCC, a review of the allowance for loan and lease losses was undertaken to assess the adequacy of policies and procedures, the appropriateness of the reserve methodologies and the sufficiency of supporting documentation for current reserve levels.
- A review of CitiFinancial's Baltimore based branch network and its Dallas based mortgage and auto operations were conducted. The focus was on the adequacy of policies and procedures, underwriting practices, management information systems and the oversight provided by the business heads and risk management.

Market Risk Reviews

- A review was conducted of the processes used to aggregate market risk. As part of this review, evaluations were made of the User Acceptance Test and the procedures used to monitor completeness and timeliness of data and position feeds to the market risk system prior to producing risk metrics and reports. Additionally, we sampled a number of desks to test for compliance to the firm's model control policy, specifically model validation.
- A number of reviews were conducted in order to approve the use of internal models for specific risk. These reviews focused on evaluating specific risk methodologies to determine if the trading desks qualified for 4X-multiplier treatment under the standards set forth in the Market Risk Amendment for regulatory capital. Those desks reviewed included US Nasdaq (OTC) Cash, US Listed Cash Equities, Japanese Equities Trading and Latin American Equities desks, High Grade and High Yield Bond Primary and Secondary desks, US Agency and US Distressed Debt portfolios, European, Asia Pacific and Japanese Convertible Bonds, and European Governments, Eurobonds and European Fixed Income Syndicates.
- A joint review with the OCC was conducted of merchant banking/private equity activities. The focus of the review was to assess the adequacy of policies and procedures, risk management practices, investment valuation methodologies, as well as the methodology for determining economic capital and regulatory compliance.

Liquidity Risk Review

- A review of corporate contingency funding planning was conducted to assess the adequacy of the plan. The corporate plan was analyzed as well as the specific provisions for the holding company and subsidiaries. A number of liquidity templates and supporting documentation were reviewed to test the integrity of the data, the relevance of assumptions and the plausibility of options delineated for a possible crisis scenario.

SUPERVISORY ACTIVITIES AND SCOPE OF REVIEWS - CONTINUED

Travelers Reviews

- A meeting with the CID was held in the first quarter of 2001 to discuss their recently completed financial examination of Travelers as of December 1999, which was conducted over a fifteen-month period. Also discussed were specific functions and responsibilities of the insurance department with regards to off-site monitoring.
- On a quarterly basis, meetings were conducted with Citigroup's management responsible for insurance activities, in which the CID participated. The meetings were focused on management information reporting of insurance risks to the FHC, and given the corporation's acquisitive nature, the integration of new insurance activities into the consolidated organization.

International Banking Reviews

- An examination of Citibank Overseas Investment Corporation (COIC), an Edge Act subsidiary of Citibank NA, was conducted and focused on assessing risk management processes, including an analysis of asset quality, as well as reviewing internal and external audit coverage. Additional assessments were also made of certain COIC subsidiaries.
- A risk-focused review of Banco Citibank S A was conducted in Sao Paulo, Brazil. The review specifically focused on the quality of credit risk exposures, treasury and trading activities, anti-money laundering practices, information security, contingency planning and disaster recovery, and system convergence initiatives.

Fiduciary Reviews

- Reviews were conducted in Switzerland with the participation of the OCC on Cititrust (Switzerland) and Citibank (Switzerland). The objective of these reviews was to assess local adaptations of Know Your Customer and Anti-Money Laundering policies and procedures and to obtain an overview of general risk management practices, including the role of compliance and audit.

RISK MANAGEMENT

Risk management is evaluated in terms of the ability to identify, monitor and control the various financial risks associated with banking. These risks, which may arise from the bank's lending and/or money and capital markets activities, include credit/settlement risk, market risk, interest rate risk and liquidity risk. Consideration is given to the effectiveness of management's system of identifying risk, and whether management is adequately informed of the risk being undertaken, the effectiveness of risk management systems in monitoring and controlling risk exposures, and management's ability to recognize new risks that may arise from either the changing environment or management's decision to engage in new activities.

Overview

Citigroup's risk profile is inherently high given the scale of its global operations and its acquisitive business strategy, which continues to present managerial challenges, particularly concerning system integration issues. However, the firm's composite risk assessment (which reflects inherent risks combined with mitigating controls) is considered moderate based on the effectiveness of its control processes and the oversight provided by senior management and the Board of Directors (Board), despite some refinement needed in Board level risk reporting. While noticeable progress has been made, the primary risk management challenge continues to be the firm's inability to aggregate risks across business lines on a fully automated basis, which inhibits real-time stress testing and portfolio analysis. This was clearly evident in the difficulty management experienced in aggregating, in a timely manner, total exposure to a well-publicized problem credit. Nevertheless, the firm's independent risk management unit has made substantial progress in 2001 in developing standardized approaches to aggregate market and credit risk. Additionally, the Windows on Risk process continues to be an effective tool and is becoming less manually intensive, as a result of improved risk management reporting.

Considering the current economic environment and turbulence in certain emerging market countries, prudent management of credit risk has become a focal point of both Citigroup management and bank supervisors. Most credit quality indicators are displaying marked deterioration, with a continued adverse trend expected for the first two quarters of 2002. Further, loan loss reserve coverage of problem loans has declined dramatically over the past year and weaknesses in the documentation process persist. Given the present climate, management is urged to continue its efforts of improving this process and more thoroughly documenting its rationale for reserve levels.

Citigroup continues to build market share and leadership positions in its businesses through both organic growth and suitable acquisitions. While the size, complexity and number of businesses acquired increase the organization's risk profile, effective control processes have resulted in a successful track record in meeting corporate strategic objectives. Notwithstanding, management must maintain its disciplined approach and ensure that risk management capabilities keep pace with the evolving risk profile of the firm. Although advancements have been made in operational risk governance and incorporating economic capital into the organization's management culture, further work remains to ensure that these risk management frameworks are commensurate with the complexity of Citigroup's operations.

Operational Risk

Operational risk at Citigroup remains high, however our targeted reviews conducted during 2001 indicate a satisfactory control environment exists throughout the firm. Additionally, the Audit and Risk Review (ARR) function is considered to be a strong organization that has demonstrated continued improvement by enhancing its audit cycle, requiring an annual audit of all high-risk entities, and instituting a formal Quality Assurance program. Senior management has also made noticeable improvements in operational risk governance, with the designation of an Operational Risk Manager for Citigroup in 2001 and the recent issuance of global Operational Risk Policy guidance.

After three years, the Travelers and Citicorp franchises continue to transform into a cohesive Citigroup corporate culture. The resulting control architecture, including global coordination at the corporate level combined with business

RISK MANAGEMENT - CONTINUED

unit control structures, is considered effective for such a diverse organization. Yet, various aspects of the corporation's infrastructure and management systems heighten operational risk and warrant management's attention:

1. The control self-assessment process continues to be at an evolutionary stage. Management should remain diligent in its efforts of developing uniform standards for Citigroup's businesses.
2. Management must continue to develop a robust operational management and measurement framework, given the significance of this risk to the firm and the expectations of various Basel initiatives. Although improved, significant work remains to bring the organization's framework up to the level and quality observed in peer institutions.
3. E-Commerce alliances and partnerships pose managerial challenges given the volatile Internet business, and heighten privacy and security issues. As such, these alliances should be closely monitored.
4. The revamping of the corporation's technology infrastructure and data center consolidations continue to require strong oversight and coordination with Continuity of Business planning.
5. In light of the September 11th event, Anti-Money Laundering and Anti-Terrorism systems require sharper management scrutiny.

While the control process reviews conducted by the FRBNY examiners during 2001 indicate operational risks are satisfactorily managed, the following findings are elevated for management's attention to further enhance its operational risk control infrastructure and risk management processes:

- **Information Security** Information security is considered a high risk and is satisfactorily managed and controlled. Nevertheless, to ensure consistency in granting compliance exceptions and to provide corporate oversight of trends in granting variances, the Chief Information Security Officer (CISO) should sign off on these items. Furthermore, the CISO should consider instituting a quality assurance and/or peer review process to evaluate the effectiveness of the Group and Business Information Security Officers.
- **Management Information Systems** MIS risk reporting is at different levels of sophistication for the major risk categories with corporate operational risk measurement, monitoring, and reporting in the early stages of development. Significant work is required to develop and implement a complete system, which will require proactive support from senior management and the Board.
- **Merger and Acquisition Process** Management has developed a solid framework and robust process to support its M&A activities, which exceeds those of its peers in most respects. However, existing practices implemented by the Strategic Business Development group should be formalized and a corporate policy that endorses "best practices" for integration activities should be developed. With respect to large transactions, management is in the process of formalizing and expanding the post-mortem process to include all aspects of integrating an acquired company. We encourage management to continue these efforts.

Credit Risk

Citigroup's credit risk policies and procedures are prudent, and its credit risk culture is disciplined. In 2001, management was effective in dealing with heightened credit risk resulting from the global recession, the terrorist attacks, highly publicized corporate bankruptcies and the Argentine default. In response to these challenging events, management rapidly implemented defensive actions that included tightening corporate and consumer credit underwriting standards and setting limits on specific problem industries.

RISK MANAGEMENT - CONTINUED

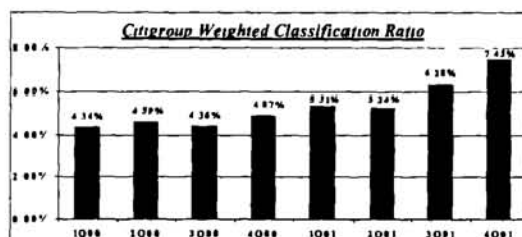
Given the current credit environment, all relationships are receiving special attention by business heads, senior risk management, industry specialists and/or country officers. Regarding corporate credit, procedures involving credit analyses, exposure aggregation, potential conflicts of interest, and transactions with special purpose vehicles are being strengthened. Concerning Argentina, the fluid political and economic situation continues to be closely monitored with particular attention given to possible contagion from Argentina to other emerging markets countries.

During 2001, group-wide policies and procedures were implemented within the Global Corporate and Investment Bank (GCIB) and the Global Consumer Bank (GCB) which provide a sound framework for credit risk management. The challenge for management is to ensure that the new global corporate and consumer credit policies and procedures are effectively implemented in all major businesses and countries where Citigroup operates. In addition, we direct management's attention to the following areas:

- **Management Information Systems** Management continues to improve credit risk reporting, and although further enhancements are required to capture credit risk elements relative to the firm's insurance business, its monthly Credit Risk Report now renders a good overview of the credit conditions and trends of Citigroup's credit risk-taking businesses. Recent improvements to the report include the results of system integration efforts to consolidate SSB and Citigroup, the early warning data on deterioration in obligor default probabilities and credit quality trend scores, and more detailed economic capital information. It is recommended that Global Risk Architecture incorporate these improved credit analytics into its monthly Board package.
- **Allowance for Loan and Lease Losses (ALLL)** The recent examination of the ALLL methodology indicates the need for comprehensive policies and procedures to cover the entire reserve process and for Board approval of reserve methodologies. Independent reviews of the estimation process should also be conducted and more robust documentation that relates the analyses to the reserve amounts is needed. In addition, the level of documentation supporting legal vehicle reserves needs to be significantly improved. During 2001, while the ALLL increased \$1.1 billion from year-end 2000 to over \$10 billion, Citigroup's level of reserve coverage fell as classifications, nonperforming loans, delinquencies, net credit losses and non-investment grade risk ratings rose appreciably. Loan loss reserve coverage of nonperforming loans (defined as 90 days past due and nonaccrual loans) for both commercial and consumer credits fell to 89.8%, well below the 124.5% recorded for year-end 2000 and noticeably below peer banking organizations. The declining trend related to loan loss reserve coverage combined with the recurring issue of inadequate documentation and validation of the methodology heightens our concerns. We acknowledge that the firm is in the process of addressing these issues and strongly encourage management to continue its diligent efforts in enhancing the loan loss reserve process.

Credit Quality

Asset quality remains satisfactory although credit risks in GCIB and GCB continue to rise. When commercial classifications, consumer blanket classifications and certain country exposures are weighted according to risk, the result equals 7.43% of Citigroup's tier 1 capital and reserves, up markedly from 4.87% a year ago. The reasons for the significant deterioration in credit risk are detailed below. While Citigroup's global diversification is a positive, its



RISK MANAGEMENT - CONTINUED

breadth can create more risk as evidenced by growing losses in North America, the unsteadiness in certain emerging markets and the lingering recession in Japan

Commercial Credit

Asset quality in GCIB continues to deteriorate with the level of criticized and nonperforming assets up substantially over last year. Criticized assets of \$39.3 billion were \$17 billion higher than last year, in part due to the inclusion of the Banamex and Bank Handlowy loan portfolios. Apart from these acquisitions, deterioration was evident in North America, Europe and emerging markets (Argentina) and was largely centered in the distressed energy, utilities, telecom, and airline industries. Corporate net charge-offs also increased considerably in 2001, largely due to Enron, Argentina, Banamex and write-offs of several telecom and technology loans.

Management conducts global industry assessments and carefully tracks risk-rating migrations. Citigroup has concentrations with banks/financial institutions and with governments due to the Banacci acquisition. The higher exposure to bank and financial institutions warrants management's close attention for any early signs of credit deterioration. The substantial exposure to Mexico requires management to focus its attention on the businesses and risk management practices of this newly acquired entity to ensure that they are consistent with Citigroup's practices.

GCIB's risk management practices are sound. The new GCIB Policies and Procedures appropriately drill down responsibility and accountability to authorized credit officers in the business and to specific risk managers. The recently established Loan Portfolio Management Group reviews customer relationships to optimize risk/reward levels and focuses on obligor limits and limit exceptions, particularly to non-investment grade obligors. Other positive steps include the actions taken to bolster the Institutional Recovery Management Group resources, the tightening of collateral requirements and the increased use of credit derivatives to manage exposures.

Risk management in the emerging markets remains solid. Political, economic and financial events and their impact on portfolio quality are closely monitored. Credit issues are identified early and managed down appropriately. Management is increasingly sensitive to financial and political contagion in the more vulnerable regions of the world.

Consumer Credit

Overall, GCB's credit quality is satisfactory but it has weakened over the past year and consumer credit risk continues to increase. While North American cards and CitiFinancial led the deterioration in GCB, the largest increases in international consumer credit losses occurred in Argentina, Japan and Mexico. While Citigroup took a \$235 million charge related to the revaluation of its Argentine consumer portfolio, additional losses are probable, as the country is considered unstable with an internal country risk rating of "critical." Mexico also continues to be under stress from the U.S. economic downturn. Mexico's linkage with the U.S. economy is likely to impact the consumer portfolio in the coming year, reflective of the Banacci acquisition. In addition, although Japan is a profitable consumer franchise, it has experienced rising credit delinquencies and losses due to the country's prolonged recession.

GCB management closely tracks leading credit quality indicators and appropriately stress tests portfolios as needed. GCB has a seasoned team of business and risk managers that take appropriate defensive actions yet maintain a good risk/reward balance. Months before the recession took hold and again after September 11th event, management tightened consumer credit underwriting standards by raising cut-off scores, reducing credit lines and limiting policy exceptions. Management has also been proactive in enhancing collections systems and in focussing the collection process on early delinquencies.

CitiFinancial

RISK MANAGEMENT - CONTINUED

In the second quarter of 2001, the risk management practices of the CitiFinancial Baltimore based network was examined, as well as CitiFinancial's auto and mortgage businesses in Texas were reviewed. These businesses follow the policies and procedures defined in Citigroup's Global Consumer Credit and Fraud Policies. Adhering to the new guidance, business and risk management is instilling firm credit discipline into the CitiFinancial business model. The following high level issues specific to each of the businesses require management attention:

- **CitiFinancial Credit Company - Network** Credit quality is a concern as personal loan loss rates and losses on Associates- originated mortgages are increasing. Therefore, continued close monitoring of risk mitigation programs including account re-agings is warranted. Moreover, the control environment surrounding the Maestro system needs tightening to prevent unauthorized alteration of data input subsequent to loan review and approval. Additionally, stress tests of the business should be conducted in accordance with the guidelines set forth in GCB policies.
- **CitiFinancial Auto Business** The deterioration in the quality of the auto portfolio is a key issue, and strategies must be targeted to overcome the rise in delinquencies and net credit losses. Consideration should be given to improving originations through score upgrades. In addition, risk management should ensure that Citigroup policies and risk management practices are embedded in the business and are in conformance with global standards. While a stress test on the auto portfolio was recently conducted, management is encouraged to link economic indicators to portfolio delinquency and losses in future stress tests.
- **CitiFinancial Mortgage** The review of CitiFinancial's mortgage operations disclosed a high level of credit risk stemming from broker/correspondent originated business. In response, management has tightened approval policies and practices and discontinued unacceptable broker relationships. Continued close monitoring of brokers/correspondents in terms of the risk/reward tied to their originations is warranted.

Market Risk

Market risk is well managed and continues to pose a moderate degree of risk. Management's business strategy is to focus on customer flow trading, which has produced over time consistent financial performance. While some businesses have a higher risk profile, aggregate risk is mitigated by diversification and by the adequacy of risk control processes. Within both the trading and accrual portfolios, the risk appetite has increased as evidenced by the rise in proprietary trading positions. However, senior management pro-actively monitors this risk through weekly meetings of the Risk Management Committee.

Over the past year, Risk Architecture's data capture project has improved the monitoring of risks and reduced regulatory capital. Further benefits are anticipated, including additional approvals for the use of internal models for specific risk. However, regulatory approval for specific risk is conditional on the robustness of the firm's model validation process. Areas that require management's focus include:

- **Model Validation Process** Our targeted review of this process revealed a number of legacy SSB models that have not been validated since the merger with Travelers. Preliminary steps have been taken by management to address this issue through an assessment of the materiality of exposure under unvalidated models. However, an action plan and timetable for resolving the use of unvalidated models needs to be developed. In the interim, formal limits should be established to limit the amount of exposure permissible under these models. Industry best practice is to employ limits on notional size, volume and/or maturity.

RISK MANAGEMENT - CONTINUED

- Market Risk Corporate Governance Market risk reporting to the Risk Management Committee is considered satisfactory but the information provided to the Board requires enhancement. While periodic presentations are made to the Board's Audit Committees, the information contained therein is not inclusive of the wide array of market risk undertaken by Citigroup and not consistent with industry best practice. As the Board is responsible for evaluating the organization's risk exposures and tolerances, the risk information should be commensurate with this objective.
- Market Risk Aggregation and Methodologies Risk Architecture's market risk data capture project is targeted for completion in May 2002 and will significantly improve the management and monitoring of market risk. While Market Risk Management and Risk Architecture have extensively enhanced CIB's quarterly stress tests, system issues prevent monthly stress tests and limit some businesses' ability to conduct ad hoc stress testing and back testing, which are considered industry best practices. Risk Architecture's data capture project is designed to provide automated stress testing and limits monitoring and to accurately monitor and aggregate market risk across global businesses. Thus, it is essential that management ensure that the necessary resources are provided to meet the targeted completion date.
- Citigroup Global Investments (CGI) - Private Equity CGI's focus in 2001 was on developing and implementing consistent policies across Citigroup's private equity investing and merchant banking businesses. Going forward, the challenge for management is to ensure that these policies are complied with across the various entities. In addition, management information reports that reflect both the financial performance and risks within the private equity and merchant banking portfolios need to be developed. These consolidated reports should identify specific portfolio characteristics including relative performance, concentrations and inherent risks. Finally, management is encouraged to move forward with initiatives to develop a more vigorous economic capital allocation methodology for these activities.

Liquidity Risk

Liquidity risk is moderate and decreasing and the controls are considered acceptable. Over the past year, considerable advancements were made in liquidity risk management. Most notably, corporate treasury implemented a new contingency funding plan and reporting structure that centralizes the management of liquidity risk. Also, the firm's liquidity position improved as the corporation is less reliant on commercial paper funding. Finally, the rating agencies recognized Citigroup's ability to maintain strong financial performance and earnings growth despite the slowdown in the economy and upgraded the firm's credit and debt ratings, further enhancing its access to capital markets.

Citigroup's global contingency funding plan (CFP) and stress testing are comparable to its peer group and include all the fundamentals considered to be industry best practice. The validity of the plan was tested during the September 11th event. Still, as the largest FHC and banking entity in the U.S., Citigroup plays a vital role in liquidity flows within the banking system. Consequently, our expectations are for Citigroup to be in the forefront of its peer group and industry best practices. This will require further enhancements to the CFP including:

1. Reviewing and assessing the adequacy of alternative funding sources and organizing them in the order of priority
2. Formalizing corporate level triggers that are linked to levels of alert and local triggers
3. Including operational scenarios involving special purpose vehicles and changes in collateral requirements for derivative positions
4. Improving MIS for emergencies

RISK MANAGEMENT - CONTINUED

Economic Capital Framework

Citigroup has made noticeable progress in developing a corporate-wide economic capital framework, however, broad acceptance of economic capital as a risk management and performance measurement tool has not occurred throughout the firm. While certain business lines have integrated economic capital into regular risk reporting to senior management, the methodology is not an integral part of the decision making process nor are businesses being managed based on the returns on economic capital. In light of the proposed Basel accord, we encourage management to continue its efforts to incorporate this risk management discipline into its business culture.

Legal Risk

Legal risk is considered inherently high due to the diverse nature of Citigroup's global businesses that operate in more than one hundred countries. Because of management's proactive approach and mitigating controls, legal risk is reduced to moderate, although management faces considerable challenges going forward. CitiFinancial's sub-prime lending portfolio will continue to attract a great deal of scrutiny, and various lawsuits are ongoing.

Legal risk is also increasing from lawsuits filed with respect to a well-publicized corporate bankruptcy, which has highlighted the potential conflicts of interest when Citigroup assumes multiple roles as syndicated lender, investment banker, broker and asset manager. Another area that may increase legal risk is Citigroup's considerable presence in E-commerce and internet service businesses. One of Citigroup's strategies is to enter into strategic alliances with technology companies, such as AOL, to gain rapid penetration without the necessity to build an entire proprietary Internet infrastructure. However, this may lead to legal entanglements when determining accountability in the case of customer losses.

Reputational Risk

Similar to legal risk, inherent reputational risks are high, given the organization's global presence, the complexity of its businesses and the potential conflict of interest situations arising from the assumption of multiple roles in client relationships. While Anti-Money Laundering (AML) practices and now the U.S. Patriot Act control process are considered adequate, the risk is increased due to the global scale of operations and therefore warrants vigilant scrutiny by management. Moreover, Citigroup's substantial sub-prime business subjects the firm to increased reputational risks. Overall, the effectiveness of the controls and management's cautious attention to prospective issues that could conceivably impact its franchise serves to mitigate the level of risk, resulting in a composite rating of moderate.

Insurance Underwriting Risk

Insurance underwriting risk continues to be moderate, given that life and annuity, and significant portions of property and casualty, risk exposures are clearly defined, highly measurable, and subject to limits. In addition, management reporting is considered effective. However, liability insurance, represented primarily by asbestos policies underwritten years ago, and catastrophe risk exposure reflect uncertain risks. Management effectively controls insurance underwriting risks through its risk selection, pricing and reserving processes. Furthermore, management makes effective use of reinsurance.

FINANCIAL PERFORMANCE

Citigroup Inc continued to post strong financial results, reporting record earnings for 2001. This strong financial performance is especially noteworthy in view of the global economic slowdown, increased credit costs and turmoil in the capital markets. Despite this difficult operating environment, the firm continued to be successful in increasing its overall market share, and its diversified business franchise provided positive earnings momentum, distancing itself from other peer organizations.

Consolidated earnings are strong, reflecting the strength of the corporation's global franchise and the diversification benefits derived from its broad range of financial service businesses. Management's focus on maintaining geographic and product diversity has served the company well, and the firm's cross selling initiatives are steadily improving, further bolstering financial results. In 2001, Citigroup's solid consumer business provided strong revenues, offsetting weaknesses noted in the wholesale markets. In addition, as the economy slowed, management moved aggressively to implement prudent cost cutting measures and control expenses. Moreover, management's opportunistic approach to expanding its franchise in key domestic and international sectors has significantly enhanced the firm's financial performance, increased market share, and provides for long-term viability of future corporate earnings.

The capital ratios for Citigroup and Citicorp are strong and exceed regulatory guidelines for "well-capitalized" institutions. Total capital increased significantly for fiscal year 2001 augmented by strong earnings retention. Management's attention to capital planning and balance sheet discipline has allowed the corporation to remain above internal capital targets and to continue with its share repurchase program. Additionally, the firm's insurance and securities subsidiaries continue to meet the minimum standards established by the respective functional regulators.

The parent company's liquidity position has improved noticeably, with a reduction of short-term borrowings related to the restructuring of Associates' assets within the organization. Citigroup's marketplace reputation and rating agency upgrade provides it with full access to the global capital markets at favorable rates, thus enabling the corporation to maintain ample liquidity and act as a source of strength to its operating subsidiaries.

BOPEC RATING

The Bank Holding Company Performance Rating System currently in use at the Federal Reserve requires an annual rating for Citigroup. The composite and component ratings are reflected in the table below.

BOPEC RATINGS	12/31/01 Citigroup	12/31/00 Citigroup
<i>Bank Holding Company Rating System</i>		
Composite Rating Management	2 Satisfactory	2 Satisfactory
<i>Component Ratings</i>		
Bank Subsidiaries	2	2
Other Nonbank Subsidiaries	2	2
Parent Company	1	1
Consolidated Earnings	1	1
Consolidated Capital	1	1

The overall condition of the banking subsidiaries is satisfactory and reflects the examinations conducted by the respective regulators. This assessment is largely reflective of Citibank, N A , which houses the preponderance of banking assets and was accorded a composite rating of satisfactory by the OCC as of year-end 2001. Additionally, Citibank (Nevada) and Citibank (South Dakota), N A are also rated satisfactory and the newly acquired Banamex operation is considered to be in satisfactory condition. In 2001, Citibank, F S B , California was upgraded to strong from satisfactory and Citibank (NYS) remained strong.

Citigroup's principal nonbank subsidiaries, Salomon Smith Barney and Travelers Insurance Group, remain in satisfactory condition. Our assessment is based on the continuous supervision process that combines ongoing monitoring and meetings with the functional regulators. As part of this process, evaluations are made of the financial performance and risk reports, as well as the findings from audits conducted by ARR. In summary, the satisfactory rating reflects sound risk management practices and the adequacy of the risk control processes.

Citicorp's primary nonbanking subsidiary, CitiFinancial Credit Company, continues to operate satisfactorily. Although CitiFinancial's business model focuses on a riskier segment of the lending market, management actively controls this risk by adhering to sound credit policies and procedures. During the recent targeted review of CitiFinancial, risk management practices were considered generally adequate and are detailed on page 1 of this report. From a financial perspective, CitiFinancial's profits increased significantly last year benefiting from both the portfolio growth and cost cutting initiatives related to the integration of Associates. Despite the expected rise in credit costs resulting from associates' legacy portfolios, prospects remain favorable for continued growth in net income. Nevertheless, management should remain diligent in its efforts of imbedding Citigroup's risk management culture into the acquired businesses of Associates.

The parent company is strong and continues to serve as a source of strength to its subsidiaries with full access to the global debt and equity markets. For additional details regarding earnings, capital, and liquidity, please refer to the Financial Performance page 2.

CITIBANK OVERSEAS INVESTMENT CORPORATION

CAMEO RATINGS	12/31/01 COIC	12/31/00 COIC
<i>Composite Rating</i>	2	2
<i>Component Ratings</i>		
Capital	1	1
Asset Quality	2	2
Management	2	2
Earnings	1	1
Operations/Internal Controls	2	2

Summary of Condition

COIC's overall condition and composite rating continues to be satisfactory. The Edge Act Corporation is effectively managed with a strong capital position and earnings performance. Consolidated asset quality is considered satisfactory despite the increase in classified loans associated with the integration of the Associates international businesses. In addition, the operations and control environment remain satisfactory.

Risk Management

Risk management is satisfactory. Corporate governance at the country level continues to be effective in managing regulatory, legal and reputational risks. Specifically in the UK, Country corporate governance remains a high priority as the ongoing conversion of legal vehicles and integration of businesses into Citibank International plc (CIPLC) has streamlined the organizational structure and platforms for conducting business in Europe. The CIPLC Board is proactive in managing the risks associated with legal vehicle conversions and systems consolidation. The board taking the lead in forming an Operational Risk Committee to develop operational risk measurement techniques and key risk indicators for CIPLC further evidences its proactive nature. However, considering the recent issuance of Citigroup's Operational Risk Policy and the continued evolutionary progression of the operational risk measurement framework, CIPLC's Operational Risk Committee will need to align its approach with the uniform methodology established in the new policy.

Operational Risk

The operations and internal control environments of COIC and its subsidiaries are satisfactory. This assessment is based on the various audits completed by ARR that were mostly accorded satisfactory ratings. Notwithstanding, operational risk will continue to present significant challenges to management. Most notably, the integration of the Associates international businesses into the COIC legal vehicle and the growth of CIPLC associated with its "Single Europe Project" will stress the functionality of certain systems and require management to closely monitor information technology needs and resources.

Subsidiaries

COIC subsidiaries are effectively managed. This evaluation is primarily based on the continuous supervision process, which provides sufficient information to monitor and evaluate these entities. A targeted review of Banco Citibank, SA was conducted and no significant weaknesses or operational deficiencies were noted.

RSSD No. 1951350

**BANK HOLDING COMPANY
REPORT OF INSPECTION
CONFIDENTIAL SECTION**

Name of Institution	Citigroup Inc		
Examination As-Of Date	December 31, 2001	Previous Examination Date	December 31, 2000
Examination Open Off-Site	Continuous Supervision	Examination Open On-Site	February 4, 2002
Examination Closed On-Site	March 29, 2002	Examination Closed Off-Site	March 29, 2002

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Administrative Matters	C
Resource Usage Spreadsheet	D
NED Large BHC Information Input Form	

**CONFIDENTIAL SECTION
PRINCIPAL OFFICERS**

Name & Title	Year of Birth	Position held in subsidiary and/or affiliate organization
Hamid Biglari	1958	Head of Corporate Strategy
Winifried F W Bischoff	1941	Chairman - Citigroup Europe
David Bushnell	1954	Risk Officer GCIB
Michael A Carpenter	1947	Chief Executive Officer Global Corporate and Investment Bank
Michael D'Ambrose	1957	Senior Human Resources Officer
Robert Druskin	1947	Chief Operating and Technology Officer
Ahmed Fahour	1966	Senior Vice President - Head of Development
Michael B G Froman	1962	Executive Director - Strategic Priorities and Business Development
Robert Guthrie	1953	Chief Executive Officer - Global Equipment Finance
Thomas Wade Jones	1949	Chairman and CEO - Global Investment Management & Private Banking Group
Robert L Lipp	1938	Chairman of Travelers Property and Casualty Co
Marjorie Magner	1949	Senior Executive Vice President Chief Administrative Officer - GCB
Deryck C Maughan	1947	Vice Chairman
Victor J Menezes	1949	Chief Executive Officer - Emerging Markets President of Citibank NA
Charles O Prince	1950	Chief Operating Officer - Admin & Operations, EM & CAO
William R Rhodes	1935	Senior Vice Chairman
Peter Sabatacakı	1946	Senior Risk Officer
Todd S Thomson	1961	Chief Financial Officer, Head of Citigroup Investments
Sanford I Weill	1933	Chairman
Robert B Willumstad	1945	Citigroup President & CEO - Global Consumer Business

A

Principal Officers

**CONFIDENTIAL SECTION
PRINCIPAL OFFICERS - CONTINUED**

Name & Title	Year of Birth	Position held in subsidiary and/or affiliate organization
Barbara A Yastine	1949	Chief Financial Officer - SSB and Citibank's Global Relationship Bank

A(1)

Principal Officers - Continued

CONFIDENTIAL SECTION
DIRECTORS

Name (Committee Member)	Years on Board	Year of Birth	Occupation or principal business affiliation
C Michael Armstrong (A), (R)	6	1938	Chairman and Chief Executive Officer AT&T Corp
Alain J P Belda (A), (R)	3	1943	President and Chief Operating Officer Alcoa Inc
Kenneth J Bialkin (E), (P), (PC)	13	1929	Partner, Skadden, Arps, Meagher & Flom LLP
Kenneth T Derr (E), (A), (R)	12	1936	Chairman and Chief Executive Officer Chevron Corporation
John M Deutch (A), (P)	9	1938	Institute Professor, MIT
* Gerald R Ford	13	1913	Former President of the United States
Alfredo Harp	--	1944	Chairman of the Board of Grupo Financiero Banamex Accival, S A de C V (Banacci)
Roberto Hernandez	--	1942	Chairman of the Board and CEO of Grupo Financiero Banamex Accival, S A de C V (Banacci)
Ann Dibble Jordan (P), (PC), (I)	10	1934	Consultant
Robert I Lipp	1	1938	Chairman of Travelers Property Casualty Corp
Reuben Mark (A), (P)	4	1939	Chairman and Chief Executive Officer Colgate-Palmolive Co
Michael T Masin (A), (P)	2	1944	Vice Chairman, President International, Director GTE Corporation
Dudley C Mecum (E), (A), (R)	13	1934	Managing Director, Capricorn Holdings, LLC
Richard D Parsons (R), (PC), (I)	4	1948	President, Time Warner, Inc
Andrall E Pearson (R), (PC), (I)	13	1925	Chairman and Chief Executive Officer Tricon Global Restaurants, Inc

AA

Directors

**CONFIDENTIAL SECTION
DIRECTORS - CONTINUED**

Name (Committee Member)	Years on Board	Year of Birth	Occupation or principal business affiliation
Robert E. Rubin (E)	1	1938	Chairman of the Executive Committee
Franklin A. Thomas (E), (P), (PC), (I)	29	1934	Former President, The Ford Foundation
Sanford I. Weill (E)	13	1933	Chairman
Arthur Zankel (E), (R), (PC), (I)	13	1931	General Partner, First Manhattan Co

* The Honorable Gerald R. Ford is an honorary director and as such is appointed by the Board and does not stand for election.

** As of March 7, 2001 Keith W. Hughes, Chairman and Chief Executive Officer of Associates, resigned from Citigroup's Board of Directors.

There are six committees

(E) - Executive Committee

(A) - Audit Committee

(R) - Risk, Capital and Subsidiaries Committee

(P) - Public Affairs Committee

(PC) - Personnel, Compensation and Directors Committee

(I) - Incentive Compensation Subcommittee

Citigroup Directors' Fees

Outside directors currently receive an annual retainer of \$125,000, payable either 100% in common stock, receipt of which is deferrable at the director's election, or up to 50% in cash to cover taxes and the remainder in common stock. Effective January 1, 2001, directors may elect to receive all or a portion of their compensation in the form of an option to purchase shares of Citigroup common stock.

Effective July 18, 2000, outside directors and the honorary director became entitled to receive an annual option grant to purchase 5,000 shares of Citigroup common stock. The 2000 stock option award was made on July 18, 2000 and was prorated for six months. The 2001 option grant to purchase 5,000 shares was made in January 1, 2001. Subsequent grants will be made in January of each year.

Committee and subcommittee chairs receive additional compensation of \$15,000, except for the chair of the audit committee, who receives \$25,000. Directors receive no additional compensation for participation on board committees and subcommittees. Additional compensation for special assignments is determined on a case by case basis, but no such additional compensation was paid to any director in 2000.

Directors who are employees of Citigroup or its subsidiaries do not receive any compensation for their services as directors.

AA (1)

Directors - Continued

**CONFIDENTIAL SECTION
CONDITION OF BANK HOLDING**

- 1 Prospects of holding company
 - 2 Assess management and the board of directors In addition, appraise the policies with respect to the level of control and supervision exercised over subsidiaries, including risk evaluation and control and management information systems
 - 3 Subsidiary bank(s), date of most recent examination and rating
 - 4 Is the holding company a member of a chain banking organization? No If so, summarize significant problems at any holding company or subsidiary bank, or in the chain organization
 - 5 List any individual or group that own(s) or control(s) 5 percent or more of the outstanding voting shares of the bank holding company's stock Discuss significant changes in ownership.
 - 6 Other supervisory concerns None
 - 7 BOPEC Rating
 - 8 Recommendations for supervisory action None
-

Given the information that is provided in the various risk-focused documents, the closed section of the report will only highlight certain key areas Please refer to the risk-focused documents for more detailed information on corporate strategy/prospects, risk management/ controls and Senior Management

1. Prospects

The prospects for Citigroup remain favorable Citigroup is a fully diversified financial services firm, with a unique combination of scale, brand diversification and global presence which has aided in maintaining successful operations despite the changing economic climate A key to Citigroup's continued success is its solid management team, which exhibits a disciplined approach in balancing earnings growth through its risk/reward initiatives, strategic acquisitions and technological advancements which play critical roles in increasing productivity and curtailing expenses Growth over the coming year will be primarily fueled by the corporation's cross-selling endeavors, accompanied by strategic acquisitions of other financial service companies, in order to meet the firm's long-term earnings growth rate of 15% per year

Management will continue to focus its attention on the following areas

- **Global Consumer Financial Services** The firm will continue to try and cross-sell it's comprehensive banking, insurance and investment products globally Moreover, management plans to further enhance its leadership position in global credit cards, through organic growth and targeted portfolio acquisitions
 - **Emerging Markets** Management has expressed the desire for a more equal distribution of Citigroup's assets between U S and international investments Countries that management is considering for expansion purposes (*priority A countries*) include Brazil, Poland, Taiwan, Hong Kong, China and Korea This business should not only contribute to organic growth capabilities, but it will also help to expand the potential for attractive acquisition opportunities Senior management plans on continuing this venue since Citigroup generates more profits in the emerging markets area than any other financial services industry
 - **The Corporate Investment Bank (GCIB)** Building upon the momentum of the Schrodgers acquisition and the Nikko Salomon Smith Barney merger, the firm will continue to target expansion of its investment banking presence abroad Domestically, the firm is content with its operations and does not anticipate significant growth through acquisitions
 - **Private Banking/Asset Management** Given the scale of this business line relative to GCIB and the Global Consumer Bank, management is interested in enhancing its wealth management business and increasing its market share by
-

B

Condition of Bank Holding Company

**CONFIDENTIAL SECTION
CONDITION OF BANK HOLDING COMPANY - CONTINUED**

achieving strong investment performance with an emphasis on risk control

The most recent acquisition occurred with Grupo Financiero Banamex Accival (Banacci), Mexico's most profitable bank, which will strengthen Citigroup's existing businesses and add to its earnings power. The deal brings numerous strategic advantages for the company, distribution strength to the emerging market franchise and it will help to solidify Citigroup's presence in Mexico. Banacci's and Citigroup's operations in Mexico will be integrated and will conduct business under the "Banamex" brand name.

Citigroup's diversified earnings streams and strong capital and reserves result in a positive outlook on growth for the entire institution. With a largely investment grade balance sheet, sizeable capital position and diversified business mix, Citigroup's prospects continue to be very favorable despite a weak macro economic environment and prolonged deterioration in credit quality.

2. Combined Risk Management and Internal Controls - (Rated "2")

Citigroup effectively manages its risks and is accorded a risk management and internal control rating of "2". The rating reflects the corporation's ability to handle existing and foreseeable exposures that may arise in the daily course of business. Board oversight, policies and limits, risk monitoring procedures and reports are considered generally adequate. Both the board and senior management are committed to providing the necessary guidance to ensure an effective risk management process at both the business line and corporate levels. Please see the open section of the report and risk-focused documents for more detailed information.

Senior Management

As of December 31, 2001, there have been no new changes to senior management since the last inspection (dated December 31, 2000).

3 Examination Ratings

Subsidiary Banks	Examination Date	Agency	CAMELS
Citibank, N A	12/31/01	OCC*	1-2-2-1-2-2 / 2
Citibank (S D), N A	12/31/01	OCC	1-2-2-1-2-2 / 2
Citibank (NV), N A	12/31/01	OCC	1-2-2-1-2-2 / 2
Associates National Bank	12/31/01	OCC	2-2-2-2-2-2 / 2
Citibank NYS	12/31/00	NYSBD	1-1-1-1-1-1 / 1
Citibank FSB	9/17/01	OTS	1-1-2-2-1-1 / 1
Travelers Bank, FSB	1/08/01	OTS	2-1-1-1-1-1 / 1
Associates Capital Bank Inc	6/30/01	FDIC	1-2-2-1-1-2 / 2

*OCC supervises Citibank on a continuous basis

4 Major Shareholders

As of December 31, 2001, there are no major shareholders that own more than 5% of Citigroup's outstanding common stock. The largest shareholders are Fidelity Investments, which hold 3.9% and H-R-H Alwaleed who beneficially owns approximately 3.5% of Citigroup's outstanding common stock.

B(1)

Condition of Bank Holding Company - Continued

CONFIDENTIAL SECTION
CONDITION OF BANK HOLDING COMPANY - CONTINUED

5

BOPEC RATINGS	12/31/01 Citigroup	12/31/00 Citigroup
<i>Bank Holding Company Rating System</i>		
Composite Rating Management	2 Satisfactory	2 Satisfactory
<i>Component Ratings</i>		
Bank Subsidiaries	2	2
Other Nonbank Subsidiaries	2	2
Parent Company	1	1
Consolidated Earnings	1	1
Consolidated Capital	1	1

B(2)

Condition of Bank Holding Company - Continued

OTHER SUPERVISORY ISSUES

-
1. Is the holding company's policy on assessing dividends from the subsidiary bank(s) reasonable and is it being complied with? Yes If no to either, discuss.
 2. Has the holding company complied with all representations made in application(s) to the Board of Governors? Yes. If not, discuss
 3. Does the subsidiary bank(s) maintain compensating balances at another institution for debt advanced to the holding company? No If the bank is not adequately compensated, discuss.
 4. If applicable, describe the holding company's policy on assessing management and service fees for work performed for the subsidiary bank. Are policies and fees reasonable? Yes. If not, discuss.
 5. Are there any intercompany transactions subject to comment? No If so, discuss
 6. Are there any insider transactions subject to comment? No. If so, discuss
 7. Do the holding company's intercorporate income tax accounting policies and practices conform with the Board of Governors' September 1978 policy statement? Yes. If not, discuss.
 8. If the holding company uses a subsidiary bank's personnel or assets to sell credit-related life insurance to the bank's customers, does the holding company give the bank reasonable compensation for its services? Yes. If not, discuss.
 9. Is the holding company in compliance with the tie-in prohibitions contained in Section 106(b) of the BHC Act Amendments of 1970? Yes. If not, discuss
 10. Is the holding company or its subsidiary(ies) a defendant in any litigation which could have a significantly adverse effect on the overall organization? No If so, discuss
 11. Is the insurance program for the holding company and its subsidiary(ies) considered adequate? Yes If not, discuss.
 12. Are reports filed with the Federal Reserve System prepared accurately and submitted on a timely basis? Yes. If not, discuss.
 13. Did the inspection uncover any violation of law, regulation or Federal Reserve policy statement not cited above? No. If so, discuss.
 14. Does the holding company or its subsidiary(ies) have any outstanding commitments to the Board of Governors? No If so, discuss. Before the Gramm-Leach-Bliley Act became effective, as part of the merger approval process for Citicorp and Travelers, Citigroup Inc entered into an agreement (Board Order) with the BOG The primary covenants identified the need for the firm to upgrade its risk management aggregation systems to encompass the firm's group-wide exposures and develop a Privacy Promise for its customers The firm continues to make good progress on these initiatives
 15. Is there any other matter having a detrimental impact on the subsidiary bank(s) not discussed elsewhere in this report? No If so, discuss.
 16. Does the holding company or its subsidiary(ies) have an internal credit risk-rating system? Yes If so, is it adequate? Yes. If no, how does the organization effectively monitor credit risk?
 17. Other Matters None
-

**CONFIDENTIAL SECTION
ADMINISTRATIVE MATTERS - CONTINUED**

Final meeting date and those attending:

Meeting was held on March 11, 2002 In attendance from the Federal Reserve Bank of New York were Homer C Hill, III, Assistant Vice President, and Sarah Dahlgren, Senior Vice President, and from Citigroup Inc were Sandy Weill, Chairman and CEO, Todd Thomson, CFO and Bob Willumstad, President

Contact persons for records of bank holding company.

Suggestions for the next inspection.

For a listing of scheduled reviews, please refer to the Supervisory Plan of the risk-focused documents

Citigroup Summary Review

The CPC and EIC should arrange to meet with the primary contacts, Joan Guggenheimer and Shelley Dropkin, two months prior to a review to present the applicable entry letters

Joan (816-0564) and Shelley (793-7396) are responsible for coordinating the entry letter responses The Audit division will also provide official listing of names and telephone numbers for examiner use

Parent Company and Liquidity/Funding Questions concerning the parent company's legal structure, dividend capacity and cash flow should be directed to Greg Ehlke (559-0302) and Marty Waters (559-3249) of the Office of Corporate Finance For Liquidity and Funding contact Firoz Tarapore (793-8090) and Marc Weinberg (559-1824)

Asset Quality Mr Julian Lustig (559- 3259), Vice President - Credit Risk Information and Reporting section of Risk Architecture, is directly responsible for our consolidated asset quality reports Key monthly reports are the Citigroup Consolidated Credit Portfolio Review, the Citigroup Credit Risk Report and the Country Concentrations Report The Country Risk monthly report is provided by the office of Doug Smee (559-1470), chief economist of emerging markets Quarterly SEC reports including the financial data supplements are furnished by Grace Vogel (559-9392), Deputy Controller of Citigroup

For a granular view of the Consumer portfolio, key reports are the Monthly Global Consumer Group's Credit Risk Management Reports which are supplemented by additional Risk Management Reviews of North America, Latin America, Asia Pacific, Western Europe and Eastern Europe- MidEast and Africa The monthly International Consumer Finance Portfolios cover the Associates, Atlas, Credito Familiar and Provencred portfolios To streamline Citi's reporting to the resident examiners, each of these reports are shared with the OCC examiners The OCC examiner in charge of the Global Consumer Bank, is Roy Stovall (527-1042)

Risk Management Questions concerning risk management should be directed to Petros Sabatacakis (793-5243), Senior Risk Manager Other contacts include Nancy Newcomb, Windows on Risk (559-2773) and Gene Jacoby of the OCC (527-0154)

Audit and Internal Controls Questions concerning audit and internal controls should be directed to Douglas Peterson, Chief Auditor (657-3416) and Paula Burton (657-2212)

Earnings The primary contact regarding earnings is Grace Vogel, Deputy Controller of Citigroup (559-9392)

Technology Questions pertaining to Information Systems and Technology should be directed to Mel Taub (793-1215), William Philhower, Chief Technology Auditor (718-248-0067)

CITIGROUP INC. - Annual Roll-up

Event # 310764

Start Date 2/4/02 End Date 3/29/02

Week ending Feb 8th

Week ending Feb 15th

Name	Position	Commissioned/ Non-commissioned	Mon	Tues	Wed	Thurs	Fr	Total	Mon	Tues	Wed	Thurs	Fr	Total	Mon	
			4-Feb	5-Feb	6-Feb	7-Feb	8-Feb		11-Feb	12-Feb	13-Feb	14-Feb	15-Feb		18-Feb	
Homer C Hill III	CPC	Commissioned					(Flex Day) 2 00	2 00						3 00	3 00	(Holiday)
Jane Green	Market Risk	Commissioned						0 00								0 00
Jerry Kotch	Credit Risk	Commissioned	10 00	10 00	10 00	10 00		40 00	10 00	10 00	10 00	10 00	14 00	54 00		
Kenneth Behrens	Operational Risk	Commissioned						0 00	8 00					8 00		
Camille Taylor	Financial Analyst	Non-commissioned	0 00	0 00	3 00	0 00		3 00	4 00	5 00	8 00	5 00	7 00	29 00		
Randolph Brown	Eco Capital/Ops Risk	Commissioned	8 00	8 00	8 00	8 00		32 00	8 00	8 00	8 00	8 00	7 00	39 00		
William Hilton	Consumer Credit Risk	Commissioned						0 00						0 00		
* Michael Cowte	Insurance Risk	Commissioned						0 00		4 00	3 00	4 00		11 00		
Elise Liebers	Insurance Risk	Commissioned						0 00	2 00					2 00		

Grand Total for the Week

77 00

Grand Total for the Week

146 00

Grand To

* Not on the same Flex schedule

Total # of Hours 682 50

Week ending Feb 22nd					Week ending March 1st						Week ending March 8th						Week ending March 13th				
Tues	Wed	Thurs	Fri	Total	Mon	Tues	Wed	Thurs	Fri	Total	Mon	Tues	Wed	Thurs	Fri	Total	Mon	Tues	Wed		
19-Feb	20-Feb	21-Feb	22-Feb		25-Feb	26-Feb	27-Feb	28-Feb	1-Mar		4-Mar	5-Mar	6-Mar	7-Mar	8-Mar		11-Mar	12-Mar	13-Mar		
	4 00	3 00	(Flex Day) 6 00	13 00	8 00	3 00	3 00	2 00	3 00	19 00					(Flex Day)	2 00	2 00	5 00			
		12 50		12 50	11 00	9 00				20 00		2 00				6 00					
11 00	11 00	10 00	10 00	42 00						0 00											
8 00		8 00		16 00	4 00	8 00				12 00	5 00					5 00					
10 00	10 00	11 00	5 00	36 00	6 00	8 00	9 00	9 00	11 00	43 00			2 00	3 00		5 00	4 00	4 00			
8 00	8 00	7 00		23 00	8 00	8 00	8 00	8 00	7 00	39 00	8 00	8 00				16 00					
				0 00						0 00						0 00					
4 00	6 00	6 00		16 00	3 00	3 00		2 00		8 00	2 00	3 00				5 00					
	4 00	4 00		8 00		3 00				3 00	2 00					2 00					
Total for the Week				166 50	Grand Total for the Week						144 00	Grand Total for the Week						41 00	Grand Total for the Week		

March 15th

Week ending March 22nd

Week ending March 29th

Thurs	Fri	Total	Mon	Tues	Wed	Thurs	Fri	Total	Mon	Tues	Wed	Thurs	Fri	Total	Grand Total
14-Mar	15-Mar		18-Mar	19-Mar	20-Mar	21-Mar	22-Mar		25-Mar	26-Mar	27-Mar	28-Mar	29-Mar		
	2 00	9 00	3 00	4 00	4 00	8 00	(Flex Day)	19 00		12 00		5 00	8 00	25 00	92 00
2 00	2 00	4 00	7 00	8 00	7 00	7 00		29 00						0 00	71 50
		0 00						0 00						0 00	136 00
		0 00						0 00						0 00	41 00
	3 00	11 00		2 00	3 00	0 00		5 00						0 00	132 00
		0 00						0 00						0 00	149 00
		0 00	2 00		1 00	3 00		6 00						0 00	6 00
		0 00						0 00						0 00	40 00
		0 00						0 00						0 00	15 00
		24 00	Grand Total for the Week					59 00	Grand Total for the Week					25 00	682 50

**- RESTRICTED -
NATIONAL EXAMINATION DATA
BHC INSPECTION - LARGE INPUT FORM
BHC's OVER \$150MM IN CONSOLIDATED ASSETS**

SUPERVISORY DATA INPUT					
RSSD ID Number	1951350				
Select Form	Large BHC Inspection				
Name of BHC	Citigroup Inc				
Location	City	New York	State	New York	
DATES (CCYY-MM-DD)					
Scheduled Start Date	2/4/02	Start Date	2/4/02	Financial As Of Date	12/31/01
Asset Quality Review Date	12/31/01	Close Date	3/29/02		
Exit Meeting Date	3/11/02	Report Disposition Date	4/1/02		
Report Disposition	<input checked="" type="checkbox"/>	Mailed to Institution	<input type="checkbox"/>	For Internal Use Only	

GENERAL						
Continuous Exam?	<input checked="" type="checkbox"/>	Yes	<input type="checkbox"/>	No		
Inspection Mandated?	<input checked="" type="checkbox"/>	Yes	<input type="checkbox"/>	No		
Location?	<input checked="" type="checkbox"/>	Onsite	<input type="checkbox"/>	Offsite		
Purpose	<input type="checkbox"/>	Change In Control	<input type="checkbox"/>	Compliance	<input type="checkbox"/>	De Novo
	<input type="checkbox"/>	Due Diligence	<input checked="" type="checkbox"/>	Routine	<input type="checkbox"/>	Surveillance
Conducted	<input type="checkbox"/>	Concurrent	<input checked="" type="checkbox"/>	Independent	<input type="checkbox"/>	Joint
Exam Scope	<input checked="" type="checkbox"/>	Full	<input type="checkbox"/>	Limited	<input type="checkbox"/>	Offsite Review
	<input type="checkbox"/>	Supervisory Assessment Activity	<input type="checkbox"/>	Target	<input type="checkbox"/>	Risk Assessment

Targeted Area(s) - If a targeted examination, place an "X" by appropriate entry(s)

<input type="checkbox"/>	Accounting/Financial Reporting	<input type="checkbox"/>	Credit Administration	<input type="checkbox"/>	Investment Advisory Services	<input type="checkbox"/>	Other Nonbank					
<input type="checkbox"/>	Asset/Liability Management	<input type="checkbox"/>	Earnings	<input type="checkbox"/>	Leasing	<input type="checkbox"/>	Pending/Threatened Litigation					
<input type="checkbox"/>	Asset Quality	<input type="checkbox"/>	Fair Lending	<input type="checkbox"/>	Loan Review	<input type="checkbox"/>	Private Banking					
<input type="checkbox"/>	Bank Secrecy Act	<input type="checkbox"/>	Funding/Liquidity	<input type="checkbox"/>	Mergers and Acquisitions	<input type="checkbox"/>	Risk Management					
<input type="checkbox"/>	Broker/Dealer	<input type="checkbox"/>	Infrastructure	<input type="checkbox"/>	Mgmt Information Systems	<input type="checkbox"/>	Section 20					
<input type="checkbox"/>	Capital Markets	<input type="checkbox"/>	Insurance	<input type="checkbox"/>	Mortgage Banking	<input type="checkbox"/>	Strategic Planning					
<input type="checkbox"/>	Community Banking	<input type="checkbox"/>	Intercompany Transactions	<input type="checkbox"/>	Mutual Funds	<input type="checkbox"/>	Venture Capital Investments					
<input type="checkbox"/>	Compliance	<input type="checkbox"/>	Interest Rate Risk	<input type="checkbox"/>	Other	<input type="checkbox"/>	Wire Transfer					
<input type="checkbox"/>	Consumer Lending	<input type="checkbox"/>	Internal Controls/Audit	<input type="checkbox"/>	Supervisory Assessment							
Lead Agency	<input checked="" type="checkbox"/>	FRB	<input type="checkbox"/>	NASD	<input type="checkbox"/>	OCC	<input type="checkbox"/>	OTS	<input type="checkbox"/>	SEC	<input type="checkbox"/>	State
Lead Office	New York											
NAME OF PARTICIPATING AGENCY(IES)	OFFICE	ROLE										
		Participant					Reviewer					
		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

GENERAL (Continued)											
Lead BOPEC/FM Rating	2	2	1	1	1	/	2	S	Risk Management Rating	2	
Problem Bank(s)?	<input type="checkbox"/>	Yes	<input checked="" type="checkbox"/>	No							
Reviewer BOPEC/FM Rating						/			Risk Management Rating		
Problem Bank(s)?	<input type="checkbox"/>	Yes	<input type="checkbox"/>	No							

ASSET QUALITY Dollar Value in Thousands (000)			
CLASSIFIED	Parent	Bank(s)	Nonbank(s)
Substandard		14,647,000	1,698,000
Value Impaired Assets		745,000	
Doubtful Assets		3,317,000	19,000
Loss Assets		157,000	
OTHER			
Special Mention Assets		23,729,000	48,000
OTRP Assets		1,082,000	
ALLOWANCES			
ALLL		10,088,000	
ATRR			
Tier 1 Risk-Based Capital		58,454,000	

STAFF RESOURCES FOR EACH AGENCY (Lead, Participant, and/or Review) (Last Name, First Name)			
Agency (e.g., FRB Boston)	FRB of New York		
Examiner in Charge	Homer C Hill, III		
Reviewer			

EXAMINATION HOURS - Lead Agency		Budgeted <input type="checkbox"/>	Actual <input type="checkbox"/>		
BY STAGE		BY CATEGORY			
	<u>On-site</u>	<u>Off-site</u>	Commissioned	550 50	
Preparation			Noncommissioned	132 00	
Examination	682 50		Training		
Report Development					
Total By Stage		682 50	Total By Category	682 50	
Travel			GRAND TOTAL (+Travel)	682 50	

EXAMINATION HOURS - Participating Agency		Budgeted <input type="checkbox"/>	Actual <input type="checkbox"/>		
Name of Participating Agency					
	<u>On-site</u>	<u>Off-site</u>	Commissioned		
Preparation			Noncommissioned		
Examination			Training		
Report Development					
Total By Stage			Total By Category		
Travel			GRAND TOTAL (+Travel)		

OTHER			
Coordinated with SMB Examination?	<input type="checkbox"/>	Yes	<input checked="" type="checkbox"/> No
Coordinated with Lead Bank Examination?	<input type="checkbox"/>	Yes	<input checked="" type="checkbox"/> No
External Auditor Present at Exit Meeting?	<input type="checkbox"/>	Yes	<input checked="" type="checkbox"/> No
Board Meeting Mandated?	<input checked="" type="checkbox"/>	Yes	<input type="checkbox"/> No

ADDITIONAL BHCs REVIEWED					
RSSD ID	Offsite? (Y/N)	Separate Rpt? (Y/N)	BOPEC/FM	Risk Assmt? (Y/N)	Name and Location

ADDITIONAL NONBANKs REVIEWED			
RSSD ID	Offsite? (Y/N)	Risk Assmt? (Y/N)	Name and Location

Input Form Prepared By	Camille M Taylor
Date Prepared	April 9, 2002

DATA/DATE INPUT			
	<u>Open</u>	<u>Preliminary</u>	<u>Final</u>
NED Data Input By			
Date Input Into NED			
Supervisory Event Number			