CITIGROUP INC
Form 10-Q
August 03, 2007

SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

FORM 10-Q

x	**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2007

OR

o	**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from ________ to _______

Commission file number 1-9924

Citigroup Inc.

(Exact name of registrant as specified in its charter)

Delaware	**52-1568099**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

399 Park Avenue, New York, New York 10043

(Address of principal executive offices) (Zip Code)

(212) 559-1000

(Registrant s telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer x (Accelerated filer o Non-accelerated filer o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No x

Indicate the number of shares outstanding of each of the issuer s classes of common stock as of the latest practicable date:

Common stock outstanding as of June 30, 2007: 4,974,552,734

Available on the Web at www.citigroup.com

Citigroup Inc.

TABLE OF CONTENTS

Part I–Financial Information

Part II–Other Information

THE COMPANY

Citigroup Inc. (Citigroup and, together with its subsidiaries, the Company) is a diversified global financial services holding company. Our businesses provide a broad range of financial services to consumer and corporate customers. Citigroup has more than 200 million customer accounts and does business in more than 100 countries. Citigroup was incorporated in 1988 under the laws of the State of Delaware.

The Company is a bank holding company within the meaning of the U.S. Bank Holding Company Act of 1956 registered with, and subject to examination by, the Board of Governors of the Federal Reserve System (FRB). Some of the Company s subsidiaries are subject to supervision and examination by their respective federal, state and foreign authorities.

This quarterly report on Form 10-Q should be read in conjunction with Citigroup s 2006 Annual Report on Form 10-K. Additional financial, statistical, and business-related information, as well as business and segment trends, is included in a Financial Supplement that was filed as Exhibit 99.2 to the Company s Current Report on Form 8-K, filed with the Securities and Exchange Commission (SEC) on July 20, 2007.

The principal executive offices of the Company are located at 399 Park Avenue, New York, New York 10043. The telephone number is 212 559 1000. Additional information about Citigroup is available on the Company s Web site at www.citigroup.com. Citigroup s annual report on Form 10-K, its quarterly reports on Form 10-Q, its current reports on Form 8-K, and all amendments to these reports are available free of charge through the Company s web site by clicking on the Investor Relations page and selecting SEC Filings. The SEC s web site contains reports, proxy and information statements, and other information regarding the Company at www.sec.gov.

Citigroup is managed along the following segment and product lines:

CITIGROUP SEGMENTS AND PRODUCTS

Global Consumer Group		Markets & Banking	Global Wealth Management	Alternative Investments	Corporate / Other
		• **Securities and Banking**	• **Smith Barney**	- Private equity	- Treasury
U.S	**International**	- Investment banking	- Advisory	- Hedge funds	- Operations and technology
		- Debt and equity markets	- Financial planning	- Real estate	- Corporate expenses
		- Lending	- Brokerage	- Structured products	- Discontinued operations
		• **Transaction Services**	• **Private Bank**	- Managed futures	
		- Cash management	- Wealth management services		
		- Trade services	• **Citigroup Investment Research**		
		- Custody and fund services	- Equity and fixed income research		
		- Clearing services			
		- Agency/trust services			

• **Cards**	• **Cards**
- MasterCard, VISA, Diners Club, private label and Amex	- MasterCard, VISA,Diners Club and private label
• **Consumer Lending**	• **Consumer Finance**
- Real estate lending	- Real estate lending
- Student loans	- Personal loans
- Auto loans	- Auto loans
• **Retail Distribution**	• **Retail Banking**
- Citibank branches	- Retail bank branches
- CitiFinancial branches	- Small and middle market commercial banking
- Primerica Financial Services	- Investment services
• **Commercial Business**	- Retirement services
	- Real estate lending
- Small and middle market commercial banking	- Personal loans
	- Sales finance

The following are the six regions in which Citigroup operates. The regional results are fully reflected in the product results.

CITIGROUP REGIONS

United States (1) (U.S.)	**Mexico**	**Europe, Middle East & Africa (EMEA)**	**Japan**	**Asia (excl. Japan)**	**Latin America**

(1) Disclosure includes Canada and Puerto Rico.

CITIGROUP INC. AND SUBSIDIARIES

SUMMARY OF SELECTED FINANCIAL DATA

In millions of dollars, except per share amounts	Three Months Ended June 30, 2007	2006	% Change	Six Months Ended June 30, 2007	2006	% Change
Net interest revenue	**$ 11,426**	$ 9,855	16 %	**$ 21,996**	$ 19,621	12 %
Non-interest revenue	**15,204**	12,327	23	**30,093**	24,744	22
Revenues, net of interest expense	**$ 26,630**	$ 22,182	20 %	**$ 52,089**	$ 44,365	17 %
Restructuring expense	**63**			**1,440**		
Other operating expenses	**14,792**	12,769	16	**28,986**	26,127	11
Provisions for credit losses and for benefits and claims	**2,717**	1,817	50	**5,684**	3,490	63
Income from continuing operations before taxes and minority interest	**$ 9,058**	$ 7,596	19 %	**$ 15,979**	$ 14,748	8 %
Income taxes	**2,709**	2,303	18	**4,571**	3,840	19
Minority interest, net of taxes	**123**	31	NM	**170**	91	87
Income from continuing operations	**$ 6,226**	$ 5,262	18 %	**$ 11,238**	$ 10,817	4 %
Income from discontinued operations, net of taxes(1)		3	(100)		87	(100)
Net Income	**$ 6,226**	$ 5,265	18 %	**$ 11,238**	$ 10,904	3 %
Earnings per share						
Basic:						
Income from continuing operations	**$ 1.27**	$ 1.07	19 %	**$ 2.29**	$ 2.20	4 %
Net income	**1.27**	1.07	19	**2.29**	2.21	4
Diluted:						
Income from continuing operations	**1.24**	1.05	18	**2.25**	2.16	4
Net income	**1.24**	1.05	18	**2.25**	2.17	4
Dividends declared per common share	**$ 0.54**	$ 0.49	10	**$ 1.08**	$ 0.98	10
At June 30:						
Total assets	**$ 2,220,866**	$ 1,626,551	37 %			
Total deposits	**771,761**	645,805	20			
Long-term debt	**340,077**	239,557	42			
Mandatorily redeemable securities of subsidiary trusts	**10,095**	6,572	54			
Common stockholders equity	**127,154**	114,428	11			
Total stockholders equity	**127,754**	115,428	11			
Ratios:						
Return on common stockholders equity**(2)**	**20.1 %**	18.6 %		**18.6 %**	19.5 %	
Return on risk capital**(3)**	**35 %**	38 %		**33 %**	39 %	
Return on invested capital**(3)**	**20 %**	19 %		**19 %**	20 %	
Tier 1 Capital	**7.91 %**	8.51 %				
Total Capital	**11.23**	11.68				
Leverage**(4)**	**4.37**	5.19				
Common stockholders equity to assets	**5.73 %**	7.04 %				
Dividend payout ratio**(5)**	**43.5 %**	46.7 %		**48.0 %**	45.2 %	
Ratio of earnings to fixed charges and preferred stock dividends	**1.47 x**	1.55x		1.43 x	1.56 x	

(1) Discontinued operations relates to residual items from the Company s sale of Travelers Life & Annuity, which closed during the 2005 third quarter, and the Company s sale of substantially all of its Asset Management Business, which closed during the 2005 fourth quarter. See Note 2 on page 53.

(2) The return on average common stockholders equity is calculated using net income minus preferred stock dividends.

(3) Risk capital is a measure of risk levels and the trade-off of risk and return. It is defined as the amount of capital required to absorb potential unexpected economic losses resulting from extremely severe events over a one-year time period. Return on risk capital is calculated as annualized income from continuing operations divided by average risk capital. Invested capital is defined as risk capital plus goodwill and intangible assets excluding mortgage servicing rights (which are a component of risk capital). Return on invested capital is calculated using income adjusted to exclude a net internal charge Citigroup levies on the goodwill and intangible assets of each business offset by each business

share of the rebate of the goodwill and intangible asset charge. Return on risk capital and return on invested capital are non-GAAP performance measures; because they are measures of risk with no basis in GAAP, there is no comparable GAAP measure to which they can be reconciled. Management uses return on risk capital to assess businesses operational performance and to allocate Citigroup s balance sheet and risk capital capacity. Return on invested capital is used to assess returns on potential acquisitions and to compare long-term performance of businesses with differing proportions of organic and acquired growth. See page 24 for a further discussion of risk capital.

(4) Tier 1 Capital divided by adjusted average assets.

(5) Dividends declared per common share as a percentage of net income per diluted share.

NM Not meaningful

MANAGEMENT S DISCUSSION AND ANALYSIS

SECOND QUARTER 2007

MANAGEMENT SUMMARY

Income from continuing operations rose 18% to $6.226 billion and was the highest ever recorded by the Company. Diluted EPS from continuing operations was also up 18%.

Revenues were a record $26.6 billion, up 20% from a year ago, led by Markets & Banking, up 33%. Our international operations recorded revenue growth of 34% in the quarter, with International Consumer up 16%, International Markets & Banking up 50%, and International Global Wealth Management more than doubling. U.S. Consumer revenues grew 3%, while Alternative Investments revenues grew 77%. Acquisitions represented approximately 4% of the revenue growth.

Customer volume growth was strong, with average loans up 16%, average deposits up 20%, and average interest-earning assets up 32%. *International Cards* purchase sales were up 31%, while *U.S. Cards* sales were up 6%. In Global Wealth Management, client assets under fee-based management were up 40% from year-ago levels, and client assets in Alternative Investments grew 55%. Branch activity included the opening or acquisition of 160 new branches during the quarter (136 internationally and 24 in the U.S.).

Ten international acquisitions since October of 2006 have been announced, consistent with our efforts to drive growth through a balance of organic investment and targeted acquisitions, and to expand our international franchise. We increased our ownership of Nikko Cordial Corporation to 68% during the second quarter of 2007. Nikko Cordial financial results are now consolidated in Citigroup s consolidated financial statements.

International businesses contributed 49% of the Company s revenue in the second quarter of 2007 and 50% of income, up from 43% and 43%, respectively, a year ago. Income and revenue were diversified by segment, product and region.

Net interest revenue increased 16% from last year reflecting volume increases across all products. Net interest margin in the second quarter of 2007 was 2.40%, down 33 basis points from the second quarter of 2006, as lower funding costs were offset by growth in lower-yielding assets in our trading businesses and assets from the Nikko acquisition (see discussion of net interest margin on page 30).

Operating expenses increased 16% from the second quarter of 2006 driven by increased business volumes and acquisitions (which contributed 4%). Expense growth was partially offset by savings from our Structural Expense Initiatives and the release of $300 million of litigation reserves reflecting our continued progress in favorably resolving WorldCom/Research Litigation matters. The relationship between revenue growth and expense growth continued to improve during the quarter with positive operating leverage of 4%.

Credit costs increased $934 million or 59%, primarily driven by an increase in net credit losses of $259 million and a net charge of $465 million to increase loan loss reserves. The $465 million net charge compares to a net reserve release of $210 million in the prior-year period. The build in U.S. Consumer was primarily due to increased reserves to reflect: higher delinquencies in second mortgages in *U.S. ConsumerLending*, a change in estimate of loan losses inherent in the *U.S. Cards* portfolio, and portfolio growth. The increase in International Consumer primarily reflected portfolio growth, an increase in past due accounts and portfolio seasoning in Mexico cards, higher net credit losses in Japan consumer finance, and the impact of recent acquisitions. The Global Consumer loss rate was 1.56%, an 8 basis-point increase from the second quarter of 2006. Corporate cash-basis loans declined 25% from year-ago levels to $599 million.

The effective tax rate was 29.9% in the second quarter of 2007, reflecting $96 million in tax benefits due to the initial application under APB 23 relating to certain foreign subsidiaries ability to indefinitely reinvest their earnings abroad. The effective tax rate in the second quarter of 2006 was 30.3%

Our stockholders equity and trust preferred securities grew to $137.8 billion at June 30, 2007. Stockholders equity increased by $5.7 billion during the quarter to $127.8 billion. We distributed $2.7 billion in dividends to shareholders. Return on common equity was 20.1% for the quarter. Citigroup maintained its well-capitalized position with a Tier 1 Capital Ratio of 7.91% at June 30, 2007.

We made good progress on our 2007 priorities: growing U.S. consumer, reweighting our business toward International Consumer, Markets & Banking and Global Wealth Management, expense management, and credit management. We expect that operating expenses, credit costs and income taxes in the third quarter of 2007 will have challenging comparisons to the third quarter of 2006. The challenging comparison is due to an unusually low level of operating expenses and certain tax benefits recorded in the third quarter of 2006, as well as the expectation that the consumer credit environment will continue to deteriorate in the second half of 2007 causing higher credit costs.

So far in the third quarter of 2007, we have continued to experience an increased level of delinquencies in our consumer mortgage portfolio, and some fixed income securities have experienced meaningful price deterioration due to a widening of credit spreads. This credit spread widening has negatively affected the valuation of certain fixed income securities that the Company holds and may affect the sale of certain debt financing commitments that the Company has with clients. See additional discussion on pages 18, 19 and 26.

Certain of the statements above are forward-looking statements within the meaning of the Private Securities Litigation Reform Act. See Forward-Looking Statements on page 44.

5

EVENTS IN 2007 AND 2006

Certain of the following statements are forward-looking statements within the meaning of the Private Securities Litigation Reform Act. See Forward-Looking Statements on page 44. Additional information regarding Events in 2007 and 2006 is available in the Company s Quarterly Report on Form 10-Q for the quarter ended March 31, 2007 and Annual Report on Form 10-K for the year ended December 31, 2006.

Nikko Cordial

On May 9, 2007, Citigroup completed its successful tender offer to become the majority shareholder of Nikko Cordial Corporation in Japan. Approximately 56% of Nikko s shares were acquired in the tender offer for a total cost of approximately $7.7 billion, bringing Citigroup s aggregate ownership stake in Nikko to approximately 61%. Citigroup later acquired additional Nikko shares to bring its aggregate ownership stake in Nikko to approximately 68% at June 30, 2007. At June 30, 2007, Citigroup consolidated Nikko Cordial financial results including the appropriate Minority Interest. Results for Nikko are included from May 9, 2007 forward.

Credit Reserves

During the second quarter of 2007, the Company recorded a net build of $465 million to its credit reserves, consisting of a net build of $491 million in Global Consumer and a net release/utilization of $26 million in Markets & Banking.

The build of $491 million in Global Consumer was primarily due to increased reserves to reflect: increased delinquencies in second mortgages in *U.S. Consumer Lending*; a change in estimate of loan losses inherent in the *U.S. Cards* portfolio; an increase in past due accounts and portfolio seasoning in *Mexico* cards; the impact of recent acquisitions; and overall growth in the portfolio.

The net build to its credit reserves in the second quarter of 2007 compares to the second quarter of 2006 net release/ utilization of $210 million, which consisted of a net release/ utilization of $328 million in Global Consumer and Global Wealth Management, and a net build of $118 million in Markets & Banking.

Acquisition of Grupo Cuscatlan

On May 11, 2007, Citigroup completed the acquisition of the subsidiaries of Grupo Cuscatlan for $1.51 billion ($755 million in cash and 14.2 million Citigroup shares) from Corporacion UBC Internacional S.A. Grupo Cuscatlan is one of the leading financial groups in Central America, with assets of $5.4 billion, loans of $3.5 billion, and deposits of $3.4 billion. Grupo Cuscatlan has operations in El Salvador, Guatemala, Costa Rica, Honduras and Panamá. The results of Grupo Cuscatlan are included from May 11, 2007 forward and are recorded in *International Retail Banking*.

Acquisition of Egg

On May 1, 2007, Citigroup completed its acquisition of Egg Banking plc (Egg), the world s largest pure online bank and one of the U.K. s leading online financial services providers, from Prudential PLC for approximately $1.15 billion. Egg has more than three million customers and offers various financial products and services including online payment and account aggregation services, credit cards, personal loans, savings accounts, mortgages, insurance and investments.

Acquisition of Bisys

On August 1, 2007, the Company completed its acquisition of Bisys Group, Inc. (Bisys) for $1.44 billion in cash. In addition, Bisys shareholders will receive $18.2 million in the form of a special dividend paid by Bisys. Citigroup completed the sale of the Retirement and Insurance Services Divisions of Bisys to affiliates of J.C. Flowers & Co. LLC, making the net cost of the transaction to Citigroup approximately $800 million. Citigroup will retain the Fund Services and Alternative Investment services businesses of Bisys which provides administrative services for hedge funds, mutual funds and private equity funds. Bisys will be included within Citigroup s *Transaction Services* business.

Acquisition of Old Lane Partners, L.P.

On July 2, 2007, the Company completed the acquisition of Old Lane Partners, L.P. and Old Lane Partners, GP, LLC (Old Lane). Old Lane is the manager of a global, multi-strategy hedge fund and a private equity fund with total assets under management and private equity commitments of approximately $4.5 billion. Old Lane will operate as part of Alternative Investments (AI), Citigroup s integrated alternative investments platform. Old Lane s Vikram Pandit became the Chief Executive Officer of AI.

Agreement to Establish Partnership with Quiñenco Banco de Chile

On July 19, 2007, Citigroup and Quiñenco entered into a definitive agreement to establish a strategic partnership that combines Citi operations in Chile with Banco de Chile s local banking franchise to create a banking and financial services institution with about 20% market share of the Chilean banking industry.

Under the agreement, Citi will initially acquire an approximate 32.96% stake in LQIF, a wholly owned subsidiary of Quiñenco that will then hold 57.1% of the voting rights and a 37.8% economic interest in Banco de Chile. In the initial phase, Citi will contribute Citi Chile and other assets (in cash or other businesses) for a total investment valued at $893 million. As part of the overall transaction, Citi will also acquire the U.S. businesses of Banco de Chile for approximately $130 million. Citi has the option to acquire an additional 17.04% stake in LQIF for approximately $900 million within three years. The new partnership calls for active participation by Citi in management of Banco de Chile, including board representation at both LQIF and Banco de Chile.

The transaction is expected to close in the first quarter of 2008, and is subject to customary regulatory reviews.

Acquisition of Automated Trading Desk

On July 2, 2007, Citigroup announced the agreement to acquire Automated Trading Desk (ATD), a leader in electronic market making and proprietary trading, for approximately $680 million ($102.6 million in cash and approximately 11.12 million shares of Citigroup stock). ATD will operate as a unit of Citigroup s Global Equities business, adding a network of broker/dealer customers to Citigroup s diverse base of institutional, broker/dealer and retail customers. The transaction is subject to regulatory approval and is expected to close in the third quarter of 2007.

Acquisition of Bank of Overseas Chinese

On April 9, 2007, Citigroup announced the agreement to acquire 100% of Bank of Overseas Chinese (BOOC) in Taiwan for approximately $427 million, subject to certain closing adjustments. BOOC offers a broad suite of corporate banking, consumer and wealth management products and services to more than one million clients through 55 branches in Taiwan.

This transaction will strengthen Citigroup s presence in Asia making it the largest international bank and 13th largest by total assets among all domestic Taiwan banks. Citigroup s acquisition of BOOC is subject to shareholder and U.S. and Taiwanese regulatory approvals and is expected to close during the second half of 2007.

Redecard IPO

On July 11, 2007, Citigroup (a 31.9% shareholder in Redecard S.A., the only merchant acquiring company for MasterCard in Brazil) sold 41.75 million Redecard shares as part of Redecard s initial public offering. After the sale of these shares, Citigroup remains a 25% shareholder in Redecard. An after-tax gain of approximately $400 million will be recorded in Citigroup s third quarter of 2007 financial results.

Resolution of Federal Tax Audit

In March 2006, the Company received a notice from the Internal Revenue Service (IRS) that they had concluded the tax audit for the years 1999 through 2002 (referred to hereinafter as the resolution of the Federal Tax Audit). For the first quarter of 2006, the Company released a total of $657 million from its tax contingency reserves related to the resolution of the Federal Tax Audit.

The following table summarizes the 2006 first quarter tax benefits, by business, from the resolution of the Federal Tax Audit:

In millions of dollars	**Total**
Global Consumer	$ 290
Markets & Banking	176
Global Wealth Management	13
Alternative Investments	58
Corporate/Other	61
Continuing Operations	$ 598
Discontinued Operations	59
Total	$ 657

Adoption of the Accounting for Share-Based Payments

On January 1, 2006, the Company adopted Statement of Financial Accounting Standards (SFAS) No. 123 (revised 2004), *Share-Based Payment* (SFAS 123(R)), which replaced the existing SFAS 123 and superseded Accounting Principles Board (APB) Opinion No. 25. SFAS 123(R) requires companies to measure and record compensation expense for stock options and other share-based payments based on the instruments fair value, reduced by expected forfeitures.

In adopting this standard, the Company conformed to recent accounting guidance that restricted or deferred stock awards issued to retirement-eligible employees who meet certain age and service requirements must be either expensed on the grant date or accrued over a service period prior to the grant date. This charge consisted of $398 million after-tax ($648 million pretax) for the immediate expensing of awards granted to retirement-eligible employees in January 2006.

The following table summarizes the SFAS 123(R) impact, by segment, on the 2006 first quarter pretax compensation expense for stock awards granted to retirement-eligible employees in January 2006 (the 2006 initial adoption of SFAS 123(R)   ):

In millions of dollars	**2006 First Quarter**
Global Consumer	$ 121
Markets & Banking	354
Global Wealth Management	145
Alternative Investments	7
Corporate/Other	21
Total	$ 648

The Company recorded the quarterly accrual for the stock awards that were granted in January 2007 during each of the quarters in 2006. During the first and second quarters of 2007, the Company recorded the quarterly accrual for the estimated stock awards that will be granted in January 2008.

7

SEGMENT, PRODUCT AND REGIONAL NET INCOME AND REVENUE

The following tables show the net income (loss) and revenue for Citigroup s businesses on a segment and product view and on a regional view:

Citigroup Net Income Segment and Product View

In millions of dollars	Three Months Ended June 30, 2007	2006	% Change	Six Months Ended June 30, 2007	2006	% Change
Global Consumer						
U.S. Cards	**$ 726**	$ 878	(17)%	**$ 1,623**	$ 1,804	(10)%
U.S. Retail Distribution	**453**	568	(20)	**841**	1,083	(22)
U.S. Consumer Lending	**441**	470	(6)	**800**	907	(12)
U.S. Commercial Business	**151**	138	9	**272**	264	3
Total U.S. Consumer(1)	**$ 1,771**	$ 2,054	(14)%	**$ 3,536**	$ 4,058	(13)%
International Cards	**$ 351**	$ 328	7%	**$ 739**	$ 619	19%
International Consumer Finance	**(6)**	173	NM	**19**	341	(94)
International Retail Banking	**671**	714	(6)	**1,211**	1,391	(13)
Total International Consumer	**$ 1,016**	$ 1,215	(16)%	**$ 1,969**	$ 2,351	(16)%
Other	**$ (91)**	$ (92)	1%	**$ (176)**	$ (159)	(11)%
Total Global Consumer	**$ 2,696**	$ 3,177	(15)%	**$ 5,329**	$ 6,250	(15)%
Markets & Banking						
Securities and Banking	**$ 2,145**	$ 1,412	52%	**$ 4,318**	$ 3,030	43%
Transaction Services	**514**	340	51	**961**	663	45
Other	**173**	(29)	NM	**174**	(41)	NM
Total Markets & Banking	**$ 2,832**	$ 1,723	64%	**$ 5,453**	$ 3,652	49%
Global Wealth Management						
Smith Barney	**$ 321**	$ 238	35%	**$ 645**	$ 406	59%
Private Bank	**193**	109	77	**317**	228	39
Total Global Wealth Management	**$ 514**	$ 347	48%	**$ 962**	$ 634	52%
Alternative Investments	**$ 456**	$ 257	77%	**$ 678**	$ 610	11%
Corporate/Other	**(272)**	(242)	(12)	**(1,184)**	(329)	NM
Income from Continuing Operations	**$ 6,226**	$ 5,262	18%	**$ 11,238**	$ 10,817	4%
Income from Discontinued Operations(2)		3	(100)		87	(100)
Total Net Income	**$ 6,226**	$ 5,265	18%	**$ 11,238**	$ 10,904	3%

(1) U.S. disclosure includes Canada and Puerto Rico.

(2) See Note 2 on page 53.

NM Not meaningful

8

Citigroup Net Income Regional View

In millions of dollars	% of Total(1)	Three Months Ended June 30, 2007	2006	% Change	Six Months Ended June 30, 2007	2006	% Change
U.S.(2)							
Global Consumer		**$ 1,680**	$ 1,962	(14)%	**$ 3,360**	$ 3,899	(14)%
Markets & Banking		**984**	747	32	**1,983**	1,262	57
Global Wealth Management		**335**	290	16	**696**	518	34
Total *U.S.*	**50%**	**$ 2,999**	$ 2,999		**$ 6,039**	$ 5,679	6%
Mexico							
Global Consumer		**$ 360**	$ 375	(4)%	**$ 732**	$ 733	
Markets & Banking		**95**	88	8	**209**	166	26%
Global Wealth Management		**15**	10	50	**27**	18	50
Total *Mexico*	**8%**	**$ 470**	$ 473	(1)%	**$ 968**	$ 917	6%
EMEA							
Global Consumer		**$ 148**	$ 215	(31)%	**$ 231**	$ 400	(42)%
Markets & Banking		**803**	342	NM	**1,497**	977	53
Global Wealth Management		**46**	5	NM	**53**	8	NM
Total *EMEA*	**17%**	**$ 997**	$ 562	77%	**$ 1,781**	$ 1,385	29%
Japan							
Global Consumer		**$ 32**	$ 178	(82)%	**$ 77**	$ 366	(79)%
Markets & Banking		**124**	72	72	**159**	157	1
Global Wealth Management		**30**			**30**		
Total *Japan*	**3%**	**$ 186**	$ 250	(26)%	**$ 266**	$ 523	(49)%
Asia							
Global Consumer		**$ 426**	$ 359	19%	**$ 809**	$ 706	15%
Markets & Banking		**567**	336	69	**1,128**	750	50%
Global Wealth Management		**74**	40	85	**139**	85	64
Total *Asia*	**17%**	**$ 1,067**	$ 735	45%	**$ 2,076**	$ 1,541	35%
Latin America							
Global Consumer		**$ 50**	$ 88	(43)%	**$ 120**	$ 146	(18)%
Markets & Banking		**259**	138	88	**477**	340	40
Global Wealth Management		**14**	2	NM	**17**	5	NM
Total *Latin America*	**5%**	**$ 323**	$ 228	42%	**$ 614**	$ 491	25%
Alternative Investments		**$ 456**	$ 257	77%	**$ 678**	$ 610	11%
Corporate/Other		**(272)**	(242)	(12)	**(1,184)**	(329)	NM
Income from Continuing Operations		**$ 6,226**	$ 5,262	18%	**$ 11,238**	$ 10,817	4%
Income from Discontinued Operations(3)			3	(100)		87	(100)
Total Net Income		**$ 6,226**	$ 5,265	18%	**$ 11,238**	$ 10,904	3%
Total International	**50%**	**$ 3,043**	$ 2,248	35%	**$ 5,705**	$ 4,857	17%

(1) Second quarter of 2007 as a percent of total Citigroup net income, excluding Alternative Investments and Corporate/Other.

(2) Excludes Alternative Investments and Corporate/Other, which are predominantly related to the *U.S.* The *U.S.* regional disclosure includes Canada and Puerto Rico. Global Consumer for the *U.S.* includes Other Consumer.

(3) See Note 2 on page 53.

NM Not meaningful

9

Citigroup Revenues Segment and Product View

In millions of dollars	Three Months Ended June 30, 2007	2006	% Change	Six Months Ended June 30, 2007	2006	% Change
Global Consumer						
U.S. Cards	**$ 3,181**	$ 3,251	(2)%	**$ 6,475**	$ 6,485	
U.S. Retail Distribution	**2,545**	2,499	2	**4,971**	4,795	4%
U.S. Consumer Lending	**1,606**	1,307	23	**3,157**	2,567	23
U.S. Commercial Business	**446**	516	(14)	**889**	986	(10)
Total U.S. Consumer(1)	**$ 7,778**	$ 7,573	3%	**$ 15,492**	$ 14,833	4%
International Cards	**$ 2,013**	$ 1,510	33%	**$ 3,752**	$ 2,790	34%
International Consumer Finance	**843**	1,009	(16)	**1,733**	1,971	(12)
International Retail Banking	**3,030**	2,555	19	**5,789**	5,022	15
Total International Consumer	**$ 5,886**	$ 5,074	16%	**$ 11,274**	$ 9,783	15%
Other	**$ (2)**	$ (19)	89%	**$ 2**	$ (33)	NM
Total Global Consumer	**$ 13,662**	$ 12,628	8%	**$ 26,768**	$ 24,583	9%
Markets & Banking						
Securities and Banking	**$ 7,121**	$ 5,269	35%	**$ 14,434**	$ 11,165	29%
Transaction Services	**1,840**	1,495	23	**3,485**	2,877	21
Other		(3)	100	**(1)**	(2)	50
Total Markets & Banking	**$ 8,961**	$ 6,761	33%	**$ 17,918**	$ 14,040	28%
Global Wealth Management						
Smith Barney	**$ 2,611**	$ 1,990	31%	**$ 4,857**	$ 3,977	22%
Private Bank	**586**	502	17	**1,158**	998	16
Total Global Wealth Management	**$ 3,197**	$ 2,492	28%	**$ 6,015**	$ 4,975	21%
Alternative Investments	**$ 1,032**	$ 584	77%	**$ 1,594**	$ 1,259	27%
Corporate/Other	**(222)**	(283)	22	**(206)**	(492)	58
Total Net Revenues	**$ 26,630**	$ 22,182	20%	**$ 52,089**	$ 44,365	17%

(1) U.S. disclosure includes Canada and Puerto Rico.

NM Not meaningful

10

Citigroup Net Income Segment and Product View

Citigroup Revenues Regional View

In millions of dollars	% of Total(1)	Three Months Ended June 30, 2007	2006	% Change	Six Months Ended June 30, 2007	2006	% Change
U.S.(2)							
Global Consumer		**$ 7,776**	$ 7,554	3 %	**$ 15,494**	$ 14,800	5 %
Markets & Banking		**3,041**	2,803	8	**6,755**	5,726	18
Global Wealth Management		**2,439**	2,149	13	**4,824**	4,303	12
Total U.S.	**51 %**	**$ 13,256**	$ 12,506	6 %	**$ 27,073**	$ 24,829	9 %
Mexico							
Global Consumer		**$ 1,354**	$ 1,192	14 %	**$ 2,731**	$ 2,341	17 %
Markets & Banking		**183**	199	(8)	**410**	385	6
Global Wealth Management		**41**	33	24	**77**	64	20
Total Mexico	**6 %**	**$ 1,578**	$ 1,424	11 %	**$ 3,218**	$ 2,790	15 %
EMEA							
Global Consumer		**$ 1,618**	$ 1,360	19 %	**$ 3,064**	$ 2,630	17 %
Markets & Banking		**2,993**	2,043	47	**5,820**	4,339	34
Global Wealth Management		**137**	83	65	**245**	158	55
Total EMEA	**19 %**	**$ 4,748**	$ 3,486	36 %	**$ 9,129**	$ 7,127	28 %
Japan							
Global Consumer		**$ 680**	$ 807	(16)%	**$ 1,295**	$ 1,582	(18)%
Markets & Banking		**453**	269	68	**665**	565	18
Global Wealth Management		**286**			**286**		
Total Japan	**5 %**	**$ 1,419**	$ 1,076	32 %	**$ 2,246**	$ 2,147	5 %
Asia							
Global Consumer		**$ 1,464**	$ 1,244	18 %	**$ 2,823**	$ 2,433	16 %
Markets & Banking		**1,635**	1,062	54	**3,039**	2,194	39
Global Wealth Management		**242**	181	34	**476**	361	32
Total Asia	**13 %**	**$ 3,341**	$ 2,487	34 %	**$ 6,338**	$ 4,988	27 %
Latin America							
Global Consumer		**$ 770**	$ 471	63 %	**$ 1,361**	$ 797	71 %
Markets & Banking		**656**	385	70	**1,229**	831	48
Global Wealth Management		**52**	46	13	**107**	89	20
Total Latin America	**6 %**	**$ 1,478**	$ 902	64 %	**$ 2,697**	$ 1,717	57 %
Alternative Investments		**$ 1,032**	$ 584	77 %	**$ 1,594**	$ 1,259	27 %
Corporate/Other		**(222)**	(283)	22 %	**(206)**	(492)	58 %
Total Net Revenues		**$ 26,630**	$ 22,182	20 %	**$ 52,089**	$ 44,365	17 %
Total International	**49 %**	**$ 12,564**	$ 9,375	34 %	**$ 23,628**	$ 18,769	26 %

(1) Second quarter of 2007 as a percent of total Citigroup revenues, net of interest expense, excluding Alternative Investments and Corporate/Other.

(2) Excludes Alternative Investments and Corporate/Other, which are predominantly related to the *U.S.* The *U.S.* regional disclosure includes Canada and Puerto Rico. Global Consumer for the *U.S.* includes Other Consumer.

11

GLOBAL CONSUMER

Citigroup s Global Consumer Group provides a wide array of banking, lending, insurance and investment services through a network of 8,202 branches, approximately 19,300 ATMs, 708 Automated Loan Machines (ALMs), the Internet, telephone and mail, and the Primerica Financial Services salesforce. Global Consumer serves more than 200 million customer accounts, providing products and services to meet the financial needs of both individuals and small businesses.

In millions of dollars	Three Months Ended June 30, 2007	2006	% Change	Six Months Ended June 30, 2007	2006	% Change
Net interest revenue	**$ 8,189**	$ 7,481	9 %	**$ 15,833**	$ 14,705	8 %
Non-interest revenue	**5,473**	5,147	6	**10,935**	9,878	11
Revenues, net of interest expense	**$ 13,662**	$ 12,628	8	**$ 26,768**	$ 24,583	9 %
Operating expenses	**7,063**	6,379	11	**13,823**	12,736	9
Provisions for loan losses and for benefits and claims	**2,769**	1,649	68	**5,455**	3,317	64
Income before taxes and minority interest	**$ 3,830**	$ 4,600	(17)%	**$ 7,490**	$ 8,530	(12)%
Income taxes	**1,104**	1,400	(21)	**2,121**	2,247	(6)
Minority interest, net of taxes	**30**	23	30	**40**	33	21
Net income	**$ 2,696**	$ 3,177	(15)	**$ 5,329**	$ 6,250	(15)%
Average assets *(in billions of dollars)*	**$ 744**	$ 582	28 %	**$ 727**	$ 572	27 %
Return on assets	**1.45 %**	2.19 %		**1.48 %**	2.20 %	
Average risk capital(1)	**$ 33,599**	$ 27,522	22 %	**$ 32,627**	$ 27,618	18 %
Return on risk capital(1)	**32 %**	46 %		**33 %**	46 %	
Return on invested capital(1)	**16 %**	21 %		**16 %**	21 %	
Key Indicators *(in billions of dollars)*						
Average loans	**$ 487.4**	$ 431.7	13 %			
Average deposits	**$ 289.3**	$ 247.4	17 %			
Total branches	**8,202**	7,670	7 %			

(1) See footnote 3 to the table on page 4.

12

(This page intentionally left blank)

U.S. CONSUMER

U.S. Consumer is composed of four businesses: *Cards, Retail Distribution, Consumer Lending* and *Commercial Business* which operate in the U.S., Canada and Puerto Rico.

In millions of dollars	Three Months Ended June 30, 2007	2006	% Change	Six Months Ended June 30, 2007	2006	% Change
Net interest revenue	**$ 4,285**	$ 4,189	2 %	**$ 8,470**	$ 8,327	2 %
Non-interest revenue	**3,493**	3,384	3	**7,022**	6,506	8
Revenues, net of interest expense	**$ 7,778**	$ 7,573	3 %	**$ 15,492**	$ 14,833	4 %
Operating expenses	**3,644**	3,551	3	**7,273**	7,120	2
Provisions for loan losses and for benefits and claims	**1,504**	827	82	**2,974**	1,728	72
Income before taxes and minority interest	**$ 2,630**	$ 3,195	(18)%	**$ 5,245**	$ 5,985	(12)%
Income taxes	**845**	1,121	(25)	**1,687**	1,898	(11)
Minority interest, net of taxes	**14**	20	(30)	**22**	29	(24)
Net income	**$ 1,771**	$ 2,054	(14)%	**$ 3,536**	$ 4,058	(13)%
Average assets *(in billions of dollars)*	**$ 511**	$ 395	29 %	**$ 506**	$ 388	30 %
Return on assets	**1.39 %**	2.09 %		**1.41 %**	2.11 %	
Average risk capital(1)	**$ 18,221**	$ 14,797	23 %	**$ 18,014**	$ 14,933	21 %
Return on risk capital(1)	**39 %**	56 %		**40 %**	55 %	
Return on invested capital(1)	**19 %**	24 %		**19 %**	24 %	
Key Indicators *(in billions of dollars)*						
Average loans	**$ 346.8**	$ 319.2	9 %			
Average deposits	**$ 120.9**	$ 100.8	20 %			
Total branches	**3,433**	3,253	6 %			

(1) See footnote 3 to the table on page 4.

2Q07 vs. 2Q06

Net Interest Revenue was 2% better than the prior year, as growth in average deposits and loans of 20% and 9%, respectively, was partially offset by a decrease in net interest margins. Net interest margins declined due to an increase in higher-cost time deposit and e-savings balances, the securitization of higher-margin credit card receivables, and a mix toward lower-yielding mortgage assets.

Non-Interest Revenue increased 3% primarily due to higher loan and deposit volumes, 6% growth in Card purchase sales, and a higher level of securitized Card receivables. Growth was also driven by higher gains on sale of mortgage loans and net servicing revenues, and the impact of the acquisition of ABN AMRO Mortgage Group in the first quarter of 2007. Second quarter of 2006 results also included a $132 million pretax gain from the sale of upstate New York branches.

Operating expenses increased primarily due to acquisitions and increased investment spending, including 24 new branch openings during the quarter (15 in CitiFinancial and 9 in Citibank). Higher volume-related expenses primarily reflected 18% growth in loan originations in Consumer Lending.

Provisions for loan losses and for benefits and claims increased primarily reflecting a change in estimate of loan losses inherent in the U.S. Cards portfolio, portfolio seasoning and delinquencies in second mortgages, and higher loan volumes. The increase in provision for loan losses also reflected the absence of loan loss reserve releases recorded in the prior year. The net credit loss ratio increased 12 basis points to 1.26%.

2007 YTD vs. 2006 YTD

Net Interest Revenue was 2% better than the prior year, as growth in average deposits and loans of 20% and 10%, respectively, and higher risk-based fees in Cards, was partially offset by a decrease in net interest margins. Net interest margins declined due to an increase in higher-cost time deposit and e-savings balances, and the securitization of higher margin credit card receivables.

Non-Interest Revenue increased 8% primarily due to higher loan and deposit volumes, and 6% growth in Card purchase sales. Non-interest revenues also reflected a $161 million net pretax gain on the sale of MasterCard shares, the impact of the acquisition of ABN AMRO Mortgage Group in the first quarter of 2007, and higher gains on sale of mortgage loan and net servicing revenues. Second quarter of 2006 results also included a $132 million pretax gain from the sale of upstate New York branches.

Operating expenses increased primarily due to acquisitions, increased investment spending related to the 75 new branch openings during the first half of 2007 (45 in CitiFinancial and 30 in Citibank), and costs associated with Citibank Direct. The increase in 2007 was also favorably affected by the absence of the charge related to the initial adoption of SFAS 123(R) in the first quarter of 2006. Higher volume-related expenses primarily reflected 20% growth in loan originations in Consumer Lending businesses.

Provisions for loan losses and for benefits and claims increased primarily reflecting a change in estimate of loan losses inherent in the U.S. Cards portfolio. The increase in provision for loan losses also reflected the absence of loan loss reserve releases recorded in the prior year, higher loan volumes, portfolio seasoning and increased delinquencies in *second mortgages, as well as an increase in bankruptcy filings over unusually low filing levels experienced in the first half of 2006. The net credit loss ratio increased 9 basis points to 1.27%.*

The Net income decline in 2007 also reflects the absence of a $175 million tax benefit resulting from the resolution of the Federal Tax Audit from the first quarter of 2006.

INTERNATIONAL CONSUMER

International Consumer is comprised of three businesses: *Cards*, *Consumer Finance* and *Retail Banking*. International Consumer operates in five regions: *Mexico*, *Latin America*, *EMEA*, *Japan*, and *Asia*.

In millions of dollars	Three Months Ended June 30, 2007	2006	Change	Six Months Ended June 30, 2007	2006	Change
Net interest revenue	**$ 3,938**	$ 3,343	18 %	**$ 7,427**	$ 6,476	15 %
Non-interest revenue	**1,948**	1,731	13	**3,847**	3,307	16
Revenues, net of interest expense	**$ 5,886**	$ 5,074	16 %	**$ 11,274**	$ 9,783	15 %
Operating expenses	**3,264**	2,701	21	**6,240**	5,322	17
Provisions for loan losses and for benefits and claims	**1,265**	822	54	**2,481**	1,589	56
Income before taxes and minority interest	**$ 1,357**	$ 1,551	(13)%	**$ 2,553**	$ 2,872	(11)%
Income taxes	**325**	333	(2)	**566**	517	9
Minority interest, net of taxes	**16**	3	NM	**18**	4	NM
Net income	**$ 1,016**	$ 1,215	(16)%	**$ 1,969**	$ 2,351	(16)%
Revenues, net of interest expense, by region:						
Mexico	**$ 1,354**	$ 1,192	14 %	**$ 2,731**	$ 2,341	17 %
EMEA	**1,618**	1,360	19	**3,064**	2,630	17
Japan Cards and Retail Banking	**322**	192	68	**503**	376	34
Asia	**1,464**	1,244	18	**2,823**	2,433	16
Latin America	**770**	471	63	**1,361**	797	71
Subtotal	**$ 5,528**	$ 4,459	24 %	**$ 10,482**	$ 8,577	22 %
Japan Consumer Finance	**$ 358**	$ 615	(42)	**$ 792**	$ 1,206	(34)
Total revenues	**$ 5,886**	$ 5,074	16 %	**$ 11,274**	$ 9,783	15 %
Net income by region						
Mexico	**$ 360**	$ 375	(4)%	**$ 732**	$ 733	
EMEA	**148**	215	(31)	**231**	400	(42)%
Japan Cards and Retail Banking	**65**	44	48	**101**	97	4
Asia	**426**	359	19	**809**	706	15
Latin America	**50**	88	(43)	**120**	146	(18)
Subtotal	**$ 1,049**	$ 1,081	(3)%	**$ 1,993**	$ 2,082	(4)%
Japan Consumer Finance	**$ (33)**	$ 134	NM	**$ (24)**	$ 269	NM
Total net income	**$ 1,016**	$ 1,215	(16)	**$ 1,969**	$ 2,351	(16)%
Average assets *(in billions of dollars)*	**$ 222**	$ 177	25 %	**$ 211**	$ 176	20 %
Return on assets	**1.84 %**	2.75 %		**1.88 %**	2.69 %	
Average risk capital**(1)**	**$ 15,378**	$ 12,725	21	**$ 14,613**	$ 12,686	15
Return on risk capital**(1)**	**26 %**	38 %		**27 %**	37 %	
Return on invested capital**(1)**	**14 %**	19 %		**14 %**	18 %	
Key indicators *(in billions of dollars)*						
Average loans	**$ 140.6**	$ 112.5	25 %			
Average deposits	**$ 168.4**	$ 146.6	15 %			
EOP AUMs	**$ 150.3**	$ 122.8	22 %			
Total branches	**4,769**	4,417	8 %			

(1) See footnote 3 to the table on page 4.

NM Not meaningful

2Q07 vs. 2Q06

Net Interest Revenue increased 18%. Growth was driven by higher average loans, as well as the impact of the acquisitions of Grupo Financiero Uno, Egg, Grupo Cuscatlan, and CrediCard.

Non-Interest Revenue increased 13%, primarily due to higher Card purchase sales, up 31%, and increased investment product sales, up 46%. By region, the growth was led by Japan Cards and Retail Banking, Latin America, Asia, and EMEA. The positive impact of foreign currency translation also contributed to increases in revenues. The 2006 second quarter included a gain on the MasterCard IPO of $55 million.

Excluding the impact of Japan Consumer Finance, revenues increased 24%.

Operating expenses increased, reflecting the integration of the CrediCard portfolio, the acquisitions of Grupo Financiero Uno, Grupo Cuscatlan, and Egg, and an increase in ownership in Nikko. Expense growth also reflects volume growth across the regions (excluding Japan Consumer Finance), continued investment spending, including 136 branches opened or acquired, higher customer activity, and the impact of foreign currency translation.

16

Provisions for loan losses and for benefits and claims increased 54% driven by portfolio growth, increased past due accounts and targeted market expansion in Mexico, the integration of acquisitions, higher net credit losses in Japan Consumer Finance, and the absence of 2006 second quarter loan loss reserve releases.

Net income was also affected by the absence of prior-year Mexico tax benefits of $70 million related to APB 23.

In Citigroup s 2006 Form 10-K the Company stated that it expected its consumer finance business in Japan to break even in 2007. However, the situation remains unpredictable; and given the Company s recent experience with the level of Grey Zone related refund claims, the Company s best estimate now is that the business will have net losses in 2007. The Company will continue to analyze the profitability prospects for this business thereafter.

Certain of the statements above are forward-looking statements within the meaning of the Private Securities Litigation Reform Act. See Forward-Looking Statements on page 44.

2007 YTD vs. 2006 YTD

Net Interest Revenue increased 15% overall, 26% after excluding the impact of Japan Consumer Finance. Growth was driven by higher average receivables, as well as the impact of the acquisitions of Grupo Financiero Uno, Egg, Grupo Cuscatlan, and CrediCard, and increased ownership in Nikko Cordial.

Non-Interest Revenue increased 16%, primarily due to higher purchase sales, up 28% in Cards, increased investment product sales, up 40% in Retail Banking, and growth across all regions. The positive impact of foreign currency translation and a year-over-year gain on the MasterCard IPO of $53 million also contributed to the increase in revenues.

Operating expenses increased, reflecting the integration of the CrediCard portfolio and the acquisitions of Grupo Financiero Uno, Grupo Cuscatlan, and Egg, and increased ownership in Nikko along with volume growth across the products and regions, continued investment spending driven by 269 branches opened or acquired, higher customer activity, and the impact of foreign currency translation. The increase in YTD 2007 expenses was also favorably affected by the absence of the charge related to the initial adoption of FAS 123(R) in the first quarter of 2006.

Provision for loan losses increased 56% driven by portfolio growth, increased past due accounts and portfolio seasoning in Mexico, the integration of acquisitions, and higher net credit losses in Japan Consumer Finance. These increases were partially offset by the absence of a 2006 second quarter loan loss reserve release.

Net Income was also affected by the absence of prior-year tax benefit impact of $190 million primarily resulting from APB 23 and the absence of a prior-year $75 million benefit from tax reserve releases related to the resolution of the Federal Tax Audit in the first quarter of 2006.

MARKETS & BANKING

Markets & Banking provides a broad range of trading, investment banking, and commercial lending products and services to companies, governments, institutions and investors in approximately 100 countries. Markets & Banking includes *Securities and Banking*, *Transaction Services* and Other Markets & Banking.

In millions of dollars	Three Months Ended June 30, 2007	2006	% Change	Six Months Ended June 30, 2007	2006	% Change
Net interest revenue	**$ 2,831**	$ 2,147	32 %	**$ 5,283**	$ 4,381	21 %
Non-interest revenue	**6,130**	4,614	33	**12,635**	9,659	31
Revenues, net of interest expense	**$ 8,961**	$ 6,761	33 %	**$ 17,918**	$ 14,040	28 %
Operating expenses	**4,948**	4,158	19	**10,059**	8,915	13
Provision for credit losses	**(62)**	173	NM	**201**	173	16
Income before taxes and minority interest	**$ 4,075**	$ 2,430	68 %	**$ 7,658**	$ 4,952	55 %
Income taxes	**1,236**	702	76	**2,183**	1,276	71
Minority interest, net of taxes	**7**	5	40	**22**	24	(8)
Net income	**$ 2,832**	$ 1,723	64 %	**$ 5,453**	$ 3,652	49 %
Revenues, net of interest expense, by region:						
U.S.	**$ 3,041**	$ 2,803	8 %	**$ 6,755**	$ 5,726	18 %
Mexico	**183**	199	(8)	**410**	385	6
EMEA	**2,993**	2,043	47	**5,820**	4,339	34
Japan	**453**	269	68	**665**	565	18
Asia	**1,635**	1,062	54	**3,039**	2,194	39
Latin America	**656**	385	70	**1,229**	831	48
Total revenues	**$ 8,961**	$ 6,761	33 %	**$ 17,918**	$ 14,040	28 %
Net income by region:						
U.S.	**$ 984**	$ 747	32 %	**$ 1,983**	$ 1,262	57 %
Mexico	**95**	88	8	**209**	166	26
EMEA	**803**	342	NM	**1,497**	977	53
Japan	**124**	72	72	**159**	157	1
Asia	**567**	336	69	**1,128**	750	50
Latin America	**259**	138	88	**477**	340	40
Total net income	**$ 2,832**	$ 1,723	64 %	**$ 5,453**	$ 3,652	49 %
Average risk capital(1)	**$ 27,555**	$ 21,755	27 %	**$ 25,850**	$ 21,174	22 %
Return on risk capital(1)	**41 %**	32 %		**43 %**	35 %	
Return on invested capital(1)	**32 %**	23 %		**32 %**	26 %	

(1) See footnote 3 to the table on page 4.

NM Not meaningful

2Q07 vs. 2Q06

Revenues, net of interest expense, increased driven by broad-based performance across products and regions. Equity Markets revenues increased driven by strong growth globally, including cash trading, derivatives products, equity finance and convertibles. Fixed Income Markets revenue increases were driven by improved results across interest rates and currencies, credit and securitized products, and commodities. Investment Banking revenue growth was driven by higher equity underwriting and advisory and other fees. Transaction Services revenues increased reflecting growth in liability balances and assets under custody, higher net interest margins in Cash Management and Securities and Funds Services.

Operating expenses increased due to higher business volumes, compensation costs and growth due to acquisitions. The growth in the second quarter of 2007 was favorably affected by a $300 million pretax release of litigation reserves.

The provision for credit losses decreased reflecting a stable global corporate credit environment and the absence of a $118 million net increase to loan loss reserves recorded in the prior-year period.

Markets & Banking s exposure in the subprime secured lending market is divided between secured lending and trading, which together accounted for approximately 2% of the Securities and Banking revenues in full-year 2006.

The Company has been actively managing down its secured lending exposure. In addition, the Company has been adjusting clients collateral and margin requirements during these periods.

Citigroup continues to be an active market-maker in trading activities. As such, the Company hedges risks, using a variety of methods to monitor very carefully the ongoing credit quality of counterparties. The Company monitors its subprime business daily and has a rigorous process for marking the Company s positions using fundamental valuation techniques, market references, and liquidity analysis.

Leveraged lending accounted for approximately 5% of Securities and Banking revenues in the second quarter of 2006. As of June 30, 2007, there were four committed transactions which required re-pricing. For those transactions, the Company recorded losses on its commitments, which were recorded in commissions and fees revenue during the second quarter of 2007. The Company has made commitments to finance other similar transactions which will likely require an adjustment to price and terms.

The Company believes that when these transactions are re-priced, these transactions will be sold to investors. In a small subset of these transactions, the Company has extended equity bridge commitments to top-tier clients in connection with the Company s leveraged financing activities.

Certain of the statements above are forward-looking statements within the meaning of the Private Securities Litigation Reform Act. See Forward-Looking Statements on page 44.

2007 YTD vs. 2006 YTD

Revenues, net of interest expense, increased, driven by broad-based performance across products and regions and by the $402 million benefit from the adoption of SFAS 157. Equity Markets revenues increased, driven by strong growth globally, including cash trading, derivatives products, equity finance, convertibles and prime brokerage. Fixed Income Markets revenue increases were driven by improved results across all products, including interest rates and currencies, and credit and securitized products and commodities. Investment Banking revenue growth was driven by higher equity underwriting and advisory and other fees. Transaction Services revenues increased reflecting growth in liability balances and assets under custody, higher net interest margins in Cash Management and Securities and Funds Services.

Operating expenses growth was primarily driven by higher business volumes and compensation costs. The growth in 2007 was favorably affected by the absence of a $354 million charge related to the initial adoption of SFAS 123(R) in the first quarter of 2006 and a $300 million pretax release of litigation reserves in the second quarter of 2007.

The provision for credit losses increased due to a net charge of $286 million in the first quarter of 2007 to increase loan loss reserves. The increase in loan loss reserves was driven by portfolio growth, which includes higher commitments to leveraged transactions and an increase in average loan tenor. This was partially offset by a decrease in the second quarter reflecting a stable global corporate credit environment and the absence of a $118 million net increase to loan loss reserves recorded in the prior-year second quarter.

GLOBAL WEALTH MANAGEMENT

Global Wealth Management is comprised of the *Smith Barney* Private Client businesses (including Citigroup Wealth Advisors, Nikko, Quilter and the legacy Citicorp Investment Services business), Citigroup *Private Bank,* and Citigroup Investment Research.

In millions of dollars	**Three Months Ended June 30, 2007**	**2006**	**% Change**	**Six Months Ended June 30, 2007**	**2006**	**% Change**
Net interest revenue	**$ 526**	$ 444	18 %	**$ 1,055**	$ 904	17 %
Non-interest revenue	**2,671**	2,048	30	**4,960**	4,071	22
Revenues, net of interest expense	**$ 3,197**	$ 2,492	28 %	**$ 6,015**	$ 4,975	21 %
Operating expenses	**2,455**	1,961	25	**4,557**	4,016	13
Provision for loan losses	**12**	8	50	**29**	13	NM
Income before taxes and minority interest	**$ 730**	$ 523	40 %	**$ 1,429**	$ 946	51 %
Income taxes	**199**	176	13	**450**	312	44
Minority interest, net of taxes	**17**			**17**		
Net income	**$ 514**	$ 347	48 %	**$ 962**	$ 634	52 %
Revenues, net of interest expense, by region:						
U.S.	**$ 2,439**	$ 2,149	13 %	**$ 4,824**	$ 4,303	12 %
Mexico	**41**	33	24	**77**	64	20
EMEA	**137**	83	65	**245**	158	55
Japan	**286**			**286**		
Asia	**242**	181	34	**476**	361	32
Latin America	**52**	46	13	**107**	89	20
Total revenues	**$ 3,197**	$ 2,492	28	**$ 6,015**	$ 4,975	21
Net income by region:						
U.S.	**$ 335**	$ 290	16 %	**$ 696**	$ 518	34 %
Mexico	**15**	10	50	**27**	18	50
EMEA	**46**	5	NM	**53**	8	NM
Japan	**30**			**30**		
Asia	**74**	40	85	**139**	85	64
Latin America	**14**	2	NM	**17**	5	NM
Total net income	**$ 514**	$ 347	48	**$ 962**	$ 634	52
Average risk capital**(1)**	**$ 2,878**	$ 2,366	22 %	**$ 2,878**	$ 2,452	17 %
Return on risk capital**(1)**	**72 %**	59 %		**67 %**	52 %	
Return on invested capital**(1)**	**30 %**	36 %		**34 %**	32 %	
Key indicators: *(in billions of dollars)*						
Total assets under fee-based management	**$ 509**	$ 363	40 %			
Total client assets(2)	**1,788**	1,321	35 %			
Net client asset flows		(4)	NM			
Financial advisors (FA) / bankers(2)	**15,595**	13,671	14 %			
Annualized revenue per FA / banker *(in thousands of dollars)*	**$ 878**	$ 726	21 %			
Average deposits and other customer liability balances	**$ 113**	$ 100	13 %			
Average loans	**$ 51**	$ 42	21			

(1) See footnote 3 to the table on page 4.

(2) During the second quarter of 2007, U.S. Consumer s *Retail Distribution* transferred approximately $47 billion of Client Assets, 686 Financial Advisors and 79 branches to *Smith Barney* related to the consolidation of Citicorp Investment Services (CIS) into *Smith Barney*.

NM Not meaningful

2Q07 vs. 2Q06

Revenues, net of interest expense, of $3.197 billion in the second quarter of 2007 increased $705 million, or 28%, from the prior-year period, primarily reflecting the acquisition of Nikko; an increase in fee-based and recurring net interest revenue, reflecting the continued advisory-based strategy; an increase in international revenues, driven by strong Capital Markets activity in Asia; and strong domestic syndicate sales. Total assets under fee-based management were $509 billion as of June 30, 2007, up $146 billion, or 40%, from the prior-year period. Total client assets, including assets under fee-based management, of $1,788 billion in the second quarter of 2007 increased $467 billion, or 35%, compared to the prior-year quarter, reflecting organic growth and the acquisition of Nikko and Quilter client assets, as well as the transfer of CIS assets from U.S. Consumer on June 30, 2007. Global Wealth Management had 15,595 financial advisors/bankers as of June 30, 2007, compared with 13,671 as of June 30, 2006, driven by the Nikko and Quilter acquisitions, the CIS transfer, and hiring in the Private Bank. Annualized revenue per FA/banker of $878,000 increased 21% from the prior-year quarter.

Operating expenses of $2.455 billion in the second quarter of 2007 increased $494 million from the prior-year quarter. The expense increase in 2007 was mainly driven by the Nikko and Quilter acquisitions as well as higher variable compensation associated with increased business volumes.

The *provision for loan losses* increased $4 million, or 50%. The provision of $12 million in the current quarter was driven by portfolio growth.

Net Income in the 2007 second quarter included a $65 million APB 23 benefit in Private Bank.

2007 YTD vs. 2006 YTD

Revenues, net of interest expense, of $6.015 billion in the first half of 2007 increased $1.040 billion, or 21%, from the prior-year period, primarily due to a 77% increase in international revenues, driven by the Nikko acquisition, strong Capital Markets activity in Asia and Latin America, and higher domestic syndicate sales. Net flows were $6 billion compared to ($1) billion in the prior-year first half.

Operating expenses of $4.557 billion in the first half of 2007 increased $541 million from the prior year. The expense increase in 2007 was favorably affected by the absence of the charge related to the initial adoption of SFAS 123(R) in the first quarter of 2006 of $145 million. Additionally, the increase in expenses was driven by the Nikko and Quilter acquisitions and higher variable compensation associated with increased business volumes.

The *provision for loan losses* increased $16 million, primarily driven by portfolio growth.

ALTERNATIVE INVESTMENTS

Alternative Investments (AI) manages capital on behalf of Citigroup, as well as for third-party institutional and high-net-worth investors. AI is an integrated alternative investment platform that manages a wide range of products across five asset classes, including private equity, hedge funds, real estate, structured products and managed futures.

In millions of dollars	**Three Months Ended June 30, 2007**	**2006**	**% Change**	**Six Months Ended June 30, 2007**	**2006**	**% Change**
Net interest revenue	**$ (3)**	$ (7)	57 %	**$ (23)**	$ (4)	NM
Non-interest revenue	**1,035**	591	75	**1,617**	1,263	28 %
Total revenues, net of interest expense	**$ 1,032**	$ 584	77 %	**$ 1,594**	$ 1,259	27 %
Net realized and net change in unrealized gains	**910**	475	92	**1,354**	1,038	30 %
Fees, dividends and interest	**42**	49	(14)	**77**	98	(21)
Other	**(42)**	(37)	(14)	**(85)**	(65)	(31)
Total proprietary investment activities revenues	**910**	487	87	**1,346**	1,071	26 %
Client revenues**(1)**	**122**	97	26	**248**	188	32
Total revenues, net of interest expense	**$ 1,032**	$ 584	77 %	**$ 1,594**	$ 1,259	27 %
Operating expenses	**215**	199	8	**395**	380	4
Provision for loan losses		(13)	100	**1**	(13)	NM
Income before taxes and minority interest	**$ 817**	$ 398	NM	**$ 1,198**	$ 892	34 %
Income taxes	**$ 297**	$ 138	NM	**$ 435**	$ 249	75 %
Minority interest, net of taxes	**64**	3	NM	**85**	33	NM
Net income	**$ 456**	$ 257	77 %	**$ 678**	$ 610	11 %
Average risk capital**(2)** *(in billions of dollars)*	**$ 4.0**	$ 4.0		**$ 4.1**	$ 4.3	(5)%
Return on risk capital**(2)**	**46 %**	26 %		**33 %**	29 %	
Return on invested capital**(2)**	**42 %**	22 %		**31 %**	25 %	
Revenue by product:						
Client(1)	**$ 122**	$ 97	26 %	**$ 248**	$ 188	32 %
Private Equity	**$ 711**	$ 516	38 %	**$ 1,072**	$ 729	47 %
Hedge Funds	**119**	(43)	NM	**166**	64	NM
Other	**80**	14	NM	**108**	278	(61)
Proprietary	**$ 910**	$ 487	87 %	**$ 1,346**	$ 1,071	26 %
Total	**$ 1,032**	$ 584	77 %	**$ 1,594**	$ 1,259	27 %
Key indicators: *(in billions of dollars)*						
Capital under management:						
Client	**$ 47.4**	$ 30.6	55 %			
Proprietary	**11.8**	11.3	4 %			
Total	**$ 59.2**	$ 41.9	41 %			

(1) Includes fee income.

(2) See footnote 3 to the table on page 4.

NM Not meaningful

2Q07 vs. 2Q06

Revenues, net of interest expense, of $1.032 billion in the second quarter of 2007 increased $448 million or 77%.

Total proprietary revenues, net of interest expense, for the second quarter of 2007 of $910 million, were composed of revenues from private equity of $711 million, hedge funds of $119 million and other investment activity of $80 million. Private equity revenue increased $195 million from the 2006 second quarter, primarily driven by higher realized and unrealized gains. Hedge fund revenue improved by $162 million, largely due to a higher investment performance. Other investment activities revenue increased $66 million from the 2006 second quarter, largely due to realized and unrealized real estate gains and the mark-to-market value on Citigroup s investments. *Client revenues* increased $25 million, reflecting increased management fees from a 55% growth in average client capital under management.

Operating expenses in the second quarter of 2007 of $215 million increased $16 million from the second quarter of 2006, primarily due to increased performance-driven compensation and higher employee-related expenses.

Minority interest, net of taxes, in the second quarter of 2007 of $64 million increased $61 million from the second quarter of 2006, primarily due to higher private equity gains related to underlying investments held by consolidated majority-owned legal entities. The impact of minority interest is reflected in fees, dividends, and interest, and net realized

22

and net change in unrealized gains consistent with proceeds received by minority interests.

Proprietary capital under management of $11.8 billion increased $506 million from the second quarter 2006, as increases in private equity and hedge funds were partially offset by the sale of MetLife shares in July 2006.

Client capital under management of $47.4 billion in the 2007 second quarter increased $16.8 billion from the 2006 second quarter, due to inflows from institutional and high-net-worth clients.

On July 2, 2007, the Company completed the acquisition of Old Lane Partners, L.P. and Old Lane Partners, GP, LLC (Old Lane). Old Lane is the manager of a global, multi-strategy hedge fund and a private equity fund with total assets under management and private equity commitments of approximately $4.5 billion. Old Lane will operate as part of AI. Old Lane s Vikram Pandit became the Chief Executive Officer of AI.

2007 YTD vs. 2006 YTD

Revenues, net of interest expense, of $1.594 billion in the first six months of 2007 increased $335 million, or 27%.

Total proprietary revenues, net of interest expense, for the first six months of 2007 of $1.346 billion, were composed of revenues from private equity of $1.072 billion, hedge funds of $166 million and other investment activity of $108 million. Private equity revenue increased $343 million from the first six months of 2006, primarily driven by higher realized and unrealized gains. Hedge fund revenue increased $102 million, largely due to higher investment performance on an increased asset base. Other investment activities revenue decreased $170 million from the first six months of 2006, largely due to the absence of gains from the liquidation during 2006 of Citigroup s investment in St. Paul shares. Client revenues increased $60 million, reflecting increased management fees from a 53% growth in average client capital under management.

Operating expenses in the first six months of 2007 of $395 million increased $15 million from the first six months of 2006, primarily due to increased performance-driven compensation and higher employee-related expenses.

Minority interest, net of taxes, in the first six months of 2007 of $85 million increased $52 million from the first six months of 2006, primarily due to higher private equity gains related to underlying investments held by consolidated majority-owned legal entities. The impact of minority interest is reflected in fees, dividends, and interest, and net realized gains/(losses) consistent with proceeds received by minority interests.

Net Income in the first six months 2006 reflects higher tax benefits including $58 million resulting from the resolution of the Federal Tax Audit in the first quarter of 2006.

CORPORATE/OTHER

Corporate/Other includes treasury results, the 2007 restructuring charges, unallocated corporate expenses, offsets to certain line-item reclassifications reported in the business segments (inter-segment eliminations), the results of discontinued operations and unallocated taxes.

In millions of dollars	Three Months Ended June 30, 2007	2006	Six Months Ended June 30, 2007	2006
Revenues, net of interest expense	**$ (222)**	$ (283)	**$ (206)**	$ (492)
Restructuring expense	**63**		**1,440**	
Other operating expense	**111**	72	**152**	80
Provision for loan losses	**(2)**		**(2)**	
Loss from continuing operations before taxes and minority interest	**$ (394)**	$ (355)	**$ (1,796)**	$ (572)
Income tax benefits	**(127)**	(113)	**(618)**	(244)
Minority interest, net of taxes	**5**		**6**	1
Loss from continuing operations	**$ (272)**	$ (242)	**$ (1,184)**	$ (329)
Income from discontinued operations		3		87
Net loss	**$ (272)**	$ (239)	**$ (1,184)**	$ (242)

2Q07 vs. 2Q06

Revenues, net of interest expense, increased, primarily due to improved treasury results, partially offset by higher intersegment eliminations. Lower overall rates, partially offset by higher funding balances, drove the improvement in treasury revenues.

Restructuring expense. See Note 7 on page 57 for details on the 2007 restructuring charge.

Other operating expenses increased, primarily due to increased staffing, technology and other unallocated expenses, partially offset by higher intersegment eliminations.

Income tax benefits increased due to the higher pretax loss in the current year.

2007 YTD vs. 2006 YTD

Revenues, net of interest expense, increased, primarily due to improved treasury results and a gain on the sale of certain corporate-owned assets, partially offset by higher intersegment eliminations. Lower overall rates drove the improvement in treasury revenues.

Restructuring expense. See Note 7 on page 57 for details on the 2007 restructuring charge.

Other operating expenses increased, primarily due to increased staffing, technology and other unallocated expenses, partially offset by higher intersegment eliminations.

Income tax benefits increased due to the higher pretax loss in the current year, offset by a prior-year tax reserve release of $61 million relating to the resolution of the Federal Tax Audit.

Discontinued operations represent the operations in the Company s Sale of the Asset Management Business to Legg Mason Inc., and the Sale of the Life Insurance and Annuities Business. For 2006, income from discontinued operations included a gain from the Sale of the Asset Management Business in Poland, as well as a tax reserve release of $59 million relating to the resolution of the Federal Tax Audit. See Note 2 on page 53.

MANAGING GLOBAL RISK

Citigroup s risk management framework balances strong corporate oversight with well-defined independent risk management functions within each business. The Citigroup risk management framework is described in Citigroup s 2006 Annual Report on Form 10-K.

RISK CAPITAL

At June 30, 2007, December 31, 2006, and June 30, 2006, risk capital for Citigroup was composed of the following risk types:

In billions of dollars	**June 30, 2007**	**Dec. 31, 2006**	**June 30, 2006**
Credit risk	**$ 42.8**	$ 36.7	$ 35.7
Market risk	**28.9**	21.5	17.6
Operational risk	**7.9**	8.0	8.1
Intersector diversification**(1)**	**(5.4)**	(6.4)	(5.7)
Total Citigroup	**$ 74.2**	$ 59.8	$ 55.7
Return on risk capital (second quarter)	**35 %**		38 %
Return on invested capital (second quarter)	**20 %**		19 %
Return on risk capital (six months)	**33 %**		39 %
Return on invested capital (six months)	**19 %**		20 %

(1) Reduction in risk represents diversification between sectors.

Average risk capital, return on risk capital and return on invested capital are provided for each segment and are disclosed on pages 12 22.

24

DETAILS OF CREDIT LOSS EXPERIENCE

In millions of dollars	**2nd Qtr. 2007**	**1st Qtr. 2007**	**4th Qtr. 2006**	**3rd Qtr. 2006**	**2nd Qtr. 2006**
Allowance for loan losses at beginning of period	**$ 9,510**	$ 8,940	$ 8,979	$ 9,144	$ 9,505
Provision for loan losses					
Consumer	**$ 2,583**	$ 2,443	$ 2,028	$ 1,736	$ 1,426
Corporate	**(63)**	263	85	57	10
	$ 2,520	$ 2,706	$ 2,113	$ 1,793	$ 1,436
Gross credit losses					
Consumer					
In U.S. offices	**$ 1,264**	$ 1,291	$ 1,223	$ 1,091	$ 1,090
In offices outside the U.S.	**1,346**	1,341	1,309	1,227	1,145
Corporate					
In U.S. offices	**22**	6	13	6	44
In offices outside the U.S.	**30**	29	97	38	75
	$ 2,662	$ 2,667	$ 2,642	$ 2,362	$ 2,354
Credit recoveries					
Consumer					
In U.S. offices	**$ 175**	$ 214	$ 165	$ 153	$ 183
In offices outside the U.S.	**343**	286	307	350	298
Corporate					
In U.S. offices	**9**	18	2	5	12
In offices outside the U.S.	**80**	40	26	48	65
	$ 607	$ 558	$ 500	$ 556	$ 558
Net credit losses					
In U.S. offices	**$ 1,102**	$ 1,065	$ 1,069	$ 939	$ 939
In offices outside the U.S.	**953**	1,044	1,073	867	857
Total	**$ 2,055**	$ 2,109			