CITIGROUP INC
Form 10-Q
May 04, 2007

QuickLinks -- Click here to rapidly navigate through this document

SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

FORM 10-Q

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

For the quarterly period ended March 31, 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 ý 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 ý 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 ý

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 March 31, 2007: 4,946,439,087

Available on the Web at www.citigroup.com

Citigroup Inc.

TABLE OF CONTENTS

		Page No.
	Part I Financial Information	
Item 1.	Financial Statements:	
	Consolidated Statement of Income (Unaudited) - Three Months Ended March 31, 2007 and 2006	80
	Consolidated Balance Sheet - March 31, 2007 (Unaudited) and December 31, 2006	81
	Consolidated Statement of Changes in Stockholders' Equity (Unaudited) - Three Months Ended March 31, 2007 and 2006	82
	Consolidated Statement of Cash Flows (Unaudited) - Three Months Ended March 31, 2007 and 2006	83
	Consolidated Balance Sheet Citibank, N.A. and Subsidiaries March 31, 2007 (Unaudited) and December 31, 2006	84
	Notes to Consolidated Financial Statements (Unaudited)	85
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	4 - 76
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	54, 55 57 - 59 102 - 104
Item 4.	Controls and Procedures	77
	Part II Other Information	
Item 1.	Legal Proceedings	122
Item 1A.	Risk Factors	122
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	123
Item 4.	Submission of Matters to a Vote of Security Holders	124
Item 6.	Exhibits	126
Signatures		127
Exhibit Index		128

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 and state authorities.

This quarterly report on Form 10-Q should be read in conjunction with Citigroup's 2006 Annual Report on Form 10-K.

The principal executive offices of the Company are located at 399 Park Avenue, New York, New York 10043. The headquarters' 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 Securities and Exchange Commission (SEC) 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:

(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 March 31, 2007	2006	% Change
Net interest revenue	**$ 10,570**	$ 9,766	8%
Non-interest revenue	**14,889**	12,417	20
Revenues, net of interest expense	**$ 25,459**	$ 22,183	15%
Restructuring expense	**1,377**		
Other operating expenses	**14,194**	13,358	6
Provisions for credit losses and for benefits and claims	**2,967**	1,673	77
Income from continuing operations before taxes and minority interest	**$ 6,921**	$ 7,152	(3)%
Income taxes	**1,862**	1,537	21
Minority interest, net of taxes	**47**	60	(22)
Income from continuing operations	**$ 5,012**	$ 5,555	(10)%
Income from discontinued operations, net of taxes(1)		84	NM
Net Income	**$ 5,012**	$ 5,639	(11)%
Earnings per share			
Basic:			
Income from continuing operations	**$ 1.02**	$ 1.13	(10)%
Net income	**1.02**	1.14	(11)
Diluted:			
Income from continuing operations	**1.01**	1.11	(9)
Net income	**1.01**	1.12	(10)
Dividends declared per common share	**$ 0.54**	$ 0.49	10
At March 31:			
Total assets	**$ 2,020,966**	$ 1,586,201	27%
Total deposits	**738,521**	627,358	18
Long-term debt	**310,768**	227,165	37
Mandatorily redeemable securities of subsidiary trusts	**9,440**	6,166	53
Common stockholders' equity	**121,083**	113,418	7
Total stockholders' equity	**122,083**	114,418	7
Ratios:			
Return on common stockholders' equity(2)	**17.1%**	20.3%	
Return on risk capital(3)	**31%**	41%	
Return on invested capital(3)	**17%**	20%	
Tier 1 Capital	**8.26%**	8.60%	
Total Capital	**11.48**	11.80	
Leverage(4)	**4.84**	5.22	
Common stockholders' equity to assets	**5.99%**	7.15%	
Dividends declared(5)	**53.5%**	43.8%	
Ratio of earnings to fixed charges and preferred stock dividends	**1.39x**	1.58x	

(1) Discontinued operations relates to residual items from the Company's sale of Citigroup's 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

87.

(2) The return on average common stockholders' equity is calculated using net income after deducting 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 47 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

MANAGEMENT SUMMARY

Income from continuing operations of $5.012 billion in the first quarter of 2007 was down 10% from the first quarter of 2006. Diluted EPS from continuing operations was down 9%. Results for 2007 include an $871 million after-tax (or $0.17 per share) restructuring charge related to the Company's Structural Expense Review completed during the quarter.

Customer volume growth was strong, with average loans up 14%, average deposits up 19%, average interest-earning assets up 25%, and client assets under fee-based management up 12% from year-ago levels. U.S. debt, equity and equity-related underwriting increased 21% from year-ago levels. Branch activity included the opening of 99 branches during the quarter (48 internationally and 51 in the U.S.). *U.S. Cards* accounts were up 14% and purchase sales were up 6%.

During the first quarter of 2007, we continued to invest in expanding our distribution and enhancing our technology as we build a broad, strong foundation for future growth. We successfully completed our tender offer to become the majority (over 60%) shareholder of Nikko Cordial and closed several acquisitions, consistent with our efforts to drive growth through a balance of organic investment and targeted acquisitions and to expand internationally.

* Excludes Japan Automated Loan Machines (ALMs).

Revenues were a record $25.5 billion, up 15% from a year ago, driven by Markets & Banking, up 23%. Our international operations recorded revenue growth of 18% in the quarter, with International Consumer up 14%, International Markets & Banking up 20%, and International Global Wealth Management up 32%. U.S. Consumer revenues grew 6%, while Alternative Investments revenues declined 17%.

Net interest revenue increased 8% from last year as higher deposit and loan balances were offset by pressure on net interest margins. Net interest margin in the first quarter of 2007 was 2.46%, down 39 basis points from the first quarter of 2006 (see discussion of net interest margin on page 63).

Operating expenses increased 17% from the first quarter of 2006. Excluding the restructuring charge in 2007 and the 2006 initial adoption of SFAS 123(R), expenses were up 12% from the prior year. The relationship between revenue growth and expense growth, excluding the aforementioned impact of restructuring and SFAS 123(R), improved during the quarter. As our Structural Expense Review takes shape, we expect the pace of year-over-year expense growth (excluding acquisitions) to continue to moderate through 2007.

Income was diversified by segment and region, as shown in the charts below.

* Excludes Corporate/Other loss of $912 million.

* Excludes Corporate/Other loss of $912 million and Alternative Investments income of $222 million.

Credit costs increased $1.3 billion from a year ago, primarily driven by an increase in net credit losses of $509 million and a net charge of $597 million to build loan loss reserves. The $597 million net build compares to a net reserve release of $154 million in the prior-year period. The build was primarily due to increased reserves to reflect: a change in estimate of loan losses inherent in the initial tenor portion of the Consumer Loan Portfolio; portfolio growth, and increased delinquencies in second mortgages, in the *U.S. Consumer Lending* mortgage portfolio; and portfolio growth in Markets & Banking, which includes higher commitments to leveraged transactions and an increase in average loan tenor. The Global Consumer loss rate was 1.69%, a 23 basis-point increase from the first quarter of 2006.

The effective tax rate was 26.9% in the first quarter of 2007, reflecting the impacts of the restructuring charge and $131 million in tax benefits for the initial application under APB 23 relating to certain foreign subsidiaries' ability to indefinitely reinvest their earnings abroad. The 21.5% effective tax rate in the first quarter of 2006 includes the tax benefit related to the resolution of the Federal Tax Audit.

Our stockholders' equity and trust preferred securities grew to $131.5 billion at March 31, 2007. Stockholders' equity increased by $2.3 billion during the quarter to $122.1 billion. We distributed $2.7 billion in dividends to shareholders and repurchased $645 million of common stock during the quarter. As a result of the Company's recent acquisitions, the successful Nikko tender offer, and other growth opportunities, it is anticipated that we will not resume our share repurchase program during the remainder of the year. Return on common equity was 17.1% for the quarter. Citigroup maintained its "well-capitalized" position with a Tier 1 Capital Ratio of 8.26% at March 31, 2007.

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 78.

EVENTS IN 2007 AND 2006

Structural Expense Review

During the first quarter of 2007, the Company completed a review of its structural expense base in a Company-wide effort to create a more streamlined organization, reduce expense growth, and provide investment funds for future growth initiatives.

As a result of the review, a pretax restructuring charge of $1.4 billion ($871 million after-tax) was recorded in Corporate/Other during the first quarter of 2007. Additional pretax restructuring charges of $200 million are anticipated to be recognized by the end of 2007. Separate from the restructuring charge, additional implementation costs of approximately $100 million pretax are expected throughout 2007.

See Note 7 on page 92 for additional information.

Adoption of SFAS 157 Fair Value Measurements

The Company elected to early-adopt SFAS No. 157, *"Fair Value Measurements"* (SFAS 157), as of January 1, 2007. SFAS 157 defines fair value, establishes a consistent framework for measuring fair value and expands disclosure requirements about fair value measurements. SFAS 157 requires, among other things, Citigroup's valuation techniques used to measure fair value to maximize the use of observable inputs and minimize the use of unobservable inputs. In addition, SFAS 157 precludes the use of block discounts for instruments traded in an active market, which were previously applied to large holdings of publicly-traded equity securities, and requires the recognition of trade-date gains related to certain derivative trades that use unobservable inputs in determining the fair value. This guidance supersedes the guidance in EITF Issue No. 02-3, which prohibited the recognition of day-one gains on certain derivative trades when determining the fair value of instruments not traded in an active market. The cumulative effect of these two changes resulted in an increase to retained earnings of $75 million.

As a result of maximizing observable inputs as required by SFAS 157, Citigroup began to reflect external credit ratings as well as other observable inputs when measuring the fair value of our derivative positions. The cumulative effect of making this derivative valuation adjustment was a gain of $250 million after-tax ($402 million pre-tax, which was recorded in the Markets & Banking business), or $0.05 per diluted share, included in 2007 first quarter earnings. The primary drivers of this change were the requirement that Citigroup include its own credit rating in pricing derivatives and the elimination of a valuation adjustment, which is no longer necessary under SFAS 157.

See Note 16 on page 105 for additional information.

Adoption of SFAS 159 Fair Value Option

In conjunction with the adoption of SFAS 157, the Company early-adopted SFAS 159, *"The Fair Value Option for Financial Assets and Financial Liabilities"* (SFAS 159), as of January 1, 2007. SFAS 159 provides an option for most financial assets and liabilities to be reported at fair value on an instrument-by-instrument basis with changes in fair value reported in earnings. After the initial adoption, the election is made at the acquisition of a financial asset, financial liability, or a firm commitment and it may not be revoked. Under the SFAS 159 transition provisions, the Company has elected to report certain financial instruments and other items at fair value on a contract-by-contract basis, with future changes in value reported in earnings. SFAS 159 provides an opportunity to mitigate volatility in reported earnings that was caused by measuring hedged assets and liabilities that were previously required to use an accounting method other than fair value, while the related economic hedges were reported at fair value.

The adoption of SFAS 159 resulted in an after-tax decrease to January 1, 2007 retained earnings of $99 million ($157 million pretax).

See Note 16 on page 105 for additional information.

Sale of MasterCard Shares

During the first quarter of 2007, the Company recorded a $171 million after-tax gain ($268 million pretax) on the sale of approximately 2.955 million of the 4.947 million MasterCard Class B shares which were received by Citigroup as a part of the MasterCard initial public offering completed in June 2006. The after-tax gain was recorded in the following businesses:

In millions of dollars	Total
U.S. Cards	$ 103
International Cards	42
International Retail Banking	26

In millions of dollars	Total
Total	$ 171

Credit Reserves

During the first quarter of 2007, the Company recorded a net build of $597 million to its credit reserves, consisting of a net build of $311 million in Global Consumer and a net build of $286 million in Markets & Banking.

The build of $311 million in Global Consumer was primarily due to increased reserves to reflect: a change in estimate of loan losses inherent in the initial tenor portion of the Consumer Loan portfolio; increased delinquencies in second mortgages, and portfolio growth in the *U.S. Consumer Lending* mortgage portfolio. Additionally, market expansion in Mexico Cards and the integration of the Credicard portfolio in Brazil added to the increase.

The build of $286 million in Markets & Banking was primarily in *Securities and Banking*, which had a $300 million reserve increase during the quarter due to portfolio growth which includes higher commitments to leveraged transactions and an increase in average loan tenor.

During the first quarter of 2006, the Company recorded a net release/utilization of its credit reserves of $154 million, consisting of a net release/utilization of $187 million in Global Consumer and Global Wealth Management, and a net build of $33 million in Markets & Banking.

Acquisition of Bisys

On May 2, 2007, the Company announced an agreement to acquire Bisys Group, Inc. (Bisys) for $1.45 billion. At closing, Citigroup will sell 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 Investment Services Division of Bisys, which provides administrative services for hedge funds, mutual funds and private equity funds. The transaction is expected to close in the second half of 2007 and is subject to Bisys shareholder approval and to regulatory approvals in the U.S., Ireland and Bermuda. Bisys will be included within Citigroup's *Transaction Services* business.

Tender Offer for Nikko Cordial

On April 26, 2007, Citigroup completed its successful tender offer to become the majority shareholder of Nikko Cordial Corporation in Japan. Approximately 541 million shares were tendered for approximately $7.7 billion. Following the May 9, 2007 scheduled closing date Citigroup will own a total ownership stake in excess of 60%. Once the tender offer is closed, Citigroup will consolidate Nikko and its operations with the minority stake disclosed as Minority Interest.

This acquisition accelerates Citigroup's growth strategy in the world's second largest economy and is intended to provide a broad base of global products and services to Nikko Cordial's client network.

Agreement to Acquire Old Lane Partners, L.P.

On April 13, 2007, the Company announced a definitive agreement to acquire 100% of the outstanding partnership interests in 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 capital under management and private equity commitments of approximately $4.5 billion. Old Lane will operate as part of Citigroup's Alternative Investments (CAI) business. Following the completion of the transaction, Old Lane's Vikram Pandit will become Chief Executive Officer of CAI. The transaction is subject to customary regulatory reviews and is expected to close in the third quarter of 2007.

Acquisition of ABN AMRO Mortgage Group

On March 1, 2007, Citigroup acquired ABN AMRO Mortgage Group (AAMG), a subsidiary of LaSalle Bank Corporation and ABN AMRO Bank N.V. AAMG is a national originator and servicer of prime residential mortgage loans. As part of this acquisition, Citigroup purchased approximately $12 billion in assets, including $3 billion of mortgage servicing rights. The acquisition of AAMG added approximately 1.5 million servicing customers to the *U.S. Consumer Lending* portfolio.

Asia Acquisitions

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.

Strategic Investment and Cooperation Agreement with Guangdong Development Bank

On December 17, 2006, a Citigroup-led consortium acquired an 85.6% stake in Guangdong Development Bank ("GDB"). Citigroup's share is 20% of GDB and its investment of approximately $725 million is accounted for under the equity method.

In accordance with the parties' agreement, Citigroup will have significant management influence at GDB to enhance GDB's management team and corporate governance standards, instill operational and lending best practices, improve risk management and internal controls, upgrade GDB's information technology infrastructure, and further develop GDB's customer service and product offerings.

U.K. Market Expansion

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 $1.127 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.

Quilter

On March 1, 2007, the Company completed the acquisition of Quilter, a U.K. wealth advisory firm with over $10.9 billion of assets under management, from Morgan Stanley. Quilter has more than 18,000 clients and 300 staff located in 10 offices throughout the U.K., Ireland and the Channel Islands. Quilter's results are included within Global Wealth Management.

Central American Acquisitions

Grupo Cuscatlan

On December 13, 2006, Citigroup announced the agreement to acquire the subsidiaries of Grupo Cuscatlan for $1.51 billion in cash and stock 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 Panama. This acquisition is subject to local country regulatory approvals and is expected to close during the second quarter of 2007.

Grupo Financiero Uno

On March 5, 2007, Citigroup completed its acquisition of Grupo Financiero Uno (GFU), the largest credit card issuer in Central America, and its affiliates.

The acquisition of GFU, with $2.2 billion in assets, expands the presence of Citigroup's Latin America consumer franchise, enhances its credit card business in the region and establishes a platform for regional growth in Consumer Finance and Retail Banking.

GFU has more than one million retail clients, representing 1.1 million credit card accounts, $1.3 billion in credit card receivables and $1.5 billion in deposits in Guatemala, El Salvador, Honduras, Nicaragua, Costa Rica and Panama. GFU operates a distribution network of 75 branches and more than 100 mini-branches and points of sale.

EMEA Expansion

Purchase of 20% Equity Interest in Akbank

On January 9, 2007, Citigroup completed its purchase of a 20% equity interest in Akbank for approximately $3.1 billion. Akbank, the second-largest privately owned bank by assets in Turkey, is a premier, full-service retail, commercial, corporate and private bank.

Sabanci Holding, a 34% owner of Akbank shares, and its subsidiaries have granted Citigroup a right of first refusal or first offer over the sale of any of their Akbank shares in the future. Subject to certain exceptions, including purchases from Sabanci Holding and its subsidiaries, Citigroup has otherwise agreed not to increase its percentage ownership in Akbank.

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 quarter of 2007, the Company recorded the quarterly accrual for the estimated stock awards that will be granted in January 2008.

SEGMENT, PRODUCT AND REGIONAL NET INCOME

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

Citigroup Net Income Segment and Product View

	First Quarter		% Change
In millions of dollars	**2007**	**2006(1)**	**1Q07 vs. 1Q06**
Global Consumer			
U.S. Cards	**$ 897**	$ 926	(3)%
U.S. Retail Distribution	**388**	515	(25)
U.S. Consumer Lending	**359**	437	(18)
U.S. Commercial Business	**121**	126	(4)
Total U.S. Consumer(2)	**$ 1,765**	$ 2,004	(12)%
International Cards	**$ 388**	$ 291	33%
International Consumer Finance	**25**	168	(85)
International Retail Banking	**540**	677	(20)
Total International Consumer	**$ 953**	$ 1,136	(16)%
Other	**$ (85)**	$ (67)	(27)%
Total Global Consumer	**$ 2,633**	$ 3,073	(14)%
Markets & Banking			
Securities and Banking	**$ 2,173**	$ 1,618	34%
Transaction Services	**447**	323	38
Other	**1**	(12)	NM
Total Markets & Banking	**$ 2,621**	$ 1,929	36%
Global Wealth Management			
Smith Barney	**$ 324**	$ 168	93%
Private Bank	**124**	119	4
Total Global Wealth Management	**$ 448**	$ 287	56%
Alternative Investments	**$ 222**	$ 353	(37)%
Corporate/Other	**(912)**	(87)	NM
Income from Continuing Operations	**$ 5,012**	$ 5,555	(10)%
Income from Discontinued Operations(3)		84	NM

	First Quarter		% Change
Total Net Income	**$ 5,012**	$ 5,639	(11)%

(1) Reclassified to conform to the current period's presentation. See Note 3 on page 89 for assets by segment.

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

(3) See Note 2 on page 87.

NM Not meaningful

Citigroup Net Income Regional View

In millions of dollars	First Quarter 2007	First Quarter 2006(1)	% Change 1Q07 vs. 1Q06
U.S.(2)			
Global Consumer	**$ 1,680**	$ 1,937	(13)%
Markets & Banking	**999**	515	94
Global Wealth Management	**361**	228	58
Total *U.S.*	**$ 3,040**	$ 2,680	13%
Mexico			
Global Consumer	**$ 372**	$ 358	4%
Markets & Banking	**114**	78	46
Global Wealth Management	**12**	8	50
Total *Mexico*	**$ 498**	$ 444	12%
Latin America			
Global Consumer	**$ 70**	$ 58	21%
Markets & Banking	**218**	202	8
Global Wealth Management	**3**	3	
Total *Latin America*	**$ 291**	$ 263	11%
EMEA			
Global Consumer	**$ 83**	$ 185	(55)%
Markets & Banking	**694**	635	9
Global Wealth Management	**7**	3	NM
Total *EMEA*	**$ 784**	$ 823	(5)%
Japan			
Global Consumer	**$ 45**	$ 188	(76)%
Markets & Banking	**35**	85	(59)
Global Wealth Management			
Total *Japan*	**$ 80**	$ 273	(71)%
Asia			
Global Consumer	**$ 383**	$ 347	10%
Markets & Banking	**561**	414	36
Global Wealth Management	**65**	45	44
Total *Asia*	**$ 1,009**	$ 806	25%

	First Quarter		% Change
Alternative Investments	**$ 222**	$ 353	(37)%
Corporate/Other	**(912)**	(87)	NM
Income from Continuing Operations	**$ 5,012**	$ 5,555	(10)%
Income from Discontinued Operations(3)		84	NM
Total Net Income	**$ 5,012**	$ 5,639	(11)%
Total International	**$ 2,662**	$ 2,609	2%

(1) Reclassified to conform to the current period's presentation.

(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 87.

NM Not meaningful.

(THIS PAGE INTENTIONALLY LEFT BLANK)

GLOBAL CONSUMER

Citigroup's Global Consumer Group provides a wide array of banking, lending, insurance and investment services through a network of 8,140 branches, approximately 19,100 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.

	First Quarter		% Change
In millions of dollars	**2007**	**2006**	**1Q07 vs. 1Q06**
Net interest revenue	**$ 7,644**	$ 7,224	6%
Non-interest revenue	**5,462**	4,731	15
Revenues, net of interest expense	**$ 13,106**	$ 11,955	10%
Operating expenses	**6,760**	6,357	6
Provisions for loan losses and for benefits and claims	**2,686**	1,668	61
Income before taxes and minority interest	**$ 3,660**	$ 3,930	(7)%
Income taxes	**1,017**	847	20
Minority interest, net of taxes	**10**	10	
Net income	**$ 2,633**	$ 3,073	(14)%
Average assets *(in billions of dollars)*	**$ 709**	$ 561	26%
Return on assets	**1.51%**	2.22%	
Average risk capital(1)	**$ 31,653**	$ 27,714	14%
Return on risk capital(1)	**34%**	45%	
Return on invested capital(1)	**17%**	21%	
Key Indicators *(in billions of dollars)*			
Average managed loans	**$ 566.0**	$ 509.0	11%
Average deposits	**$ 273.4**	$ 243.6	12%
EOP AUMs	**$ 222.2**	$ 199.2	12%
Total branches	**8,140**	7,440	9%

	First Quarter		% Change

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

U.S. CONSUMER

U.S. Consumer is composed of four businesses: *Cards, Retail Distribution, Consumer Lending* and *Commercial Business*.

In millions of dollars	First Quarter 2007	First Quarter 2006	% Change 1Q07 vs. 1Q06
Net interest revenue	**$ 4,185**	$ 4,138	1%
Non-interest revenue	**3,529**	3,122	13
Revenues, net of interest expense	**$ 7,714**	$ 7,260	6%
Operating expenses	**3,629**	3,569	2
Provisions for loan losses and for benefits and claims	**1,470**	901	63
Income before taxes and minority interest	**$ 2,615**	$ 2,790	(6)%
Income taxes	**842**	777	8
Minority interest, net of taxes	**8**	9	(11)
Net income	**$ 1,765**	$ 2,004	(12)%
Average assets *(in billions of dollars)*	**$ 499**	$ 379	32%
Return on assets	**1.43%**	2.14%	
Average risk capital(1)	**$ 17,806**	$ 15,069	18%
Return on risk capital(1)	**40%**	54%	
Return on invested capital(1)	**20%**	24%	
Key Indicators *(in billions of dollars)*			
Average managed loans	**$ 440.0**	$ 400.8	10%
Average deposits	**$ 119.2**	$ 99.1	20%
EOP AUMs	**$ 83.3**	$ 75.0	11%
Total branches	**3,488**	3,205	9%

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

U.S. Cards

U.S. Cards is one of the largest providers of credit cards in North America, with more than 150 million customer accounts in the United States, Canada and Puerto Rico. In addition to MasterCard (including Diners), Visa, and American Express, *U.S. Cards* is the largest provider of credit card services to the oil and gas industry and the leading provider of consumer private-label credit cards and commercial accounts on behalf of merchants such as The Home Depot, Federated, Sears, Dell Computer, Radio Shack, Staples and Zales Corporation.

Revenues are primarily generated from net interest revenue on receivables, interchange fees on purchase sales, securitization activities and other delinquency and servicing fees.

	First Quarter		% Change
In millions of dollars	**2007**	**2006**	**1Q07 vs. 1Q06**
Net interest revenue	**$ 1,031**	$ 1,193	(14)%
Non-interest revenue	**2,263**	2,041	11
Revenues, net of interest expense	**$ 3,294**	$ 3,234	2%
Operating expenses	**1,485**	1,532	(3)
Provision for loan losses and for benefits and claims	**416**	395	5
Income before taxes and minority interest	**$ 1,393**	$ 1,307	7%
Income taxes and minority interest, net of taxes	**496**	381	30
Net income	**$ 897**	$ 926	(3)%
Average assets *(in billions of dollars)*	**$ 63**	$ 63	
Return on assets	**5.77%**	5.96%	
Average risk capital(1)	**$ 5,452**	$ 5,563	(2)%
Return on risk capital(1)	**67%**	68%	
Return on invested capital(1)	**28%**	28%	
Key indicators on a managed basis: (in billions of dollars)			
Return on managed assets	**2.37%**	2.59%	
Purchase sales	**$ 72.4**	$ 68.4	6%

	First Quarter		% Change
Managed average yield(2)	**14.22%**	14.16%	
Managed net interest margin(2)	**10.11%**	10.48%	

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

(2) As a percentage of average managed loans.

1Q07 vs. 1Q06

Net Interest Revenue decreased 14% reflecting the securitization of higher margin receivables and net interest margin compression, which was partially offset by higher risk-based fees. *Non-Interest Revenue* increased 11% primarily reflecting a $161 million pre-tax gain on the sale of MasterCard shares, 6% growth in purchase sales, and a higher level of securitized receivables.

Operating expenses decreased slightly, primarily reflecting the timing of advertising and marketing campaigns and the absence of the charge related to the 2006 initial adoption of SFAS 123(R).

Provision for loan losses and for benefits and claims increased, primarily reflecting a lower loan loss reserve release, partially offset by lower net credit losses. The net credit loss ratio increased 31 basis points to 4.58% primarily reflecting an increase in bankruptcy filings over unusually low filing levels experienced in the first quarter of 2006.

Net Income also reflected the absence of an $89 million tax benefit resulting from the resolution of the Federal Tax Audit from the first quarter of 2006.

U.S. Retail Distribution

U.S. Retail Distribution provides banking, lending, investment and insurance products and services to customers through 993 Citibank branches, 2,495 CitiFinancial branches, the Primerica Financial Services (PFS) sales force, the Internet, direct mail and telesales. Revenues are primarily derived from net interest revenue on loans and deposits, and fees on banking, insurance and investment products.

In millions of dollars	First Quarter 2007	First Quarter 2006	% Change 1Q07 vs. 1Q06
Net interest revenue	**$ 1,529**	$ 1,451	5%
Non-interest revenue	**897**	845	6
Revenues, net of interest expense	**$ 2,426**	$ 2,296	6%
Operating expenses	**1,323**	1,221	8
Provisions for loan losses and for benefits and claims	**522**	387	35
Income before taxes	**$ 581**	$ 688	(16)%
Income taxes	**193**	173	12
Net income	**$ 388**	$ 515	(25)%
Revenues, net of interest expense, by business:			
Citibank branches	**$ 781**	$ 737	6%
CitiFinancial branches	**1,064**	1,008	6
Primerica Financial Services	**581**	551	5
Total revenues	**$ 2,426**	$ 2,296	6%
Net income by business:			
Citibank branches	**$ 42**	$ 100	(58)%
CitiFinancial branches	**215**	265	(19)
Primerica Financial Services	**131**	150	(13)
Total net income	**$ 388**	$ 515	(25)%
Average assets (in billions of dollars)	**$ 74**	$ 66	12%
Return on assets	**2.13%**	3.16%	
Average risk capital(1)	**$ 3,414**	$ 3,459	(1)%

	First Quarter		% Change
Return on risk capital(1)	**46%**	60%	
Return on invested capital(1)	**18%**	23%	
Key indicators: (in billions of dollars)			
Average loans	**$ 47.6**	$ 42.5	12%
Average deposits	**$ 98.2**	$ 80.3	22%
EOP Investment AUMs	**$ 83.3**	$ 75.0	11%

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

1Q07 vs. 1Q06

Net Interest Revenue increased primarily due to deposit and loan growth of 22% and 12%, respectively, which was partially offset by a decrease in net interest margin in higher cost deposits. *Non-Interest Revenue* increased as a result of higher investment product sales and higher insurance and banking fees.

Operating expense growth was primarily driven by higher volume-related expenses, increased investment spending related to the 51 new branch openings during the quarter (21 in Citibank and 30 in CitiFinancial), and costs associated with Citibank Direct. The increase in 2007 was affected favorably by the absence of the charge related to the 2006 initial adoption of SFAS 123(R).

Provisions for loan losses and for benefits and claims increased primarily due to higher customer volumes and the absence of a loan loss reserve release in the first quarter of 2006. The net credit loss ratio increased 19 basis points to 2.85%, primarily reflecting an increase in bankruptcy filings over unusually low filing levels experienced in the first quarter of 2006.

Deposit growth reflected balance increases in e-Savings accounts (which generated $12.9 billion in end-of-period deposits), certificates of deposit, partly rate-sensitive money market products and premium checking. *Loan* growth reflected improvements in all channels and products. Investment product sales increased 21%, driven by increased volumes.

Net income also reflected the absence of a $51 million tax reserve release resulting from the resolution of the Federal Tax Audit in the first quarter of 2006.

U.S. Consumer Lending

U.S. Consumer Lending provides home mortgages and home equity loans to prime and non-prime customers, auto financing to non-prime consumers and educational loans to students. Loans are originated throughout the United States and Canada through the Citibank, CitiFinancial and *Smith Barney* branch networks, Primerica Financial Services agents, third-party brokers, direct mail, the Internet and telesales. Loans are also purchased in the wholesale markets. *U.S. Consumer Lending* also provides mortgage servicing to a portfolio of mortgage loans owned by third parties. Revenues are composed of loan fees, net interest revenue and mortgage servicing fees.

	First Quarter		% Change
In millions of dollars	**2007**	**2006**	**1Q07 vs. 1Q06**
Net interest revenue	**$ 1,350**	$ 1,207	12%
Non-interest revenue	**201**	53	NM
Revenues, net of interest expense	**$ 1,551**	$ 1,260	23%
Operating expenses	**491**	453	8
Provisions for loan losses and for benefits and claims	**503**	143	NM
Income before taxes and minority interest	**$ 557**	$ 664	(16)%
Income taxes	**190**	218	(13)
Minority interest, net of taxes	**8**	9	(11)
Net income	**$ 359**	$ 437	(18)%
Revenues, net of interest expense, by business:			
Real Estate Lending	**$ 1,090**	$ 843	29%
Student Loans	**112**	117	(4)
Auto	**349**	300	16
Total revenues	**$ 1,551**	$ 1,260	23%
Net income by business:			
Real Estate Lending	**$ 297**	$ 328	(9)%
Student Loans	**29**	38	(24)
Auto	**33**	71	(54)

	First Quarter		% Change
Total net income	**$ 359**	$ 437	(18)%
Average assets (*in billions of dollars*)	**$ 313**	$ 209	50%
Return on assets	**0.47%**	0.85%	
Average risk capital(1)	**$ 6,256**	$ 3,732	68%
Return on risk capital(1)	**23%**	47%	
Return on invested capital(1)	**16%**	27%	

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

NM Not meaningful

U.S. Consumer Lending (Continued)

	First Quarter		% Change
	2007	**2006**	**1Q07 vs. 1Q06**
Key indicators: (in billions of dollars)			
Net interest margin:(2)			
Real Estate Lending(3)	**1.89%**	2.13%	
Student Loans	**1.53%**	1.71%	
Auto	**8.18%**	9.22%	
Originations:			
Real Estate Lending	**$ 39.6**	$ 32.4	22%
Student Loans	**$ 2.8**	$ 2.9	(3)%
Auto	**$ 3.1**	$ 2.0	55

(2) As a percentage of average loans.

(3) Excludes net interest revenue for Mortgage-Backed Securities and Loans held-for-sale.

1Q07 vs. 1Q06

Net Interest Revenue increased primarily due to average loan growth of 16%, partially offset by lower net interest margins. *Non-Interest Revenue* increased on higher net servicing fees and higher gains on sales of mortgage-backed securities. Average loan growth reflected a strong increase in originations, with increases in real estate and auto lending of 22% and 55%, respectively.

Operating expenses increased primarily due to higher loan origination volumes. The increase in 2007 was affected favorably by the absence of the charge related to the 2006 initial adoption of SFAS 123(R).

Provisions for loan losses and for benefits and claims increased primarily as a result of increased net credit losses due to higher volumes and portfolio seasoning, increased loan loss reserves to reflect a change in estimate of loan losses inherent in the initial tenor portion of the portfolio, and increased delinquencies in second mortgages. The net credit loss ratio in real estate lending increased 14 basis points to 0.33%

Net income also reflected the absence of a $31 million tax reserve release resulting from the resolution of the Federal Tax Audit in the first quarter of 2006.

U.S. Commercial Business

U.S. Commercial Business provides equipment leasing, financing, and banking services to small- and middle-market businesses ($5 million to $500 million in annual revenues) and financing for investor-owned multifamily and commercial properties. Revenues are composed of net interest revenue and fees on loans and leases.

	First Quarter		% Change
In millions of dollars	**2007**	**2006**	**1Q07 vs. 1Q06**
Net interest revenue	**$ 275**	$ 287	(4)%
Non-interest revenue	**168**	183	(8)
Revenues, net of interest expense	**$ 443**	$ 470	(6)%
Operating expenses	**330**	363	(9)
Provision for loan losses	**29**	(24)	NM
Income before taxes	**$ 84**	$ 131	(36)%
Income taxes	**(37)**	5	NM
Net income	**$ 121**	$ 126	(4)%
Average assets *(in billions of dollars)*	**$ 49**	$ 41	20%
Return on assets	**1.00%**	1.25%	
Average risk capital(1)	**$ 2,684**	$ 2,315	16
Return on risk capital(1)	**18%**	22%	
Return on invested capital(1)	**10%**	11%	
Key indicators: *(in billions of dollars):*			
Average earning assets	**$ 38.5**	$ 35.7	8%

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

NM Not meaningful

1Q07 vs. 1Q06

Net Interest Revenue declined 4% on continued net interest margin compression across several products, partially offset by higher volumes. Average deposits and average loans increased 12% and 8% respectively, while both experienced spread compression. Revenues also reflect an increase in tax-advantaged transactions.

Operating expenses declined 9% primarily driven by improved expense controls and the prior-year impact of the initial adoption of SFAS 123(R) of $10 million.

Provision for loan losses increased primarily reflecting a current period loan loss reserve net build of $10 million and the absence of a prior-year loan loss reserve release of $38 million.

INTERNATIONAL CONSUMER

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

	First Quarter		% Change
In millions of dollars	**2007**	**2006**	**1Q07 vs. 1Q06**
Net interest revenue	**$ 3,489**	$ 3,133	11%
Non-interest revenue	**1,899**	1,576	20
Revenues, net of interest expense	**$ 5,388**	$ 4,709	14%
Operating expenses	**2,976**	2,621	14
Provisions for loan losses and for benefits and claims	**1,216**	767	59
Income before taxes and minority interest	**$ 1,196**	$ 1,321	(9)%
Income taxes	**241**	184	31
Minority interest, net of taxes	**2**	1	100
Net income	**$ 953**	$ 1,136	(16)%
Revenues, net of interest expense, by region:			
Mexico	**$ 1,377**	$ 1,149	20%
Latin America	**591**	326	81
EMEA	**1,446**	1,270	14
Japan	**615**	775	(21)
Asia	**1,359**	1,189	14
Total revenues	**$ 5,388**	$ 4,709	14%
Net income by region			
Mexico	**$ 372**	$ 358	4%
Latin America	**70**	58	21
EMEA	**83**	185	(55)
Japan	**45**	188	(76)
Asia	**383**	347	10

	First Quarter		**% Change**
Total net income	**$ 953**	$ 1,136	(16)%
Average assets *(in billions of dollars)*	**$ 199**	$ 173	15%
Return on assets	**1.94%**	2.66%	
Average risk capital(1)	**$ 13,847**	$ 12,645	10%
Return on risk capital(1)	**28%**	36%	
Return on invested capital(1)	**14%**	18%	
Key indicators *(in billions of dollars)*			
Average managed loans	**$ 126.0**	$ 108.2	16%
Average deposits	**$ 154.2**	$ 144.5	7%
EOP AUMs	**$ 138.9**	$ 124.2	12%
Total branches	**4,652**	4,235	10%

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

International Cards

International Cards provides MasterCard, Visa and Diners branded credit and charge cards, as well as private label cards and co-branded cards, to more than 30 million customer accounts in 43 countries outside of the U.S. and Canada. Revenues are primarily generated from net interest revenue on receivables, interchange fees on purchase sales and other delinquency and servicing fees.

In millions of dollars	First Quarter 2007	First Quarter 2006	% Change 1Q07 vs. 1Q06
Net interest revenue	**$ 1,121**	$ 773	45%
Non-interest revenue	**618**	507	22
Revenues, net of interest expense	**$ 1,739**	$ 1,280	36%
Operating expenses	**819**	617	33
Provision for loan losses	**406**	312	30
Income before taxes and minority interest	**$ 514**	$ 351	46%
Income taxes and minority interest	**126**	60	NM
Net income	**$ 388**	$ 291	33%
Revenues, net of interest expense, by region:			
Mexico	**$ 530**	$ 405	31%
Latin America	**326**	96	NM
EMEA	**375**	294	28
Japan	**62**	70	(11)
Asia	**446**	415	7
Total revenues	**$ 1,739**	$ 1,280	36%
Net income by region:			
Mexico	**$ 169**	$ 149	13%
Latin America	**66**	35	89
EMEA	**46**	32	44
Japan	**9**	21	(57)
Asia	**98**	54	81
Total net income	**$ 388**	$ 291	33%

	First Quarter		% Change
Average assets *(in billions of dollars)*	**$ 38**	$ 28	36%
Return on assets	**4.14%**	4.21%	
Average risk capital(1)	**$ 2,537**	$ 2,073	22%
Return on risk capital(1)	**62%**	57%	
Return on invested capital(1)	**26%**	27%	
Key indicators: *(in billions of dollars):*			
Purchase sales	**$ 21.7**	$ 17.4	25%
Average yield(2)	**19.58%**	18.61%	
Net interest margin(2)	**14.57%**	12.90%	

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

(2) As a percentage of average loans.

NM Not meaningful

1Q07 vs. 1Q06

Net Interest Revenue increased 45% driven by growth in average receivables, as well as the CrediCard portfolio in *Latin America*, and the impact of the acquisition of Grupo Financiero Uno. *Non-Interest Revenue* increased 22%, primarily due to a $66 million pre-tax gain on the sale of MasterCard shares and higher purchase sales of 25%, led by growth in *Latin America*, *Asia*, and *EMEA*. The positive impact of foreign currency translation also contributed to increases in revenues.

Operating expenses increased, reflecting the integration of the CrediCard portfolio and the acquisition of Grupo Financiero Uno, along with volume growth across the regions, continued investment spending, higher customer activity, and the impact of foreign currency translation. The increase in 2007 was favorably affected by the absence of the charge related to the 2006 initial adoption of SFAS 123(R).

Provision for loan losses increased 30% driven by portfolio growth, target market expansion in *Mexico* and the integration of the CrediCard portfolio in *Latin America*, partially offset by the absence of a 2006 first quarter loan loss reserve build in Taiwan due to the industry-wide credit deterioration.

Net Income also reflected the absence of a 2006 first quarter $20 million tax benefit resulting from the resolution of the Federal Tax Audit.

Regional Net Income

Mexico income increased due to the gain on the sale of MasterCard shares, higher sales volumes, and average loans driven by portfolio growth and target market expansion, partially offset by higher expenses and volume related provision increases. *EMEA* income increased due to higher sales volumes and average loans. *Latin America* income increased primarily due to the CrediCard portfolio and the acquisition of Grupo Financiero Uno. *Asia* income increased due to higher average loan volumes and a decrease in credit costs related to credit conditions in Taiwan. Japan income declined due to lower revenues.

International Consumer Finance

International Consumer Finance provides community-based lending services through a branch network, centralized sales platforms and cross-selling initiatives with *International Cards* and *International Retail Banking*. As of March 31, 2007, *International Consumer Finance* maintained 2,377 sales points comprised of 1,669 branches in more than 25 countries, and 708 Automated Loan Machines (ALMs) in *Japan*. *International Consumer Finance* offers real-estate-secured loans, unsecured or partially secured personal loans, auto loans, and loans to finance consumer-goods purchases. Revenues are primarily derived from net interest revenue and fees on loan products.

	First Quarter		% Change
In millions of dollars	**2007**	**2006**	**1Q07 vs. 1Q06**
Net interest revenue	**$ 838**	$ 921	(9)%
Non-interest revenue	**52**	41	27
Revenues, net of interest expense	**$ 890**	$ 962	(7)%
Operating expenses	**407**	419	(3)
Provision for loan losses and for benefits and claims	**456**	304	50
Income before taxes and minority interest	**$ 27**	$ 239	(89)%
Income taxes	**2**	71	(97)
Net income	**$ 25**	$ 168	(85)%
Revenues, net of interest expense, by region:			
Mexico	**$ 70**	$ 53	32%
EMEA	**203**	184	10
Asia (excluding Japan)	**140**	98	43
Latin America	**43**	36	19
Sub-total	**$ 456**	$ 371	23%
Japan	**$ 434**	$ 591	(27)%
Total revenues	**$ 890**	$ 962	(7)%
Net income (loss) by region:			
Mexico	**$ 10**	$ 10	

	First Quarter				% Change
EMEA		**(3)**		7	NM
Asia (excluding Japan)		**13**		16	(19)%
Latin America		**(4)**			NM
Sub-total	**$**	**16**	$	33	(52)%
Japan	**$**	**9**	$	135	(93)%
Total net income	**$**	**25**	$	168	(85)%
Average assets *(in billions of dollars)*	**$**	**29**	$	26	12%
Return on assets		**0.35%**		2.62%	
Average risk capital(1)	**$**	**1,187**	$	1,165	2%
Return on risk capital(1)		**9%**		58%	
Return on invested capital(1)		**3%**		19%	

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

NM Not meaningful

International Consumer Finance (Continued)

	First Quarter		% Change
	2007	**2006**	**1Q07 vs. 1Q06**
Key indicators:			
Average yield(2)	**17.08%**	19.06%	
Net interest margin(2)	**13.59%**	16.67%	
Number of sales points:			
Other branches	**1,618**	1,263	28%
Japan branches	**51**	325	(84)%
Japan Automated Loan Machines	**708**	731	(3)%
Total	**2,377**	2,319	3%

(2) As a percentage of average loans.

1Q07 vs. 1Q06

Net Interest Revenue declined, driven by lower results in *Japan* reflecting recent changes in the operating environment and the passage of changes to consumer lending laws in the 2006 fourth quarter. Excluding *Japan*, *Net Interest Revenue* increased, driven by 25% growth in average loans and a stable net interest margin. *Non-Interest Revenue* increased primarily on higher insurance and other fees and the impact of foreign currency translation.

Operating expense decreased, primarily driven by lower expenses in *Japan* due to the repositioning of the business that included closing 84 branches and 101 automated loan machines during the quarter. Excluding *Japan*, expenses increased reflecting higher volume related expenses, and higher investment spending driven by 29 branch openings.

Provision for loan losses increased primarily due to higher net credit losses in *Japan* due to legislative and other actions affecting the consumer finance industry. Excluding *Japan*, increased credit costs were primarily in *EMEA* and *Asia*, driven by higher volumes, increased loan loss reserves due to portfolio growth and the absence of a prior-year release related to a portfolio sale.

The increase in *average loans* across all regions outside of *Japan* was mainly driven by higher personal-loan and real-estate-secured portfolios. In *Japan*, average loans declined 6% due to the impact of foreign currency translation and narrowing of the target market related to the passing of changes to consumer lending laws.

International Retail Banking

International Retail Banking delivers a wide array of banking, lending, insurance and investment services through a network of local branches and electronic delivery systems, including ATMs, call centers and the Internet. *International Retail Banking* serves 53 million customer accounts for individuals and small businesses. Revenues are primarily derived from net interest revenue on deposits and loans, and fees on mortgage, banking, and investment products.

	First Quarter		% Change
In millions of dollars	**2007**	**2006**	**1Q07 vs. 1Q06**
Net interest revenue	**$ 1,530**	$ 1,439	6%
Non-interest revenue	**1,229**	1,028	20
Revenues, net of interest expense	**$ 2,759**	$ 2,467	12%
Operating expenses	**1,750**	1,585	10
Provisions for loan losses and for benefits and claims	**354**	151	NM
Income before taxes and minority interest	**$ 655**	$ 731	(10)%
Income taxes and minority interest	**115**	54	NM
Net income	**$ 540**	$ 677	(20)%
Revenues, net of interest expense, by region:			
Mexico	**$ 777**	$ 691	12%
Latin America	**222**	194	14
EMEA	**868**	792	10
Japan	**119**	114	4
Asia	**773**	676	14
Total revenues	**$ 2,759**	$ 2,467	12%
Net income by region:			
Mexico	**$ 193**	$ 199	(3)%
Latin America	**8**	23	(65)
EMEA	**40**	146	(73)
Japan	**27**	32	(16)
Asia	**272**	277	(2)

	First Quarter		% Change
Total net income	**$ 540**	$ 677	(20)%
Average assets *(in billions of dollars)*	**$ 132**	$ 119	11%
Return on assets	**1.66%**	2.31%	
Average risk capital(1)	**$ 10,123**	$ 9,407	8%
Return on risk capital(1)	**22%**	29%	
Return on invested capital(1)	**13%**	15%	

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

NM Not meaningful

International Retail Banking (Continued)

	First Quarter		% Change
	2007	**2006**	**1Q07 vs. 1Q06**
Key indicators: *(in billions of dollars):*			
Average deposits	**$ 154.2**	$ 144.5	7%
AUMs (EOP)	**$ 138.9**	$ 124.2	12%
Average loans	**$ 69.8**	$ 61.5	13%

1Q07 vs. 1Q06

Net Interest Revenue increased 6% driven by 7% growth in deposits, and 13% growth in average loans. The deposit growth was led by Asia, which increased 10%, while average loan growth was led by double-digit increases in Asia, EMEA, and Latin America. The Latin America increase includes the impact of the acquisition of Grupo Financiero Uno. *Non-Interest Revenue* increased 20% reflecting improvements in all regions, driven by an increase in investment product sales of 33%, led by an increase in *Asia* of 46%. Additionally, the increase was due to a $41 million pre-tax gain on the sale of MasterCard shares, and the acquisition of Akbank in *EMEA*. Assets under management grew by 12%.

Operating expenses increased due to higher investment spending, which included 19 new branch openings during the quarter and 85 branches acquired as part of the acquisition of Grupo Financiero Uno, leading towards a net increase of 336 branches from the first quarter of 2006. Higher advertising and marketing costs and higher business volumes additionally drove an increase in expenses. The increase in 2007 was favorably affected by the absence of the charge related to the 2006 initial adoption of SFAS 123(R).

Provisions for loan losses and for benefits and claims increased primarily due to portfolio growth, the absence of the 2006 first quarter loan loss reserve release in Korea, and increased loan loss reserves to reflect a change in estimate of loan losses inherent in the initial tenor portion of the portfolio. Additionally, the increase was due to lower net recoveries. The 90 days past-due ratio fell from 1.21% to 0.88%.

Net Income also reflected the absence of a 2006 first quarter tax benefit in *Mexico* of $72 million related to APB 23 benefits and a 2006 first quarter $55 million benefit from tax reserve releases related to the resolution of the Federal Tax Audit.

Regional Net Income

Mexico income declined, driven by the absence of tax benefits related to APB 23 in the 2006 first quarter, partially offset by lower expenses that included a decrease in profit sharing, higher fee revenues, and gain on the sale of MasterCard shares. *Latin America* income declined primarily due to higher expenses associated with growth in Brazil and the absence of 2006 first quarter tax benefits, partially offset by strong growth in loans and deposits, up 55% and 21%, respectively. *EMEA* income declined primarily due to higher expenses driven by increased business volume and investment spending tied to retail bank branch expansion, a reserve build to reflect a change in estimate of loan losses inherent in the initial tenor portion of the portfolio, and lower recoveries. Partially offsetting the decline was strong growth in loans and deposits, up 16% and 9%, respectively, stronger investment product sales, and the impact of foreign currency translation. *Japan* income declined due to lower average loans, higher loan loss reserve, and the absence of 2006 first quarter benefit related to the resolution of the Federal Tax Audit. *Asia* income declined primarily due to the absence of a 2006 first quarter loan loss reserve release in Korea, and increased loan loss reserves to reflect a change in estimate of loan losses inherent in the initial tenor portion of the portfolio, and increased investment spending related to retail bank branch expansion. Partially offsetting the decline was strong growth in loans and deposits, up 14% and 10%, respectively, and an increase in investment product sales of 46%.

Other Consumer

Other Consumer includes certain treasury and other unallocated staff functions and global marketing.

In millions of dollars	First Quarter 2007	First Quarter 2006
Net interest revenue	**$ (30)**	$ (47)
Non-interest revenue	**34**	33
Revenues, net of interest expense	**$ 4**	$ (14)
Operating expenses	**155**	167
Income (loss) before tax benefits	**$ (151)**	$ (181)
Income taxes (benefits)	**(66)**	(114)
Net income (loss)	**$ (85)**	$ (67)

Revenues and *expenses* reflect certain unallocated items that are not reported in the Global Consumer operating segments.

The *net loss* increase was primarily due to the absence of the 2006 first quarter tax benefit of $40 million reflecting the resolution of the Federal Tax Audit, partially offset by higher treasury results and lower unallocated expenses.

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	First Quarter 2007	First Quarter 2006	% Change 1Q07 vs. 1Q06
Net interest revenue	**$ 2,452**	$ 2,234	10%
Non-interest revenue	**6,505**	5,045	29
Revenues, net of interest expense	**$ 8,957**	$ 7,279	23%
Operating expenses	**5,111**	4,757	7
Provision for credit losses	**263**		NM
Income before taxes and minority interest	**$ 3,583**	$ 2,522	42%
Income taxes	**947**	574	65
Minority interest, net of taxes	**15**	19	(21)
Net income	**$ 2,621**	$ 1,929	36%
Revenues, net of interest expense, by region:			
U.S.	**$ 3,714**	$ 2,923	27%
Mexico	**227**	186	22
Latin America	**573**	446	28
EMEA	**2,827**	2,296	23
Japan	**212**	296	(28)
Asia	**1,404**	1,132	24
Total revenues	**$ 8,957**	$ 7,279	23%
Net income by region:			
U.S.	**$ 999**	$ 515	94%
Mexico	**114**	78	46
Latin America	**218**	202	8
EMEA	**694**	635	9

	First Quarter		% Change
Japan	**35**	85	(59)
Asia	**561**	414	36
Total net income	**$ 2,621**	$ 1,929	36%
Average risk capital(1)	**$ 24,143**	$ 20,593	17%
Return on risk capital(1)	**44%**	38%	
Return on invested capital(1)	**33%**	28%	

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

NM Not meaningful

Securities and Banking

Securities and Banking offers a wide array of investment and commercial banking services and products, including investment banking and advisory services, debt and equity trading, institutional brokerage, foreign exchange, structured products, derivatives, and lending. *Securities and Banking* revenue is generated primarily from fees for investment banking and advisory services, fees and spread on structured products, foreign exchange and derivatives, fees and interest on loans, and income earned on principal transactions.

	First Quarter		% Change
In millions of dollars	**2007**	**2006**	**1Q07 vs. 1Q06**
Net interest revenue	**$ 1,614**	$ 1,571	3%
Non-interest revenue	**5,699**	4,325	32
Revenues, net of interest expense	**$ 7,313**	$ 5,896	24%
Operating expenses	**4,059**	3,803	7
Provision for credit losses	**258**	(5)	NM
Income before taxes and minority interest	**$ 2,996**	$ 2,098	43%
Income taxes	**812**	461	76
Minority interest, net of taxes	**11**	19	(42)
Net income	**$ 2,173**	$ 1,618	34%
Revenues, net of interest expense, by region:			
U.S.	**$ 3,382**	$ 2,610	30%
Mexico	**166**	138	20
Latin America	**399**	300	33
EMEA	**2,229**	1,808	23
Japan	**182**	271	(33)
Asia	**955**	769	24
Total revenues	**$ 7,313**	$ 5,896	24%
Net income by region:			
U.S.	**$ 966**	$ 515	88%
Mexico	**91**	64	42
Latin America	**161**	151	7
EMEA	**546**	530	3

	First Quarter		% Change
Japan	**27**	80	(66)
Asia	**382**	278	37
Total net income	**$ 2,173**	$ 1,618	34%
Average risk capital(1)	**$ 22,701**	$ 19,123	19%
Return on risk capital(1)	**39%**	34%	
Return on invested capital(1)	**30%**	26%	

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

NM Not meaningful.

Securities and Banking (Continued)

In millions of dollars	First Quarter 2007	First Quarter 2006	% Change 1Q07 vs. 1Q06
Revenue details:			
Investment banking:			
Advisory and other fees	**$ 429**	$ 295	45%
Equity underwriting	**523**	286	83
Debt underwriting	**813**	713	14
Gross Investment Banking	**$ 1,765**	$ 1,294	36%
Revenue allocated to the Global Wealth Management Segment:			
Equity underwriting	**$ (136)**	$ (42)	NM
Debt underwriting	**(34)**	(36)	6%
Total investment banking revenue	**$ 1,595**	$ 1,216	31%
Lending	**561**	411	36
Equity markets	**1,483**	1,179	26
Fixed income markets	**3,771**	3,148	20
Other Securities and Banking(1)	**(97)**	(58)	(67)
Total Securities and Banking Revenue, net of interest expense(1)	**$ 7,313**	$ 5,896	24%

(1) Securities and Banking revenues reflect Citigroup's portion (49%) of the results of the Nikko Citigroup Joint Venture on each respective line with an offset in Other Securities & Banking to conform to the GAAP presentation.

NM Not meaningful

1Q07 vs. 1Q06

Revenues, *net of interest expense*, increased, driven by broad-based volume improvements across products and regions and by the $402 million benefit of the SFAS 157 accounting adoption. Equity Markets revenues increased, driven by strong growth globally, including cash trading, derivatives products, equity finance 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. Investment Banking revenue growth was driven by higher equity underwriting and advisory and other fees.

Operating expenses growth was primarily driven by increased staffing and higher business volumes. The growth in 2007 was favorably affected by the absence of a $346 million charge related to the 2006 initial adoption of SFAS 123(R).

The provision for credit losses increased due to a net charge of $286 million 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.

Regional Net Income

Net income in the *U.S.* increased, driven by double-digit revenue growth in Fixed Income Markets and Underwriting and Equity Markets and Underwriting as well as Advisory. Compensation expenses were almost flat to last year due to the absence of the 2006 initial adoption of SFAS 123(R).

Mexico net income increased, driven by double-digit revenue growth in Fixed Income Markets and equity underwriting.

Latin America net income increased, driven by double-digit revenue growth in Fixed Income and Equity Markets. Revenue growth was partially offset by higher taxes due to the absence of prior-year tax benefits from the resolution of the Federal Tax Audit.

EMEA net income increased, driven by strong double-digit revenue growth across all major product lines and geographies on higher volumes and growth in customer activity. Results also include a $171 million pre-tax increase to loan loss reserves due to portfolio growth, which includes higher commitments to leveraged transactions and an increase in average loan tenor.

Net income in *Japan* declined primarily due to lower results in Fixed Income Markets and Equity Underwriting. Net income in *Asia* increased, driven by double-digit revenue growth in Investment Banking and Lending.

Transaction Services

Transaction Services is comprised of Cash Management, Trade Services and Securities & Fund Services (SFS). Cash Management and Trade Services provide comprehensive cash management and trade finance for corporations and financial institutions worldwide. SFS provides custody and fund services to investors such as insurance companies and pension funds, clearing services to intermediaries such as broker-dealers, and depository and agency/trust services to multi-national corporations and governments globally. Revenue is generated from fees for transaction processing, net interest revenue on Trade Services loans and deposits in Cash Management and SFS, and fees on assets under custody in SFS.

	First Quarter		% Change
In millions of dollars	2007	2006	1Q07 vs. 1Q06
Net interest revenue	**$ 838**	$ 663	26%
Non-interest revenue	**807**	719	12
Revenues, net of interest expense	**$ 1,645**	$ 1,382	19%
Operating expenses	**1,037**	949	9
Provision for credit losses	**5**	5	
Income before taxes and minority interest	**$ 603**	$ 428	41%
Income taxes	**152**	105	45
Minority interest, net of taxes	**4**		NM
Net income	**$ 447**	$ 323	38%
Revenues, net of interest expense, by region:			
U.S.	**$ 333**	$ 312	7%
Mexico	**61**	48	27
Latin America	**174**	146	19
EMEA	**598**	488	23
Japan	**30**	25	20
Asia	**449**	363	24
Total revenues	**$ 1,645**	$ 1,382	19%

Net income by region:

	First Quarter		% Change
U.S.	**$ 33**	$ 12	NM
Mexico	**23**	14	64%
Latin America	**54**	51	6
EMEA	**150**	105	43
Japan	**8**	5	60
Asia	**179**	136	32
Total net income	**$ 447**	$ 323	38%
Average risk capital(1)	**$ 1,442**	$ 1,470	(2)%
Return on risk capital(1)	**126%**	89%	
Return on invested capital(1)	**67%**	50%	

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

NM Not meaningful.

Transaction Services (Continued)

	First Quarter		% Change
	2007	**2006**	**1Q07 vs. 1Q06**
Key indicators:			
Average deposits and other customer liability balances *(in billions of dollars)*	**$ 213**	$ 170	25%
Assets under custody at year-end *(in trillions of dollars)*	**10.7**	8.8	22%
Revenue details *(in millions of dollars):*			
Cash management	**$ 981**	$ 792	24%
Securities and funds services	**$ 507**	$ 438	16%
Trade services & finance	**$ 157**	$ 152	3%
Total revenue, net of interest expense	**$ 1,645**	$ 1,382	19%

1Q07 vs. 1Q06

Revenues, net of interest expense, increased, reflecting growth in liability balances, assets under custody, and rising interest rates in Cash Management and SFS. Average liability balances grew 25% to $213 billion in the first quarter due to growth across all regions, reflecting positive flow from new and existing customers.

Cash Management revenue increased, reflecting growth across all regions, higher liability balances, rising interest rates, and increased revenues from new sales.

Securities & Funds Services revenue increased, reflecting growth across most regions with record new sales, increased liability balances, higher assets under custody, and transaction volumes. Assets under Custody reached $10.7 trillion, an increase of $1.9 trillion, or 22%, on continued momentum from new sales as well as global markets.

Trade Services & Finance revenue increased primarily due to growth in Asia Pacific, partially offset by EMEA and *Latin America*.

Operating expenses increased due to organic business growth, acquisitions, and investment spending.

Regional Net Income

Net income in the *U.S.* increased, primarily due to growth in liability balances and rising interest rates.

Mexico net income increased primarily due to growth in liability balances and rising interest rates.

Latin America net income increased primarily due to increased revenues from new sales, growth in liability balances and rising interest rates.

EMEA net income increased primarily due to increased revenue from new sales, growth in liability balances and assets under custody, rising interest rates and strong volumes, which drove growth in Cash Management, SFS, and Trade Services.

Asia net income increased primarily due to increased revenue from new sales, higher customer volumes, and growth in liability balances and assets under custody and rising interest rates.

Japan net income increased primarily due to increased revenue from new sales, growth in liability balances and assets under custody, and rising interest rates.

Other Markets & Banking

Other Markets & Banking includes offsets to certain line items reported in other Markets & Banking segments, certain non-recurring items and tax amounts not allocated to Markets & Banking products.

	First Quarter	
In millions of dollars	**2007**	**2006**
Net interest revenue		
Non-interest revenue	**$ (1)**	$ 1
Revenues, net of interest expense	**$ (1)**	$ 1
Operating expenses	**15**	5
Income (loss) before income taxes (benefits)	**$ (16)**	$ (4)
Income taxes (benefits)	**(17)**	8
Net income (loss)	**$ 1**	$ (12)

GLOBAL WEALTH MANAGEMENT

Global Wealth Management is comprised of the *Smith Barney* Private Client businesses (including Citigroup Wealth Advisors outside the U.S.), Citigroup *Private Bank,* and Citigroup Investment Research.

	First Quarter		% Change
In millions of dollars	**2007**	**2006**	**1Q07 vs. 1Q06**
Net interest revenue	**$ 529**	$ 460	15%
Non-interest revenue	**2,289**	2,023	13
Revenues, net of interest expense	**$ 2,818**	$ 2,483	13%
Operating expenses	**2,102**	2,055	2
Provision for loan losses	**17**	5	NM
Income before taxes	**$ 699**	$ 423	65%
Income taxes	**251**	136	85
Net income	**$ 448**	$ 287	56%
Revenues, net of interest expense by region:			
U.S.	**$ 2,385**	$ 2,154	11%
Mexico	**36**	31	16
Latin America	**55**	43	28
EMEA	**108**	75	44
Japan			
Asia	**234**	180	30
Total revenues	**$ 2,818**	$ 2,483	13%
Net income (loss) by region:			
U.S.	**$ 361**	$ 228	58%
Mexico	**12**	8	50

	First Quarter			% Change
Latin America	**3**		3	
EMEA	**7**		3	NM
Japan				
Asia	**65**		45	44
Total net income	**$ 448**	$	287	56%
Average risk capital(1)	**$ 2,879**	$	2,539	13%
Return on risk capital(1)	**63%**		46%	
Return on invested capital(1)	**40%**		29%	

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

NM
Not meaningful.

GLOBAL WEALTH MANAGEMENT (Continued)

	First Quarter		% Change
	2007	**2006**	**1Q07 vs. 1Q06**
Key indicators: *(in billions of dollars)*			
Total assets under fee-based management	**$ 418**	$ 369	13%
Total client assets	**$ 1,493**	$ 1,347	11%
Net client asset flows	**$ 6**	$ 3	100%
Financial advisors (FA) / bankers *(actual number)*	**13,605**	13,837	(2)%
Annualized revenue per FA / banker *(in thousands of dollars)*	**$ 837**	$ 715	17%
Average deposits and other customer liability balances	**$ 113**	$ 99	14%
Average loans	**$ 46**	$ 40	15%

(THIS PAGE INTENTIONALLY LEFT BLANK)

Smith Barney

Smith Barney provides investment advice, financial planning and brokerage services to affluent individuals, companies, and non-profits through a network of more than 13,000 Financial Advisors in more than 600 offices, primarily in the U.S. *Smith Barney* generates revenue from managing client assets, acting as a broker for clients in the purchase and sale of securities, financing customers' securities transactions and other borrowing needs through lending, and through the sale of mutual funds and alternative investments.

	First Quarter		% Change
In millions of dollars	2007	2006	1Q07 vs. 1Q06
Net interest revenue	**$ 285**	$ 209	36%
Non-interest revenue	**1,961**	1,778	10
Revenues, net of interest expense	**$ 2,246**	$ 1,987	13%
Operating expenses	**1,724**	1,720	
Provisions for loan losses		1	(100)
Income before taxes	**$ 522**	$ 266	96%
Income taxes	**198**	98	NM
Net income	**$ 324**	$ 168	93%
Revenues, net of interest expense by region:			
U.S.	**$ 2,184**	$ 1,943	12%
Mexico			
Latin America			
EMEA	**14**	5	NM
Japan			
Asia	**48**	39	23
Total revenues	**$ 2,246**	$ 1,987	13%
Net income (loss) by region:			
U.S.	**$ 318**	$ 162	96%

	First Quarter		% Change
Mexico			
Latin America			
EMEA	**(1)**	1	NM
Japan			
Asia	**7**	5	40
Total net income	**$ 324**	$ 168	93%
Average risk capital(1)	**$ 1,743**	$ 1,457	20%
Return on risk capital(1)	**75%**	47%	
Return on invested capital(1)	**39%**	24%	

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

NM Not meaningful

Smith Barney (Continued)

	First Quarter		% Change
	2007	**2006**	**1Q07 vs. 1Q06**
Key indicators: *(in billions of dollars)*			
Total assets under fee-based management	**$ 362**	$ 319	13%
Total client assets	**$ 1,277**	$ 1,167	9%
Financial advisors (FA) (actual numbers)	**13,009**	13,321	(2)%
Annualized revenue per FA (in thousands of dollars)	**$ 697**	$ 597	17%

1Q07 vs. 1Q06

Smith Barney net income of $324 million in the first quarter of 2007 increased $156 million, or 93%, from 2006.

Revenues, net of interest expense, of $2.246 billion in the first quarter of 2007 increased $259 million, or 13%, from the prior-year period, primarily due to a 17% increase in fee-based revenues reflecting an advisory-based strategy and a 7% increase in transactional revenues due to higher syndicate sales.

Total assets under fee-based management were $362 billion as of March 31, 2007, up $43 billion, or 13%, from the prior-year period. Total client assets, including assets under fee-based management, of $1,277 billion in the first quarter of 2007 increased $110 billion, or 9%, compared to the prior-year quarter, reflecting organic growth and the addition of Quilter client assets as of March 31, 2007. Net inflows were $7 billion in the first quarter of 2007 compared to $3 billion in the prior-year quarter. *Smith Barney* had 13,009 financial advisors as of March 31, 2007, compared with 13,321 as of March 31, 2006. Annualized revenue per financial advisor of $697,000 increased 17% from the prior-year quarter.

Operating expenses of $1.724 billion in the first quarter of 2007 increased $4 million from the prior-year quarter. The expense increase in 2007 was favorably affected by the absence of the charge related to the 2006 initial adoption of SFAS 123(R) of $129 million. Excluding this charge, the increase in expenses was primarily driven by higher variable compensation associated with increased revenue.

Private Bank

Private Bank provides personalized wealth management services for high-net-worth clients in 33 countries and territories. These services include comprehensive investment management (investment funds management, capital markets solutions, and trust, fiduciary and custody services), investment finance (credit services including real estate financing, commitments and letters of credit) and banking services (deposit, checking and savings accounts, as well as cash management and other traditional banking services).

	First Quarter		% Change
In millions of dollars	**2007**	**2006**	**1Q07 vs. 1Q06**
Net interest revenue	**$ 244**	$ 251	(3)%
Non-interest revenue	**328**	245	34
Revenues, net of interest expense	**$ 572**	$ 496	15%
Operating expenses	**378**	335	13
Provision for loan losses	**17**	4	NM
Income before taxes	**$ 177**	$ 157	13%
Income taxes	**53**	38	39
Net income	**$ 124**	$ 119	4%
Revenues, net of interest expense, by region:			
U.S.	**$ 201**	$ 211	(4)%
Mexico	**36**	31	16
Latin America	**55**	43	28
EMEA	**94**	70	34
Japan			
Asia	**186**	141	31
Total revenues	**$ 572**	$ 496	15%
Net income by region:			
U.S.	**$ 43**	$ 66	(35)%

	First Quarter		% Change
Mexico	**12**	8	50
Latin America	**3**	3	
EMEA	**8**	2	NM
Japan			
Asia	**58**	40	45
Total net income	**$ 124**	$ 119	4%
Average risk capital(1)	**$ 1,136**	$ 1,082	5%
Return on risk capital(1)	**44%**	45%	
Return on invested capital(1)	**40%**	42%	

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

NM
Not meaningful.

Private Bank (Continued)

	First Quarter		% Change
	2007	**2006**	**1Q07 vs. 1Q06**
Key indicators: *(in billions of dollars)*			
Total assets under fee-based management	**$ 56**	$ 50	12%
Total client assets	**$ 216**	$ 180	20%
Net client asset flows	**$ (1)**	$	
Bankers	**596**	516	16%
Annualized revenue per bankers (in thousands of dollars)	**$ 4,047**	$ 3,898	4%
Average deposits and other customer liability balances	**$ 61**	$ 48	27%
Average loans	**$ 44**	$ 38	16%

1Q07 vs. 1Q06

Revenues, net of interest expense, increased due to strong growth across *Asia, EMEA, Mexico* and *Latin America.*

U.S. revenue decreased, primarily driven by a decrease in lending and banking spreads, partially offset by increases in lending and banking volumes.

Operating expenses of $378 million in the first quarter of 2007 increased $43 million from the prior-year quarter. The expense increase in 2007 was favorably affected by the absence of the charge related to the 2006 initial adoption of SFAS 123(R) of $16 million. Excluding this charge, the increase in expenses was primarily driven by higher incentive compensation from higher revenue and investment spending to expand on-shore markets.

Provision for loan losses increased primarily due to portfolio growth.

End of period client assets increased $36 billion, or 20%, while average loans increased $6 billion, or 16%, primarily in *EMEA* and the *U.S.*

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. AI's business model is to enable its 14 investment centers to retain the entrepreneurial qualities required to capitalize on evolving opportunities, while benefiting from the intellectual, operational and financial resources of Citigroup.

	First Quarter		% Change
In millions of dollars	2007	2006	1Q07 vs. 1Q06
Net interest revenue	**$ (20)**	$ 3	NM
Non-interest revenue	**582**	672	(13)%
Total revenues, net of interest expense	**$ 562**	$ 675	(17)%
Net realized and net change in unrealized gains	**$ 444**	$ 563	(21)%
Fees, dividends and interest	**35**	49	(29)
Other	**(43)**	(28)	(54)
Total proprietary investment activities revenues	**$ 436**	$ 584	(25)%
Client revenues(1)	**126**	91	38
Total revenues, net of interest expense	**$ 562**	$ 675	(17)%
Operating expenses	**180**	181	(1)
Provision for loan losses	**1**		NM
Income before taxes and minority interest	**$ 381**	$ 494	(23)%
Income taxes	**$ 138**	$ 111	24%
Minority interest, net of taxes	**21**	30	(30)
Net income	**$ 222**	$ 353	(37)%
Average risk capital(2)	**$ 4,086**	$ 4,547	(10)%
Return on risk capital(2)	**22%**	32%	
Return on invested capital(2)	**19%**	28%	

	First Quarter		% Change
Revenue by product:			
Client(1)	**$ 126**	$ 91	38%
Private Equity	**$ 361**	$ 213	69%
Hedge Funds	**47**	107	(56)
Other	**28**	264	(89)
Proprietary	**$ 436**	$ 584	(25)%
Total	**$ 562**	$ 675	(17)%

(1) Includes fee income.

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

NM Not meaningful.

ALTERNATIVE INVESTMENTS (Continued)

	First Quarter		% Change
	2007	**2006**	**1Q07 vs. 1Q06**
Key indicators: *(in billions of dollars)*			
Capital under management:			
Client	**$ 42.9**	$ 28.2	52%
Proprietary	**10.8**	11.1	(3)
Total	**$ 53.7**	$ 39.3	37%

1Q07 vs. 1Q06

Total proprietary revenues, net of interest expense, were composed of revenues from private equity of $361 million, hedge funds of $47 million and other investment activity of $28 million. Private equity revenue increased $148 million from the first quarter of 2006, primarily driven by gains from the sale of portfolio assets. Hedge fund revenue declined $60 million due to lower investment performance. Other investment activities revenue decreased $236 million from the first quarter of 2006, largely due to the absence of prior-year gains from the sale of Citigroup's investment in The Travelers Companies shares, partially offset by real estate investment returns. Client revenues increased $35 million, reflecting increased management fees from a 52% growth in average client capital under management.

Minority interest, net of tax, declined on the absence of prior-year 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 and net change in unrealized gains/(losses) consistent with proceeds received by minority interests.

Net Income in the first quarter 2006 reflected a tax benefit of $58 million resulting from the resolution of the Federal Tax Audit.

Proprietary capital under management decreased $0.3 billion from the first quarter of 2006, primarily driven by the sale of Citigroup's remaining holdings of MetLife shares, which were partially offset by investments in hedge funds, private equity and real estate.

Client capital under management increased $14.7 billion, or 52%, from the first quarter of 2006 due to inflows from institutional and high-net-worth clients in private equity, real estate and hedge funds.

Beginning January 1, 2007, the change in fair value of the Company's Legg Mason securities are marked-to-market through earnings. See Notes 11 and 16 on page 95 and 105, respectively.

CORPORATE/OTHER

Corporate/Other includes treasury results, the 2007 first quarter restructuring charge, 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	First Quarter 2007	First Quarter 2006
Revenues, net of interest expense	**$ 16**	$ (209)
Restructuring expense	**1,377**	
Other operating expense	**41**	8
Operating expenses	**1,418**	8
Loss from continuing operations before taxes and minority interest	**$ (1,402)**	$ (217)
Income tax benefits	**(491)**	(131)
Minority interest, net of taxes	**1**	1
Loss from continuing operations	**$ (912)**	$ (87)
Income from discontinued operations		84
Net loss	**$ (912)**	$ (3)

1Q07 vs. 1Q06

Revenues, net of interest expense, increased, primarily due to a gain on the sale of certain corporate-owned assets and improved treasury results as long-term funding rates decreased.

Restructuring expense. See Note 7 on page 92 for details on the 2007 first quarter restructuring charge.

Other operating expenses increased, primarily due to increased staffing and technology costs.

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 87.

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.

The Citigroup Senior Risk Officer is responsible for:

- establishing standards for the measurement and reporting of risk,
- managing and compensating the senior independent risk managers at the business level,
- approving business-level risk management policies, and
- reviewing major risk exposures and concentrations across the organization.

The independent risk managers at the business level are responsible for establishing and implementing risk management policies and practices within their business, for overseeing the risk in their business, and for responding to the needs and issues of their business.

RISK CAPITAL

Risk capital 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.

- "Economic losses" include losses that appear on the income statement and fair value adjustments to the financial statements, as well as any further declines in value not captured on the income statement.
- "Unexpected losses" are the difference between potential extremely severe losses and Citigroup's expected (average) loss over a one-year time period.
- "Extremely severe" is defined as potential loss at a 99.97% confidence level, based on the distribution of observed events and scenario analysis.

Risk capital is used in the calculation of return on risk capital (RORC) and return on invested capital (ROIC).

RORC, calculated as annualized income from continuing operations divided by average risk capital, compares business income with the capital required to absorb the risks. It is used to assess businesses' operating performance and to determine incremental allocation of capital for organic growth.

ROIC is calculated using income adjusted to exclude a net internal funding cost Citigroup levies on the goodwill and intangible assets of each business. This adjusted annualized income is divided by the sum of each business's average risk capital, goodwill and intangible assets (excluding mortgage servicing rights, which are captured in risk capital). ROIC thus compares business income with the total invested capital risk capital, goodwill and intangible assets used to generate that income. ROIC is used to assess returns on potential acquisitions and divestitures, and to compare long-term performance of businesses with differing proportions of organic and acquired growth.

The drivers of "economic losses" are risks, which can be broadly categorized as credit risk (including cross-border risk), market risk and operational risk:

- Credit risk losses primarily result from a borrower's or counterparty's inability to meet its obligations.

Market risk losses arise from fluctuations in the market value of trading and non-trading positions, including changes in value resulting from fluctuations in rates.

Operational risk losses result from inadequate or failed internal processes, people, systems or from external events.

These risks are measured and aggregated within businesses and across Citigroup to facilitate the understanding of the Company's exposure to extreme downside events.

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

In billions of dollars	**Mar. 31, 2007**	**Dec. 31, 2006**	**Mar. 31, 2006**
Credit risk	**$ 38.3**	$ 36.7	$ 36.3
Market risk	**29.1**	21.5	17.4
Operational risk	**7.9**	8.0	8.1
Intersector diversification(1)	**(6.3)**	(6.4)	(5.7)
Total Citigroup	**$ 69.0**	$ 59.8	$ 56.1
Return on risk capital (quarterly)	**31%**	35%	41%
Return on invested capital	**17%**	17%	20%

(1) Reduction in risk represents diversification between sectors.

The increase in Citigroup's risk capital versus December 31, 2006 was primarily related to the 2007 first quarter methodology update for the implementation of SFAS 158, higher interest rate risk, the 2007 first quarter methodology update for market risk for proprietary investments, credit portfolio growth, and recent acquisitions and investments.

Average risk capital, return on risk capital and return on invested capital are provided for each segment and product and are disclosed on pages 14 - 44.

The increase in average risk capital compared to the first quarter of 2006 was primarily driven by increases in Global Consumer and Markets & Banking. Average risk capital of $31.7 billion in Global Consumer increased $3.9 billion, or 14%, driven mostly by higher interest rate risk and recent acquisitions and strategic investments. Average risk capital of $24.1 billion in Markets & Banking increased $3.6 billion, or 17%, driven mostly by portfolio growth, updated methodology for market risk for proprietary investments, higher interest rate risk, and the recent strategic investments.

CREDIT RISK MANAGEMENT PROCESS

Credit risk arises in many of the Company's business activities, including:

- lending
- sales and trading
- derivatives
- securities transactions
- settlement
- when the Company acts as an intermediary on behalf of its clients and other third parties.

DETAILS OF CREDIT LOSS EXPERIENCE

In millions of dollars	1st Qtr. 2007	4th Qtr. 2006	3rd Qtr. 2006	2nd Qtr. 2006	1st Qtr. 2006
Allowance for loan losses at beginning of period	**$ 8,940**	$ 8,979	$ 9,144	$ 9,505	$ 9,782
Provision for loan losses					
Consumer	**$ 2,443**	$ 2,028	$ 1,736	$ 1,426	$ 1,446
Corporate	**263**	85	57	10	(50)
	$ 2,706	$ 2,113	$ 1,793	$ 1,436	$ 1,396
Gross credit losses					
Consumer					
In U.S. offices	**$ 1,291**	$ 1,223	$ 1,091	$ 1,090	$ 1,105
In offices outside the U.S.	**1,341**	1,309	1,227	1,145	1,037
Corporate					
In U.S. offices	**6**	13	6	44	15
In offices outside the U.S.	**29**	97	38	75	26
	$ 2,667	$ 2,642	$ 2,362	$ 2,354	$ 2,183
Credit recoveries					
Consumer					
In U.S. offices	**$ 214**	$ 165	$ 153	$ 183	$ 190
In offices outside the U.S.	**286**	307	350	298	319
Corporate					
In U.S. offices	**18**	2	5	12	2
In offices outside the U.S.	**40**	26	48	65	72
	$ 558	$ 500	$ 556	$ 558	$ 583
Net credit losses					
In U.S. offices	**$ 1,065**	$ 1,069	$ 939	$ 939	$ 928
In offices outside the U.S.	**1,044**	1,073	867	857	672
Total	**$ 2,109**	$ 2,142	$ 1,806	$ 1,796	$ 1,600
Other net(1)(2)(3)(4)(5)	**$ (27)**	$ (10)	$ (152)	$ (1)	$ (73)
Allowance for loan losses at end of period	**$ 9,510**	$ 8,940	$ 8,979	$ 9,144	$ 9,505
Allowance for unfunded lending commitments(6)	**$ 1,100**	$ 1,100	$ 1,100	$ 1,050	$ 900
Total allowance for loans and unfunded lending commitments	**$ 10,610**	$ 10,040	$ 10,079	$ 10,194	$ 10,405
Net consumer credit losses	**$ 2,132**	$ 2,060	$ 1,815	$ 1,754	$ 1,633
As a percentage of average consumer loans	**1.69%**	1.64%	1.49%	1.48%	1.46%
Net corporate credit losses/(recoveries)	**$ (23)**	$ 82	$ (9)	$ 42	$ (33)
As a percentage of average corporate loans	**NM**	0.05%	NM		NM

(1) The first quarter of 2007 includes reductions to the loan loss reserve of $97 million related to a balance sheet reclass to Loans Held for Sale in the U.S. Cards portfolio and the addition of $75 million related to the acquisition of Grupo Financiero Uno.

(2) The 2006 fourth quarter includes reductions to the loan loss reserve of $74 million related to securitizations.

(3) The 2006 third quarter includes reductions to the loan loss reserve of $140 million related to securitizations and portfolio sales.

(4) The 2006 second quarter includes reductions to the loan loss reserve of $125 million related to securitizations, offset by $84 million of additions related to the Credicard acquisition.

(5) The first quarter of 2006 includes reductions to the loan loss reserve of $90 million related to securitizations.

(6) Represents additional credit loss reserves for unfunded corporate lending commitments and letters of credit recorded within Other Liabilities on the Consolidated Balance Sheet.

NM Not meaningful

CASH-BASIS, RENEGOTIATED, AND PAST DUE LOANS

In millions of dollars	Mar. 31 2007	Dec. 31, 2006	Sept. 30, 2006	June 30, 2006	Mar. 31, 2006
Corporate cash-basis loans					
Collateral dependent (at lower of cost or collateral value)(1)	**$ 19**	$ 19	$ 15	$	$
Other	**481**	516	677	799	821
Total	**$ 500**	$ 535	$ 692	$ 799	$ 821
Corporate cash-basis loans					
In U.S. offices	**$ 38**	$ 58	$ 23	$ 24	$ 65
In offices outside the U.S.	**462**	477	669	775	756
Total	**$ 500**	$ 535	$ 692	$ 799	$ 821
Renegotiated loans (includes Corporate and Commercial Business Loans)	**$ 26**	$ 22	$ 23	$ 23	$ 30
Consumer loans on which accrual of interest had been suspended					
In U.S. offices	**$ 2,501**	$ 2,490	$ 2,231	$ 1,985	$ 2,088
In offices outside the U.S.	**2,077**	2,022	1,958	1,872	1,664
Total	**$ 4,578**	$ 4,512	$ 4,189	$ 3,857	$ 3,752
Accruing loans 90 or more days delinquent(2)					
In U.S. offices	**$ 2,374**	$ 2,260	$ 2,576	$ 2,403	$ 2,531
In offices outside the U.S.	**532**	524	448	431	410
Total	**$ 2,906**	$ 2,784	$ 3,024	$ 2,834	$ 2,941

(1) A cash-basis loan is defined as collateral dependent when repayment is expected to be provided solely by the liquidation of the underlying collateral and there are no other available and reliable sources of repayment, in which case the loans are written down to the lower of cost or collateral value.

(2) Substantially composed of consumer loans of which $2,074 million, $1,891 million, $1,897 million, $1,815 million, and $1,797 million, are government-guaranteed student loans and Federal Housing Authority mortgages at March 31, 2007, December 31, 2006, September 30, 2006, June 30, 2006, and March 31, 2006, respectively.

Other Real Estate Owned and Other Repossessed Assets

In millions of dollars	Mar. 31, 2007	Dec. 31, 2006	Sept. 30, 2006	June 30, 2006	Mar. 31, 2006
Other real estate owned(1)					
Consumer	**$ 461**	$ 385	$ 356	$ 324	$ 322
Corporate	**348**	316	193	171	144
Total other real estate owned	**$ 809**	$ 701	$ 549	$ 495	$ 466

In millions of dollars	**Mar. 31, 2007**	**Dec. 31, 2006**	**Sept. 30, 2006**	**June 30, 2006**	**Mar. 31, 2006**
Other repossessed assets(2)	**$ 77**	$ 75	$ 62	$ 53	$ 52

(1) Represents repossessed real estate, carried at lower of cost or fair value, less costs to sell.

(2) Primarily transportation equipment, carried at lower of cost or fair value, less costs to sell.

CONSUMER PORTFOLIO REVIEW

Citigroup's Consumer Loan portfolio is well diversified by both product and location.

In the Consumer portfolio, credit loss experience is often expressed in terms of annualized net credit losses as a percentage of average loans. Consumer loans are generally written off no later than a predetermined number of days past due on a contractual basis, or earlier in the event of bankruptcy.

U.S. Commercial Business includes loans and leases made principally to small- and middle-market businesses. These are placed on a non-accrual basis when it is determined that the payment of interest or principal is past due for 90 days or more, except when the loan is well secured and in the process of collection.

The following table summarizes delinquency and net credit loss experience in both the managed and on-balance sheet Consumer Loan portfolios. The managed loan portfolio includes held-for-sale and securitized credit card receivables, which affects only *U.S. Cards* from a product view and *U.S.* from a regional view. Although a managed basis presentation is not in conformity with GAAP, the Company believes managed credit statistics provide a representation of performance and key indicators of the credit card business that is consistent with the way management reviews operating performance and allocates resources. For example, the *U.S. Cards* business considers both on-balance sheet and securitized balances (together, its managed portfolio) when determining capital allocation and general management decisions and compensation. Furthermore, investors use information about the credit quality of the entire managed portfolio, as the results of both the on-balance sheet and securitized portfolios impact the overall performance of the *U.S. Cards* business. For a further discussion of managed-basis reporting, see Note 13 on page 98.

Consumer Loan Delinquency Amounts, Net Credit Losses, and Ratios

	Total Loans	90 Days or More Past Due(1)			Average Loans	Net Credit Losses(1)		
In millions of dollars, except total and average loan amounts in billions	**Mar. 31, 2007**	**Mar. 31, 2007**	**Dec. 31, 2006**	**Mar. 31, 2006**	**1st Qtr. 2007**	**1st Qtr. 2007**	**4th Qtr. 2006**	**1st Qtr. 2006**
Product View:								
U.S.:								
U.S. Cards	**$ 35.9**	**$ 587**	$ 718	$ 958	**$ 38.9**	**$ 439**	$ 439	$ 446
Ratio		**1.63%**	1.61%	2.39%		**4.58%**	4.30%	4.27%
U.S. Retail Distribution	**48.4**	**847**	834	740	**47.6**	**335**	337	279
Ratio		**1.75%**	1.73%	1.73%		**2.85%**	2.88%	2.66%
U.S. Consumer Lending	**218.6**	**3,026**	2,870	2,411	**216.6**	**286**	258	176
Ratio		**1.38%**	1.36%	1.25%		**0.53%**	0.49%	0.38%
U.S. Commercial Business	**37.6**	**195**	149	151	**36.6**	**19**	23	14
Ratio		**0.52%**	0.41%	0.44%		**0.21%**	0.25%	0.17%
International:								
International Cards	**32.2**	**736**	709	535	**31.2**	**384**	402	218
Ratio		**2.29%**	2.29%	2.22%		**4.99%**	5.39%	3.64%
International Consumer Finance	**25.3**	**592**	608	437	**25.0**	**430**	380	319
Ratio		**2.34%**	2.43%	1.93%		**6.98%**	6.05%	5.78%
International Retail Banking	**71.3**	**630**	667	736	**69.8**	**238**	221	184
Ratio		**0.88%**	0.97%	1.21%		**1.38%**	1.29%	1.21%
Private Bank(2)	**44.6**	**10**	21	12	**43.6**			(4)
Ratio		**0.02%**	0.05%	0.03%		**0.00%**	0.00%	(0.04)%
Other Consumer Loans	**2.7**			43	**2.6**	**1**		1
On-Balance Sheet in Loans(3)	**$ 516.6**	**$ 6,623**	$ 6,576	$ 6,023	**$ 511.9**	**$ 2,132**	$ 2,060	$ 1,633
Ratio		**1.28%**	1.29%	1.31%		**1.69%**	1.64%	1.46%
Securitized receivables (all in U.S. Cards)	**$ 98.6**	**$ 1,528**	$ 1,616	$ 1,403	**$ 97.3**	**$ 1,150**	$ 1,094	$ 871
Credit card receivables held-for-sale	**3.0**	**47**			**3.0**			4
Managed Loans(4)	**$ 618.2**	**$ 8,198**	$ 8,192	$ 7,426	**$ 612.2**	**$ 3,282**	$ 3,154	$ 2,508
Ratio		**1.33%**	1.34%	1.34%		**2.17%**	2.09%	1.85%
Regional View:								
U.S.	**$ 371.5**	**$ 4,663**	$ 4,584	$ 4,312	**$ 370.2**	**$ 1,080**	$ 1,058	$ 916
Ratio		**1.26%**	1.24%	1.27%		**1.18%**	1.16%	1.11%
Mexico	**16.9**	**507**	625	541	**16.5**	**182**	163	106
Ratio		**3.00%**	3.78%	3.68%		**4.47%**	3.97%	2.87%
EMEA	**45.7**	**582**	574	487	**44.4**	**317**	303	250
Ratio		**1.27%**	1.32%	1.32%		**2.89%**	2.84%	2.77%
Japan	**10.9**	**227**	235	170	**11.0**	**313**	273	223
Ratio		**2.08%**	2.08%	1.48%		**11.57%**	9.43%	7.83%
Asia	**63.7**	**432**	439	473	**62.7**	**164**	186	136
Ratio		**0.68%**	0.71%	0.87%		**1.06%**	1.22%	1.01%
Latin America	**7.9**	**212**	119	40	**7.1**	**76**	77	2
Ratio		**2.69%**	1.84%	0.99%		**4.36%**	4.98%	0.21%
On-Balance Sheet in Loans(3)	**$ 516.6**	**$ 6,623**	$ 6,576	$ 6,023	**$ 511.9**	**$ 2,132**	$ 2,060	$ 1,633
Ratio		**1.28%**	1.29%	1.31%		**1.69%**	1.64%	1.46%
Securitized receivables (all in U.S. Cards)	**$ 98.6**	**$ 1,528**	$ 1,616	$ 1,403	**$ 97.3**	**$ 1,150**	$ 1,094	$ 871
Credit card receivables held-for-sale	**3.0**	**47**			**3.0**			4
Managed Loans(4)	**$ 618.2**	**$ 8,198**	$ 8,192	$ 7,426	**$ 612.2**	**$ 3,282**	$ 3,154	$ 2,508
Ratio		**1.33%**	1.34%	1.34%		**2.17%**	2.09%	1.85%

(1) The ratios of 90 days or more past due and net credit losses are calculated based on end-of-period and average loans, respectively, both net of unearned income.

(2) Private Bank results are reported as part of the Global Wealth Management segment.

(3) Total loans and total average loans exclude certain interest and fees on credit cards of approximately $2 billion and $2 billion, respectively, which are included in Consumer Loans on the Consolidated Balance Sheet.

(4) This table presents credit information on a held basis and shows the impact of securitizations to reconcile to a managed basis. Only *U.S. Cards* from a product view, and U.S from a regional view, are impacted. Managed-basis reporting is a non-GAAP measure. Held-basis reporting is the related GAAP measure. See a discussion of managed-basis reporting on page 51.

Consumer Loan Balances, Net of Unearned Income

In billions of dollars	End of Period: Mar. 31, 2007	End of Period: Dec. 31, 2006	End of Period: Mar. 31, 2006	Average: 1st Qtr. 2007	Average: 4th Qtr 2006	Average: 1st Qtr. 2006
On-balance sheet(1)	**$ 516.6**	$ 510.8	$ 459.4	**$ 511.9**	$ 498.0	$ 454.8
Securitized receivables (all in *U.S. Cards*)	**98.6**	99.5	95.9	**97.3**	99.1	94.7
Credit card receivables held-for-sale(2)	**3.0**			**3.0**	0.2	0.3
Total managed(3)	**$ 618.2**	$ 610.3	$ 555.3	**$ 612.2**	$ 597.3	$ 549.8

(1) Total loans and total average loans exclude certain interest and fees on credit cards of approximately $2 billion and $2 billion for the first quarter of 2007, approximately $2 billion and $2 billion for the fourth quarter of 2006, and approximately $3 billion and $4 billion for the first quarter of 2006, respectively, which are included in Consumer Loans on the Consolidated Balance Sheet.

(2) Included in Other Assets on the Consolidated Balance Sheet.

(3) This table presents loan information on a held basis and shows the impact of securitization to reconcile to a managed basis. Managed-basis reporting is a non-GAAP measure. Held-basis reporting is the related GAAP measure. See a discussion of managed-basis reporting on page 51.

Citigroup's total allowance for loans, leases and unfunded lending commitments of $10.610 billion is available to absorb probable credit losses inherent in the entire portfolio. For analytical purposes only, the portion of Citigroup's allowance for credit losses attributed to the Consumer portfolio was $6.338 billion at March 31, 2007, $6.006 billion at December 31, 2006 and $6.647 billion at March 31, 2006. The decrease in the allowance for credit losses from March 31, 2006 of $309 million included:

- reserve releases, primarily related to a decline in bankruptcy filings due to the impact of the change in bankruptcy legislation on *U.S. Cards* in 2005, and stable credit conditions in the U.S. and internationally;
- $339 million of reductions related to securitizations and sales of portfolios in the *U.S. Cards* business;
- a $97 million balance sheet reclass to loans held for sale in the *U.S. Cards* business;

Offsetting these reductions in the allowance for credit losses was the impact of reserve builds of $856 million, primarily related to increased reserves to reflect: a change in estimate of loan losses inherent in the initial tenor portion of the Consumer Loan portfolio; increased delinquencies in second mortgages, and portfolio growth in the *U.S. Consumer Lending* mortgage portfolio. Additionally, market expansion in Mexico Cards, the integration of the Credicard portfolio in Brazil and increased reserves in *Japan*, primarily related to the change in the operating environment in the consumer finance business, and the passage on December 13, 2006, of changes to Japan's consumer lending laws, added to the increase. The acquisition of the CrediCard portfolio and the Grupo Financiero Uno business increased the allowance for credit losses by $84 million and $75 million, respectively in *Latin America*.

On-balance sheet consumer loans of $516.6 billion increased $57.2 billion, or 12%, from March 31, 2006, primarily driven by growth in mortgage and other real-estate-secured loans in the *U.S. Consumer Lending*, *U.S. Commercial Business,* and *Private Bank* businesses, as well as growth in *U.S. Retail Distribution* and all International businesses.

Net credit losses, delinquencies and the related ratios are affected by the credit performance of the portfolios, including bankruptcies, unemployment, global economic conditions, portfolio growth and seasonal factors, as well as macro-economic and regulatory policies.

CORPORATE CREDIT RISK

For corporate clients and investment banking activities across the organization, the credit process is grounded in a series of fundamental policies, including:

- joint business and independent risk management responsibility for managing credit risks;
- single center of control for each credit relationship that coordinates credit activities with that client;
- portfolio limits to ensure diversification and maintain risk/capital alignment;
- a minimum of two-authorized credit officer-signatures are required on extensions of credit (one from a sponsoring credit officer in the business and one from a credit officer in independent credit risk management);
- risk rating standards, applicable to every obligor and facility; and
- consistent standards for credit origination documentation and remedial management.

Credit Exposure Arising from Derivatives and Foreign Exchange

Citigroup uses derivatives as both an end-user for asset/liability management and in its client businesses. In Markets & Banking, Citigroup enters into derivatives for trading purposes or to enable customers to transfer, modify or reduce their interest rate, foreign exchange and other market risks. In addition, Citigroup uses derivatives and other instruments, primarily interest rate and foreign exchange products, as an end-user to manage interest rate risk relating to specific groups of interest-sensitive assets and liabilities. Also, foreign exchange contracts are used to hedge non-U.S. dollar denominated debt, net capital exposures and foreign exchange transactions.

The Company's credit exposure on derivatives and foreign exchange contracts is primarily to professional counterparties in the financial sector, arising from transactions with banks, investment banks, governments and central banks, and other financial institutions.

For purposes of managing credit exposure on derivative and foreign exchange contracts, particularly when looking at exposure to a single counterparty, the Company measures and monitors credit exposure taking into account the current mark-to-market value of each contract plus a prudent estimate of its potential change in value over its life. This measurement of the potential future exposure for each credit facility is based on a stressed simulation of market rates and generally takes into account legally enforceable risk-mitigating agreements for each obligor such as netting and margining.

For asset/liability management hedges that are subject to SFAS 133, the hedging derivative must be highly effective in accomplishing the hedge objective of offsetting either changes in the fair value or cash flows of the hedged item for the risk being hedged. Any ineffectiveness present in the hedge relationship is recognized in current earnings. The assessment of effectiveness excludes the changes in the value of the hedged item that are unrelated to the risks being hedged. Similarly, the assessment of effectiveness may exclude changes in the fair value of a derivative related to time value, which, if excluded, is recognized in current earnings.

The following tables summarize by derivative type the notionals, receivables and payables held for trading and asset/liability management hedge purposes as of March 31, 2007 and December 31, 2006. A portion of the asset/liability management hedges are accounted for under SFAS 133, and in Note 15 on page 102.

CITIGROUP DERIVATIVES

Notionals(1)

In millions of dollars	Trading Derivatives(2) March 31, 2007	Trading Derivatives(2) December 31, 2006	Asset/Liability Management Hedges(3) March 31, 2007	Asset/Liability Management Hedges(3) December 31, 2006
Interest rate contracts				
Swaps	**$ 15,127,660**	$ 14,196,404	**$ 584,647**	$ 561,376
Futures and forwards	**2,115,956**	1,824,205	**132,102**	75,374
Written options	**4,018,792**	3,054,990	**31,078**	12,764
Purchased options	**3,986,488**	2,953,122	**62,645**	35,420
Total interest rate contract notionals	**$ 25,248,896**	$ 22,028,721	**$ 810,472**	$ 684,934
Foreign exchange contracts				
Swaps	**$ 770,255**	$ 722,063	**$ 60,181**	$ 53,216
Futures and forwards	**2,271,735**	2,068,310	**41,955**	42,675
Written options	**482,675**	416,951	**886**	1,228
Purchased options	**458,963**	404,859	**761**	1,246
Total foreign exchange contract notionals	**$ 3,983,628**	$ 3,612,183	**$ 103,783**	$ 98,365
Equity contracts				
Swaps	**$ 127,252**	$ 104,320	**$**	$
Futures and forwards	**26,921**	36,362		
Written options	**584,088**	387,781		
Purchased options	**541,841**	355,891		
Total equity contract notionals	**$ 1,280,102**	$ 884,354	**$**	$
Commodity and other contracts				
Swaps	**$ 41,146**	$ 35,611	**$**	$
Futures and forwards	**45,005**	17,433		
Written options	**15,407**	11,991		
Purchased options	**16,869**	16,904		
Total commodity and other contract notionals	**$ 118,427**	$ 81,939	**$**	$
Credit derivatives	**$ 2,467,859**	$ 1,944,980	**$**	$
Total derivative notionals	**$ 33,098,912**	$ 28,552,177	**$ 914,255**	$ 783,299

Mark-to-Market (MTM) Receivables/Payables

In millions of dollars	Derivatives Receivables MTM March 31, 2007	Derivatives Receivables MTM December 31, 2006	Derivatives Payables MTM March 31, 2007	Derivatives Payables MTM December 31, 2006

	Derivatives Receivables MTM		Derivatives Payables MTM	
Trading Derivatives(2)				
Interest rate contracts	**$ 171,536**	$ 167,521	**$ 174,217**	$ 166,119
Foreign exchange contracts	**45,871**	52,297	**41,430**	47,469
Equity contracts	**28,281**	26,883	**53,154**	52,980
Commodity and other contracts	**5,216**	5,387	**5,462**	5,776
Credit derivative	**20,078**	14,069	**20,621**	15,081
Total	**$ 270,982**	$ 266,157	**$ 294,884**	$ 287,425
Less: Netting agreements, cash collateral and market value adjustments	**(224,516)**	(216,616)	**(220,693)**	(212,621)
Net Receivables/Payables	**$ 46,466**	$ 49,541	**$ 74,191**	$ 74,804
Asset/Liability Management Hedges(3)				
Interest rate contracts	**$ 1,837**	$ 1,801	**$ 4,816**	$ 3,327
Foreign exchange contracts	**3,861**	3,660	**681**	947
Total	**$ 5,698**	$ 5,461	**$ 5,497**	$ 4,274

(1) Includes the notional amounts for long and short derivative positions.

(2) Trading Derivatives include proprietary positions, as well as hedging derivatives instruments that do not qualify for hedge accounting in accordance with SFAS No. 133, *"Accounting for Derivative Instruments and Hedging Activities"*(SFAS 133).

(3) Asset/Liability Management Hedges include only those end-user derivative instruments where the changes in market value are recorded to other assets or other liabilities.

GLOBAL CORPORATE PORTFOLIO REVIEW

Corporate loans are identified as impaired and placed on a non-accrual basis (cash-basis) when it is determined that the payment of interest or principal is doubtful or when interest or principal is past due for 90 days or more; the exception is when the loan is well secured and in the process of collection. Impaired corporate loans are written down to the extent that principal is judged to be uncollectible. Impaired collateral-dependent loans are written down to the lower of cost or collateral value, less disposal costs.

The following table summarizes corporate cash-basis loans and net credit losses:

In millions of dollars	Mar. 31, 2007	Dec. 31, 2006	Mar. 31, 2006
Corporate cash-basis loans			
Securities and Banking	**$ 474**	$ 500	$ 745
Transaction Services	**26**	35	76
Total corporate cash-basis loans(1)	**$ 500**	$ 535	$ 821
Net credit losses (recoveries)			
Securities and Banking	**$ (28)**	$ 70	$ (34)
Transaction Services	**5**	6	1
Alternative Investments	**1**		
Corporate/Other	**(1)**	6	
Total net credit losses (recoveries)	**$ (23)**	$ 82	$ (33)
Corporate allowance for loan losses	**$ 3,172**	$ 2,934	$ 2,858
Corporate allowance for credit losses on unfunded lending commitments(2)	**1,100**	1,100	900
Total corporate allowance for loans and unfunded lending commitments	**$ 4,272**	$ 4,034	$ 3,758
As a percentage of total corporate loans(3)	**1.82%**	1.76%	2.00%

(1) Excludes purchased distressed loans accounted for in accordance with SOP 03-3. The carrying value of these loans was $957 million at March 31, 2007, $949 million at December 31, 2006 and $1,217 million at March 31, 2006.

(2) Represents additional reserves recorded in Other Liabilities on the Consolidated Balance Sheet.

(3) Does not include the allowance for unfunded lending commitments.

Cash-basis loans on March 31, 2007 decreased $321 million as compared with March 31, 2006; $271 million of the decrease was in *Securities and Banking* and $50 million was in *Transaction Services*. *Securities and Banking* decreased primarily due to decreases in KorAm, Europe, Mexico and the Philippines.

Cash-basis loans decreased $35 million as compared to December 31, 2006 due to decreases of $26 million in *Securities and Banking* and $9 million in *Transaction Services. Securities and Banking* primarily reflected declining charge-offs in North America, Mexico and Poland.

Total corporate Other Real Estate Owned (OREO) was $348 million, $316 million and $144 million at March 31, 2007, December 31, 2006, and March 31, 2006, respectively. The $204 million increase from March 31, 2006 reflects net foreclosures in the U.S. real estate portfolio.

Total corporate loans outstanding at March 31, 2007 were $174 billion as compared to $166 billion and $143 billion at December 31, 2006 and March 31, 2006, respectively.

Total corporate net credit recovery of $23 million on March 31, 2007 decreased $10 million compared to March 31, 2006, primarily due to continued improvements in the overall credit environment. Total corporate net credit losses increased $105 million compared to the 2006 fourth quarter, primarily due to the absence of write-offs in the fourth quarter of 2006.

Citigroup's allowance for credit losses for loans, leases and lending commitments of $10.610 billion is available to absorb probable credit losses inherent in the entire portfolio. For analytical purposes only, the portion of Citigroup's allowance for credit losses attributed to the Corporate portfolio was $4.272 billion at March 31, 2007, compared to $3.758 billion at March 31, 2006 and $4.034 billion at December 31, 2006, respectively. The $514 million increase in the total allowance at March 31, 2007 from March 31, 2006 primarily reflects reserve builds related to unfunded lending commitments and increases in expected losses during the year. There was a $238 million increase in the total allowance at March 31, 2007 from December 31, 2006 primarily reflects an increase in the reserve for $300 million based on portfolio growth in Markets & Banking, which includes higher commitments to leveraged transactions and an increase in average loan tenor. Losses on corporate lending activities and the level of cash-basis loans can vary widely with respect to timing and amount, particularly within any narrowly defined business or loan type.

MARKET RISK MANAGEMENT PROCESS

Market risk encompasses liquidity risk and price risk, both of which arise in the normal course of business of a global financial intermediary. Liquidity risk is the risk that an entity may be unable to meet a financial commitment to a customer, creditor, or investor when due. Liquidity risk is discussed in the "Capital Resources and Liquidity" on page 68. Price risk is the earnings risk from changes in interest rates, foreign exchange rates, equity and commodity prices, and in their implied volatilities. Price risk arises in non-trading portfolios, as well as in trading portfolios.

Market risks are measured in accordance with established standards to ensure consistency across businesses and the ability to aggregate risk. Each business is required to establish, with approval from independent market risk management, a market risk limit framework, including risk measures and controls, that clearly defines approved risk profiles and is within the parameters of Citigroup's overall risk appetite.

In all cases, the businesses are ultimately responsible for the market risks they take and for remaining within their defined limits.

Non-Trading Portfolios

Interest Rate Risk

One of Citigroup's primary business functions is providing financial products that meet the needs of its customers. Loans and deposits are tailored to the customer's requirements with regard to tenor, index, and rate type. Net Interest Revenue (NIR) is the difference between the yield earned on the non-trading portfolio assets (including customer loans) and rate paid on the liabilities (including customer deposits or company borrowings). The NIR is affected by changes in the level of interest rates. For example:

> At any given time, there may be an unequal amount of assets and liabilities, which are subject to market rates due to maturation or repricing. Whenever the amount of liabilities subject to repricing exceeds the amount of assets subject to repricing, a company is considered "liability sensitive." In this case, a company's NIR will deteriorate in a rising rate environment.

> The assets and liabilities of a company may reprice at different speeds or mature at different times, subjecting both "liability sensitive" and "asset sensitive" companies to NIR sensitivity from changing interest rates. For example, a company may have a large amount of loans that are subject to repricing this period, but the majority of deposits are not scheduled for repricing until the following period. That company would suffer from NIR deterioration if interest rates were to fall.

NIR in the current period is the result of customer transactions and the related contractual rates originated in prior periods as well as new transactions in the current period; those prior period transactions will be impacted by changes in rates on floating rate assets and liabilities in the current period.

Due to the long-term nature of the portfolios, NIR will vary from quarter to quarter even assuming no change in the shape or level of the yield curve as the assets and liabilities reprice. These repricings are a function of implied forward interest rates, which represent the overall market's unbiased estimate of future interest rates and incorporate possible changes in the Federal Funds rate as well as the shape of the yield curve.

Interest Rate Risk Governance

The risks in Citigroup's non-traded portfolios are estimated using a common set of standards that define, measure, limit and report the market risk. Each business is required to establish, with approval from independent market risk management, a market risk limit framework that clearly defines approved risk profiles and is within the parameters of Citigroup's overall risk appetite. In all cases, the businesses are ultimately responsible for the market risks they take and for remaining within their defined limits. These limits are monitored by independent market risk, country and business Asset and Liability Committees (ALCOs) and the Global Finance and Asset and Liability Committee (FinALCO).

Interest Rate Risk Measurement

Citigroup's principal measure of risk to NIR is Interest Rate Exposure (IRE). IRE measures the change in expected NIR in each currency resulting solely from unanticipated changes in forward interest rates. Factors such as changes in volumes, spreads, margins and the impact of prior-period pricing decisions are not captured by IRE. IRE assumes that businesses make no additional changes in pricing or balances in response to the unanticipated rate changes.

IRE tests the impact on NIR resulting from unanticipated changes in forward interest rates. For example, if the current 90-day LIBOR rate is 3.00% and the one-year forward rate is 5.00% (i.e., the estimated 90-day LIBOR rate in one year), the +100bps IRE scenario measures the impact of the firm's NIR of a 100bps instantaneous change in the 90-day LIBOR, to 6% in one year).

The impact of changing prepayment rates on loan portfolios is incorporated into the results. For example, in the declining interest rate scenarios, it is assumed that mortgage portfolios prepay faster and income is reduced. In addition, in a rising interest rate scenario, portions of the deposit portfolio are assumed to experience rate increases that are less than the change in market interest rates.

Mitigation and Hedging of Risk

All financial institutions' financial performance is subject to some degree of risk due to changes in interest rates. In order to manage these risks effectively, Citigroup may modify pricing on new customer loans and deposits, enter into transactions with other institutions or enter into off-balance sheet derivative transactions that have the opposite risk exposures. Therefore, Citigroup regularly assesses the viability of strategies to reduce unacceptable risks to earnings and implements such strategies when the Company believes those actions are prudent. As information becomes available, Citigroup formulates strategies aimed at protecting earnings from the potential negative effects of changes in interest rates.

Citigroup employs additional measurements, including stress testing the impact of non-linear interest rate movements on the value of the balance sheet; the analysis of portfolio duration and volatility, particularly as they relate to mortgage loans and mortgage-backed securities; and the potential impact of the change in the spread between different market indices.

The exposures in the following table represent the approximate annualized risk to NIR assuming an unanticipated parallel instantaneous 100bp change, as well as a more gradual 100bp (25bp per quarter) parallel change in rates as compared with the market forward interest rates in selected currencies.

	March 31, 2007		December 31, 2006		March 31, 2006	
In millions of dollars	Increase	Decrease	Increase	Decrease	Increase	Decrease
U.S. dollar						
Instantaneous change	**$ (677)**	**$ 470**	$ (728)	$ 627	$ (435)	$ 585
Gradual change	**$ (335)**	**$ 348**	$ (349)	$ 360	$ (266)	$ 271
Mexican peso						
Instantaneous change	**$ 21**	**$ (21)**	$ 42	$ (43)	$ 91	$ (92)
Gradual change	**$ 21**	**$ (21)**	$ 41	$ (41)	$ 63	$ (63)
Euro						
Instantaneous change	**$ (123)**	**$ 123**	$ (91)	$ 91	$ (56)	$ 56
Gradual change	**$ (57)**	**$ 57**	$ (38)	$ 38	$ (15)	$ 15
Japanese yen						
Instantaneous change	**$ (38)**	**NM**	$ (32)	NM	$ (5)	NM
Gradual change	**$ (26)**	**NM**	$ (21)	NM	$ 5	NM
Pound sterling						
Instantaneous change	**$ (22)**	**$ 22**	$ (41)	$ 41	$ (22)	$ 21
Gradual change	**$ (11)**	**$ 11**	$ (21)	$ 21	$ 5	$ (5)

NM
Not meaningful. A 100 basis point decrease in interest rates would imply negative rates for the Japanese yen yield curve.

The changes in the U.S. dollar interest rate exposures from December 31, 2006 primarily reflects movements in customer-related asset and liability mix, as well as Citigroup's view of prevailing interest rates.

The following table shows the risk to NIR from six different changes in the implied forward rates. Each scenario assumes that the rate change will occur on a gradual basis every three months over the course of one year.

	Scenario 1	Scenario 2	Scenario 3	Scenario 4	Scenario 5	Scenario 6
Overnight rate change (bp)		100	200	(200)	(100)	
10-year rate change (bp)	(100)		100	(100)		100
Impact to net interest revenue	$ 29	$ (380)	$ (851)	$ 649	$ 383	$ (252)

(in millions of dollars)

Trading Portfolios

Price risk in trading portfolios is monitored using a series of measures, including:

factor sensitivities;

- Value-at-Risk (VAR); and
- stress testing.

Factor sensitivities are expressed as the change in the value of a position for a defined change in a market risk factor, such as a change in the value of a Treasury bill for a one basis point change in interest rates. Citigroup's independent market risk management ensures that factor sensitivities are calculated, monitored and, in most cases, limited, for all relevant risks taken in a trading portfolio.

VAR estimates the potential decline in the value of a position or a portfolio under normal market conditions. The VAR method incorporates the factor sensitivities of the trading portfolio with the volatilities and correlations of those factors and is expressed as the risk to the Company over a one-day holding period, at a 99% confidence level. Citigroup's VAR is based on the volatilities of and correlations between a multitude of market risk factors as well as factors that track the specific issuer risk in debt and equity securities.

Stress testing is performed on trading portfolios on a regular basis to estimate the impact of extreme market movements. It is performed on both individual trading portfolios, as well as on aggregations of portfolios and businesses. Independent market risk management, in conjunction with the businesses, develops stress scenarios, reviews the output of periodic stress testing exercises, and uses the information to make judgments as to the ongoing appropriateness of exposure levels and limits.

Each trading portfolio has its own market risk limit framework, encompassing these measures and other controls, including permitted product lists and a new product approval process for complex products.

Risk capital for market risk in trading portfolios is based on an annualized VAR figure.

Total revenues of the trading business consist of:

- Customer revenue, which includes spreads from customer flow and positions taken to facilitate customer orders;
- Proprietary trading activities in both cash and derivative transactions; and
- Net interest revenue.

All trading positions are marked-to-market, with the result reflected in earnings.

Citigroup periodically performs extensive back-testing of many hypothetical test portfolios as one check of the accuracy of its VAR. Back-testing is the process in which the daily VAR of a portfolio is compared to the actual daily change in the market value of its transactions. Back-testing is conducted to confirm that the daily market value losses in excess of 99% confidence level occur, on average, only 1% of the time. The VAR calculation for the hypothetical test portfolios, with different degrees of risk concentration, meets this statistical criteria.

The level of price risk exposure at any given point in time depends on the market environment and expectations of future price and market movements, and will vary from period to period.

For Citigroup's major trading centers, the aggregate pretax VAR in the trading portfolios was $122 million, $106 million, and $106 million at March 31, 2007, December 31, 2006, and March 31, 2006, respectively. Daily exposures averaged $121 million during the first quarter of 2007 and ranged from $100 million to $140 million.

The following table summarizes VAR to Citigroup in the trading portfolios at March 31, 2007, December 31, 2006, and March 31, 2006, including the Total VAR, the specific risk only component of VAR, and Total General market factors only, along with the quarterly averages:

In million of dollars	**March 31, 2007**	**First Quarter 2007 Average**	**December 31, 2006**	**Fourth Quarter 2006 Average**	**March 31, 2006**	**First Quarter 2006 Average**
Interest rate	**$ 99**	**$ 95**	$ 81	$ 79	$ 95	$ 86
Foreign exchange	**29**	**28**	27	30	29	23
Equity	**77**	**70**	62	51	43	48
Commodity	**27**	**28**	18	15	15	12
Covariance adjustment	**(110)**	**(100)**	(82)	(79)	(76)	(67)
Total All market risk factors, including general and specific risk	**$ 122**	**$ 121**	$ 106	$ 96	$ 106	$ 102
Specific risk only component	**$ 5**	**$ 12**	$ 8	$ 12	$ 10	$ 11
Total General market factors only	**$ 117**	**$ 109**	$ 98	$ 84	$ 96	$ 91

The specific risk only component represents the level of equity and debt issuer-specific risk embedded in VAR. Citigroup's specific risk model conforms to the 4x-multiplier treatment approved by the Federal Reserve and is subject to extensive annual hypothetical back-testing.

The table below provides the range of VAR in each type of trading portfolio that was experienced during the quarters ended:

	March 31, 2007		**December 31, 2006**		**March 31, 2006**	
In millions of dollars	**Low**	**High**	**Low**	**High**	**Low**	**High**
Interest rate	**$ 71**	**$ 125**	$ 64	$ 98	$ 69	$ 107
Foreign exchange	**21**	**35**	23	45	16	34
Equity	**55**	**85**	41	65	42	58
Commodity	**17**	**34**	11	20	5	18

OPERATIONAL RISK MANAGEMENT PROCESS

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people or systems, or from external events. It includes the reputation and franchise risk associated with business practices or market conduct that the Company undertakes. Operational risk is inherent in Citigroup's global business activities and, as with other risk types, is managed through an overall framework with checks and balances that include:

- Recognized ownership of the risk by the businesses;
- Oversight by independent risk management; and
- Independent review by Audit and Risk Review (ARR).

Framework

Citigroup's approach to operational risk is defined in the Citigroup Risk and Control Self-Assessment (RCSA)/ Operational Risk Policy.

The objective of the Policy is to establish a consistent, value-added framework for assessing and communicating operational risk and the overall effectiveness of the internal control environment across Citigroup. Each major business segment must implement an operational risk process consistent with the requirements of this Policy. The process for operational risk includes the following steps:

- Identify and assess Key Operational Risks;
- Establish Key Risk Indicators; and
- Produce a comprehensive operational risk report.

The Operational Risk standards facilitate the effective communication of operational risk both within and across businesses. Information about the businesses' operational risk, historical losses, and the control environment is reported by each major business segment and functional area, and summarized for Senior Management and the Citigroup Board of Directors.

The RCSA standards establish a formal governance structure to provide direction, oversight, and monitoring of Citigroup's RCSA programs. The RCSA standards for risk and control assessment are applicable to all businesses and staff functions. They establish RCSA as the process whereby important risks inherent in a business' activities are identified and the effectiveness of the key controls over those risks are evaluated and monitored. RCSA processes facilitate Citigroup's adherence to regulatory requirements, including Sarbanes-Oxley, FDICIA, the International Convergence of Capital Measurement and Capital Standards (Basel II), and other corporate initiatives, including Operational Risk Management and alignment of capital assessments with risk management objectives. The entire process is subject to audit by Citigroup's ARR, and the results of RCSA are included in periodic management reporting, including reporting to Senior Management and the Audit and Risk Management Committee.

Measurement and Basel II

To support advanced capital modeling and management, the businesses are required to capture relevant operational risk capital information. An enhanced version of the risk capital model for operational risk has been developed and implemented across the major business segments as a step toward readiness for Basel II capital calculations. The risk capital calculation is designed to qualify as an "Advanced Measurement Approach" (AMA) under Basel II. It uses a combination of internal and external loss data to support statistical modeling of capital requirement estimates, which are then adjusted to reflect qualitative data regarding the operational risk and control environment.

Information Security and Continuity of Business

Citigroup continues to enhance a strategic framework for Information Security technology initiatives, and the Company is implementing enhancements to various Information Security programs across its businesses covering Information Security Risk Management, Security Incident Response and Electronic Transportable Media. The Company continues to implement tools to increase the effectiveness of its data protection and entitlement management programs. Additional monthly Information Security metrics were established to better assist the Information Technology Risk Officer in managing enterprise-wide risk. The Information Security Program complies with the Gramm-Leach-Bliley Act and other regulatory guidance.

The Corporate Office of Business Continuity, with the support of Senior Management, continues to coordinate global preparedness and mitigate business continuity risks by reviewing and testing recovery procedures.

COUNTRY AND CROSS-BORDER RISK MANAGEMENT PROCESS

Country Risk

Country risk is the risk that an event in a foreign country will impair the value of Citigroup assets or will adversely affect the ability of obligors within that country to honor their obligations to Citigroup. Country risk events may include sovereign defaults, banking or currency crises, social instability, and changes in governmental policies (for example, expropriation, nationalization, confiscation of assets and other changes in legislation relating to international ownership). Country risk includes local franchise risk, credit risk, market risk, operational risk, and cross-border risk.

The Country risk management framework at Citigroup includes a number of tools and management processes designed to facilitate the ongoing analysis of individual countries and their risks. These include country risk rating models, scenario planning and stress testing, internal watch lists, and the Country Risk Committee process.

The Citigroup Country Risk Committee is the senior forum to evaluate the Company's total business footprint within a specific country franchise with emphasis on responses to current potential country risk events. The Committee is chaired by the Head of Global Country Risk Management and includes as its members senior risk management officers, senior regional business heads, and senior product heads. The Committee regularly reviews all risk exposures within a country, makes recommendations as to actions, and follows up to ensure appropriate accountability.

Cross-Border Risk

Cross-border risk is the risk that actions taken by a non-U.S. government may prevent the conversion of local currency into non-local currency and/or the transfer of funds outside of the country, thereby impacting the ability of the Company and its customers to transact business across borders. Examples of cross-border risk include actions taken by foreign governments such as exchange controls, debt moratoria, or restrictions on the remittance of funds. These actions might restrict the transfer of funds or the ability of the Company to obtain payment from customers on their contractual obligations.

Management oversight of cross-border risk is performed through a formal review process that includes annual setting of cross-border limits and/or exposures, monitoring of economic conditions globally, and the establishment of internal cross-border risk management policies.

Under Federal Financial Institutions Examination Council (FFIEC) regulatory guidelines, total reported cross-border outstandings include cross-border claims on third parties, as well as investments in and funding of local franchises. Cross-border claims on third parties (trade, short-term, and medium- and long-term claims) include cross-border loans, securities, deposits with banks, investments in affiliates, and other monetary assets, as well as net revaluation gains on foreign exchange and derivative products.

Cross-border outstandings are reported based on the country of the obligor or guarantor. Outstandings backed by cash collateral are assigned to the country in which the collateral is held. For securities received as collateral, cross-border outstandings are reported in the domicile of the issuer of the securities. Cross-border resale agreements are presented based on the domicile of the counterparty in accordance with FFIEC guidelines.

Investments in and funding of local franchises represent the excess of local country assets over local country liabilities. Local country assets are claims on local residents recorded by branches and majority-owned subsidiaries of Citigroup domiciled in the country, adjusted for externally guaranteed claims and certain collateral. Local country liabilities are obligations of non-U.S. branches and majority-owned subsidiaries of Citigroup for which no cross-border guarantee has been issued by another Citigroup office.

The table below shows all countries where total FFIEC cross-border outstandings exceed 0.75% of total Citigroup assets:

	March 31, 2007								December 31, 2006	
	Cross-Border Claims on Third Parties									
	Banks	Public	Private	Total	Trading and Short-Term Claims(1)	Investments in and Funding of Local Franchises	Total Cross-Border Out-standings	Commit-ments(2)	Total Cross-Border Out-standings	Commit-ments
Germany	$ 19.3	$ 11.5	$ 8.8	$ 39.6	$ 35.8	$ 2.5	$ 42.1	$ 46.8	$ 38.6	$ 43.6
India	1.0	0.1	8.6	9.7	7.3	17.8	27.5	8.3	24.8	0.7
Netherlands	9.9	3.2	12.7	25.8	22.9		25.8	13.6	20.1	10.5
France	7.6	5.6	12.5	25.7	23.3		25.7	77.1	19.8	60.8
United Kingdom	6.2	0.1	14.1	20.4	13.9		20.4	219.9	18.4	192.8
Spain	3.4	6.5	6.6	16.5	15.1	3.8	20.3	6.6	19.7	6.8
South Korea	0.9	1.2	3.7	5.8	5.8	14.3	20.1	10.1	19.7	11.4
Italy	2.3	9.5	4.0	15.8	15.3	0.7	16.5	4.7	18.6	4.0

(1) Included in total cross-border claims on third parties.

(2) Commitments (not included in total cross-border outstandings) include legally binding cross-border letters of credit and other commitments and contingencies as defined by the FFIEC. Effective March 31, 2006 the FFIEC revised the definition of commitments to include commitments to local residents that will be funded with local currency local liabilities.

INTEREST REVENUE/EXPENSE AND YIELDS

In millions of dollars	1st Qtr. 2007	4th Qtr. 2006(1)	1st Qtr. 2006	% Change 1Q07 vs. 1Q06
Interest Revenue(2)	**$ 28,132**	$ 26,257	$ 21,873	29%
Interest Expense	**17,562**	16,218	12,107	45
Net Interest Revenue(2)	**$ 10,570**	$ 10,039	$ 9,766	8%
Interest Revenue Average Rate	**6.55%**	6.42%	6.38%	17 bps
Interest Expense Average Rate	**4.50%**	4.39%	3.94%	56 bps
Net Interest Margin (NIM)	**2.46%**	2.45%	2.85%	(39) bps
Interest Rate Benchmarks:				
Federal Funds Rate End of Period	**5.25%**	5.25%	4.75%	50 bps
2 Year U.S. Treasury Note Average Rate	**4.76%**	4.74%	4.60%	16 bps
10 Year U.S. Treasury Note Average Rate	**4.68%**	4.63%	4.57%	11 bps
10 Year vs. 2 Year Spread	**(8) bps**	(11) bps	(3) bps	

(1) The 2006 fourth quarter includes a ($666) million reduction of interest revenue related to the change in consumer lending laws in Japan. This impacted the average rate on average interest-earning assets by 16 basis points and the net interest margin by 17 basis points.

(2) Excludes taxable equivalent adjustment (based on the U.S. Federal statutory tax rate of 35%) of $15 million, $30 million, and $29 million for the first quarter of 2007, the fourth quarter of 2006, and the first quarter of 2006, respectively.

A significant portion of the Company's business activities is based upon gathering deposits and borrowing money and then lending or investing those funds, including market-making activities in tradable securities. Net interest margin is calculated by dividing gross interest revenue less gross interest expense by average interest earning assets.

During 2006 and into 2007, pressure on net interest margin continued, driven by several factors. Interest expense increased due to both a rise in short-term interest rates and funding actions the Company has taken to lengthen its debt maturity profile.

The average rate on the Company's assets increased, but by less than the increase in average rates on borrowed funds or deposits. The average rate on assets reflected a highly competitive loan pricing environment, as well as a shift in the Company's loan portfolio from higher-yielding credit card receivables to assets that carry lower yields, such as mortgages and home equity loans.

AVERAGE BALANCES AND INTEREST RATES ASSETS(1) (2) (3) (4)

	Average Volume			Interest Revenue			% Average Rate		
In millions of dollars	**1st Qtr. 2007**	**4th Qtr. 2006**	**1st Qtr. 2006**	**1st Qtr. 2007**	**4th Qtr. 2006**	**1st Qtr. 2006**	**1st Qtr. 2007**	**4th Qtr. 2006**	**1st Qtr. 2006**
Assets									
Deposits with banks(5)	**$ 45,306**	$ 40,598	$ 34,851	**$ 709**	$ 693	$ 489	**6.35%**	6.77%	5.69%
Federal funds sold and securities borrowed or purchased under agreements to resell(6)									
In U.S. offices	**$ 184,069**	$ 175,679	$ 159,327	**$ 2,879**	$ 2,735	$ 2,355	**6.34%**	6.18%	5.99%
In offices outside the U.S.(5)	**109,226**	90,138	81,709	**1,410**	1,149	850	**5.24**	5.06	4.22
Total	**$ 293,295**	$ 265,817	$ 241,036	**$ 4,289**	$ 3,884	$ 3,205	**5.93%**	5.80%	5.39%
Trading account assets(7) (8)									
In U.S. offices	**$ 236,977**	$ 213,644	$ 176,782	**$ 2,822**	$ 2,518	$ 1,886	**4.83%**	4.68%	4.33%
In offices outside the U.S.(5)	**133,274**	113,730	88,967	**1,108**	850	814	**3.37**	2.97	3.71
Total	**$ 370,251**	$ 327,374	$ 265,749	**$ 3,930**	$ 3,368	$ 2,700	**4.30%**	4.08%	4.12%
Investments(1)									
In U.S. offices									
Taxable	**$ 160,372**	$ 148,601	$ 84,938	**$ 2,000**	$ 1,965	$ 784	**5.06%**	5.25%	3.74%
Exempt from U.S. income tax	**16,810**	14,229	14,108	**190**	173	153	**4.58**	4.82	4.40
In offices outside the U.S.(5)	**107,079**	103,993	92,431	**1,350**	1,344	1,119	**5.11**	5.13	4.91
Total	**$ 284,261**	$ 266,823	$ 191,477	**$ 3,540**	$ 3,482	$ 2,056	**5.05%**	5.18%	4.35%
Loans (net of unearned income)(9)									
Consumer loans									
In U.S. offices	**$ 362,860**	$ 353,174	$ 327,026	**$ 7,458**	$ 7,475	$ 6,662	**8.34%**	8.40%	8.26%
In offices outside the U.S.(5)	**151,523**	147,304	131,365	**4,033**	3,379	3,690	**10.79**	9.10	11.39
Total consumer loans	**$ 514,383**	$ 500,478	$ 458,391	**$ 11,491**	$ 10,854	$ 10,352	**9.06%**	8.60%	9.16%
Corporate loans									
In U.S. offices	**$ 28,685**	$ 30,928	$ 27,181	**$ 538**	$ 542	$ 431	**7.61%**	6.95%	6.43%
In offices outside the U.S.(5)	**136,103**	132,729	111,961	**2,906**	2,775	2,035	**8.66**	8.29	7.37
Total corporate loans	**$ 164,788**	$ 163,657	$ 139,142	**$ 3,444**	$ 3,317	$ 2,466	**8.48%**	8.04%	7.19%
Total loans	**$ 679,171**	$ 664,135	$ 597,533	**$ 14,935**	$ 14,171	$ 12,818	**8.92%**	8.47%	8.70%
Other interest-earning assets	**$ 68,379**	$ 58,881	$ 59,208	**$ 729**	$ 659	$ 605	**4.32%**	4.44%	4.14%
Total interest-earning assets	**$ 1,740,663**	$ 1,623,628	$ 1,389,854	**$ 28,132**	$ 26,257	$ 21,873	**6.55%**	6.42%	6.38%
Non-interest-earning assets(7)	**204,255**	193,135	182,280						
Total assets from discontinued operations									
Total assets	**$ 1,944,918**	$ 1,816,763	$ 1,572,134						

(1) Interest revenue excludes the taxable equivalent adjustments (based on the U.S. federal statutory tax rate of 35%) of $15 million, $30 million, and $29 million for the first quarter of 2007, the fourth quarter of 2006, and the first quarter of 2006, respectively.

(2) Interest rates and amounts include the effects of risk management activities associated with the respective asset and liability categories. See Note 15 on page 102.

(3) Monthly or quarterly averages have been used by certain subsidiaries where daily averages are unavailable.

(4) Detailed average volume, interest revenue and interest expense exclude discontinued operations. See Note 2 on page 87.

(5) Average rates reflect prevailing local interest rates, including inflationary effects and monetary correction in certain countries.

(6) Average volumes of securities borrowed or purchased under agreements to resell are reported net pursuant to FIN 41 and interest revenue excludes the impact of FIN 41.

(7) The fair value carrying amounts of derivative and foreign exchange contracts are reported in non-interest-earning assets and other non-interest bearing liabilities.

(8) Interest expense on trading account liabilities of Markets & Banking is reported as a reduction of interest revenue. Interest revenue and interest expense on cash collateral positions are reported in trading account assets and trading account liabilities, respectively.

(9) Includes cash-basis loans.

Reclassified to conform to the current period's presentation.

AVERAGE BALANCES AND INTEREST RATES LIABILITIES AND EQUITY, AND NET INTEREST REVENUE(1) (2) (3) (4)

In millions of dollars	Average Volume 1st Qtr. 2007	Average Volume 4th Qtr. 2006	Average Volume 1st Qtr. 2006	Interest Expense 1st Qtr. 2007	Interest Expense 4th Qtr. 2006	Interest Expense 1st Qtr. 2006	% Average Rate 1st Qtr. 2007	% Average Rate 4th Qtr. 2006	% Average Rate 1st Qtr. 2006
Liabilities									
Deposits									
In U. S. offices									
Savings deposits(5)	**$ 145,259**	$ 138,332	$ 132,268	**$ 1,170**	$ 1,094	$ 868	**3.27%**	3.14%	2.66%
Other time deposits	**54,946**	55,374	42,410	**807**	715	499	**5.96**	5.12	4.77
In offices outside the U.S.(6)	**448,074**	433,273	370,421	**4,581**	4,368	3,138	**4.15**	4.00	3.44
Total	**$ 648,279**	$ 626,979	$ 545,099	**$ 6,558**	$ 6,177	$ 4,505	**4.10%**	3.91%	3.35%
Federal funds purchased and securities loaned or sold under agreements to repurchase(7)									
In U.S. offices	**$ 237,732**	$ 218,357	$ 185,147	**$ 3,541**	$ 3,234	$ 2,676	**6.04%**	5.88%	5.86%
In offices outside the U.S.(6)	**128,641**	105,222	88,086	**1,942**	1,600	1,223	**6.12**	6.03	5.63
Total	**$ 366,373**	$ 323,579	$ 273,233	**$ 5,483**	$ 4,834	$ 3,899	**6.07%**	5.93%	5.79%
Trading account liabilities(8) (9)									
In U.S. offices	**$ 42,319**	$ 39,557	$ 35,270	**$ 235**	$ 229	$ 192	**2.25%**	2.30%	2.21%
In offices outside the U.S. (6)	**45,340**	39,716	36,485	**72**	65	51	**0.64**	0.65	0.57
Total	**$ 87,659**	$ 79,273	$ 71,755	**$ 307**	$ 294	$ 243	**1.42%**	1.47%	1.37%
Short-term borrowings									
In U.S. offices	**$ 143,544**	$ 126,950	$ 113,351	**$ 1,262**	$ 1,283	$ 765	**3.57%**	4.01%	2.74%
In offices outside the U.S. (6)	**40,835**	32,238	18,179	**202**	159	200	**2.01**	1.96	4.46
Total	**$ 184,379**	$ 159,188	$ 131,530	**$ 1,464**	$ 1,442	$ 965	**3.22%**	3.59%	2.98%
Long-term debt									
In U.S. offices	**$ 263,894**	$ 244,445	$ 195,640	**$ 3,385**	$ 3,129	$ 2,189	**5.20%**	5.08%	4.54%
In offices outside the U.S. (6)	**32,591**	30,630	29,546	**365**	342	306	**4.54**	4.43	4.20
Total	**$ 296,485**	$ 275,075	$ 225,186	**$ 3,750**	$ 3,471	$ 2,495	**5.13%**	5.01%	4.49%
Total interest-bearing liabilities	**$ 1,583,175**	$ 1,464,094	$ 1,246,803	**$ 17,562**	$ 16,218	$ 12,107	**4.50%**	4.39%	3.94%
Demand deposits in U.S. offices	**11,157**	10,979	10,044						
Other non-interest bearing liabilities(8)	**230,834**	223,051	202,164						
Total liabilities from discontinued operations									
Total liabilities	**$ 1,825,166**	$ 1,698,124	$ 1,459,011						
Total stockholders' equity(10)	**$ 119,752**	$ 118,639	$ 113,123						
Total liabilities and stockholders' equity	**$ 1,944,918**	$ 1,816,763	$ 1,572,134						
Net interest revenue as a percentage of average interest-earning assets(11)									
In U.S. offices	**$ 1,049,574**	$ 987,247	$ 837,085	**$ 4,976**	$ 5,219	$ 4,940	**1.92%**	2.10%	2.39%

	Average Volume			Interest Expense			% Average Rate		
In offices outside the U.S.(6)	**691,089**	636,381	552,769	**5,594**	4,820	4,826	**3.28**	3.00	3.54
Total	**$ 1,740,663**	$ 1,623,628	$ 1,389,854	**$ 10,570**	$ 10,039	$ 9,766	**2.46%**	2.45%	2.85%

(1) Interest revenue excludes the taxable equivalent adjustments (based on the U.S. federal statutory tax rate of 35%) of $15 million, $30 million, and $29 million for the first quarter of 2007, the fourth quarter of 2006, and the first quarter of 2006, respectively.

(2) Interest rates and amounts include the effects of risk management activities associated with the respective asset and liability categories. See Note 15 on page 102.

(3) Monthly or quarterly averages have been used by certain subsidiaries where daily averages are unavailable.

(4) Detailed average volume, interest revenue and interest expense exclude discontinued operations. See Note 2 on page 87.

(5) Savings deposits consist of Insured Money Market Rate accounts, NOW accounts, and other savings deposits.

(6) Average rates reflect prevailing local interest rates, including inflationary effects and monetary corrections in certain countries.

(7) Average volumes of securities loaned or sold under agreements to repurchase are reported net pursuant to FIN 41 and interest expense excludes the impact of FIN 41.

(8) The fair value carrying amounts of derivative and foreign exchange contracts are reported in non-interest-earning assets and other non-interest bearing liabilities.

(9) Interest expense on trading account liabilities of Markets & Banking is reported as a reduction of interest revenue. Interest revenue and interest expense on cash collateral positions are reported in trading account assets and trading account liabilities, respectively.

(10) Includes stockholders' equity from discontinued operations.

(11) Includes allocations for capital and funding costs based on the location of the asset.

Reclassified to conform to the current period's presentation.

ANALYSIS OF CHANGES IN INTEREST REVENUE(1)(2)(3)

	1st Qtr. 2007 vs. 4th Qtr. 2006			1st Qtr. 2007 vs. 1st Qtr. 2006		
	Increase (Decrease) Due to Change in:			Increase (Decrease) Due to Change in:		
In millions of dollars	Average Volume	Average Rate	Net Change(2)	Average Volume	Average Rate	Net Change(2)
Deposits with banks(4)	**$ 76**	**$ (60)**	**$ 16**	$ 159	$ 61	$ 220
Federal funds sold and securities borrowed or purchased under agreements to resell						
In U.S. offices	**$ 131**	**$ 13**	**$ 144**	$ 381	$ 143	$ 524
In offices outside the U.S.(4)	**246**	**15**	**261**	326	234	560
Total	**$ 377**	**$ 28**	**$ 405**	$ 707	$ 377	$ 1,084
Trading account assets(5)						
In U.S. offices	**$ 278**	**$ 26**	**$ 304**	$ 698	$ 238	$ 936
In offices outside the U.S.(4)	**156**	**102**	**258**	374	(80)	294
Total	**$ 434**	**$ 128**	**$ 562**	$ 1,072	$ 158	$ 1,230
Investments(1)						
In U.S. offices	**$ 182**	**$ (130)**	**$ 52**	$ 902	$ 351	$ 1,253
In offices outside the U.S.(4)	**39**	**(33)**	**6**	184	47	231
Total	**$ 221**	**$ (163)**	**$ 58**	$ 1,086	$ 398	$ 1,484
Loans consumer						
In U.S. offices	**$ 202**	**$ (219)**	**$ (17)**	$ 736	$ 60	$ 796
In offices outside the U.S.(4)	**99**	**555**	**654**	544	(201)	343
Total	**$ 301**	**$ 336**	**$ 637**	$ 1,280	$ (141)	$ 1,139
Loans corporate						
In U.S. offices	**$ (41)**	**$ 37**	**$ (4)**	$ 25	$ 82	$ 107
In offices outside the U.S.(4)	**72**	**59**	**131**	481	390	871
Total	**$ 31**	**$ 96**	**$ 127**	$ 506	$ 472	$ 978
Total loans	**$ 332**	**$ 432**	**$ 764**	$ 1,786	$ 331	$ 2,117
Other interest-earning assets	**$ 102**	**$ (32)**	**$ 70**	$ 97	$ 27	$ 124
Total interest revenue	**$ 1,542**	**$ 333**	**$ 1,875**	$ 4,907	$ 1,352	$ 6,259

(1) The taxable equivalent adjustment is based on the U.S. Federal statutory tax rate of 35%, and is excluded from this presentation.

(2)

Rate/volume variance is allocated based on the percentage relationship of changes in volume and changes in rate to the total net change.

(3) Detailed average volume, interest revenue and interest expense exclude discontinued operations. See Note 2 on page 87.

(4) Changes in average rates reflect changes in prevailing local interest rates, including inflationary effects and monetary corrections in certain countries.

(5) Interest expense on trading account liabilities of Markets & Banking is reported as a reduction of interest revenue. Interest revenue and interest expense on cash collateral positions are reported in trading account assets and trading account liabilities, respectively.

ANALYSIS OF CHANGES IN INTEREST EXPENSE AND NET INTEREST REVENUE(1)(2)(3)

	1st Qtr. 2007 vs. 4th Qtr. 2006			1st Qtr. 2007 vs. 1st Qtr. 2006		
	Increase (Decrease) Due to Change in:			Increase (Decrease) Due to Change in:		
In millions of dollars	Average Volume	Average Rate	Net Change(2)	Average Volume	Average Rate	Net Change(2)
Deposits						
In U.S. offices	**$ 62**	**$ 106**	**$ 168**	$ 219	$ 391	$ 610
In offices outside the U.S.(4)	**151**	**62**	**213**	726	717	1,443
Total	**$ 213**	**$ 168**	**$ 381**	$ 945	$ 1,108	$ 2,053
Federal funds purchased and securities loaned or sold under agreements to repurchase						
In U.S. offices	**$ 288**	**$ 19**	**$ 307**	$ 781	$ 84	$ 865
In offices outside the U.S.(4)	**354**	**(12)**	**342**	604	115	719
Total	**$ 642**	**$ 7**	**$ 649**	$ 1,385	$ 199	$ 1,584
Trading account liabilities(5)						
In U.S. offices	**$ 16**	**$ (10)**	**$ 6**	$ 39	$ 4	$ 43
In offices outside the U.S.(4)	**9**	**(2)**	**7**	14	7	21
Total	**$ 25**	**$ (12)**	**$ 13**	$ 53	$ 11	$ 64
Short-term borrowings						
In U.S. offices	**$ 157**	**$ (178)**	**$ (21)**	$ 233	$ 264	$ 497
In offices outside the U.S.(4)	**42**	**1**	**43**	154	(152)	2
Total	**$ 199**	**$ (177)**	**$ 22**	$ 387	$ 112	$ 499
Long-term debt						
In U.S. offices	**$ 249**	**$ 7**	**$ 256**	$ 842	$ 354	$ 1,196
In offices outside the U.S.(4)	**22**	**1**	**23**	33	26	59
Total	**$ 271**	**$ 8**	**$ 279**	$ 875	$ 380	$ 1,255
Total interest expense	**$ 1,350**	**$ (6)**	**$ 1,344**	$ 3,645	$ 1,810	$ 5,455
Net interest revenue	**$ 192**	**$ 339**	**$ 531**	$ 1,262	$ (458)	$ 804

(1) The taxable equivalent adjustment is based on the U.S. Federal statutory tax rate of 35%, and is excluded from this presentation.

(2) Rate/volume variance is allocated based on the percentage relationship of changes in volume and changes in rate to the total net change.

(3) Detailed average volume, interest revenue and interest expense exclude discontinued operations. See Note 2 on page 87.

(4)

Changes in average rates reflect changes in prevailing local interest rates, including inflationary effects and monetary corrections in certain countries.

(5) Interest expense on trading account liabilities of Markets & Banking is reported as a reduction of interest revenue. Interest revenue and interest expense on cash collateral positions are reported in trading account assets and trading account liabilities, respectively.

CAPITAL RESOURCES AND LIQUIDITY

CAPITAL RESOURCES

Overview

Capital is generated principally via earnings, issuance of common and preferred stock and subordinated debt, and equity issued as a result of employee benefit plans. It is used primarily to support asset growth in the Company's businesses. Excess capital is used to pay dividends to shareholders, support acquisitions, and repurchase stock.

Citigroup's capital management framework is designed to ensure that Citigroup and its principal subsidiaries maintain sufficient capital consistent with the Company's risk profile, all applicable regulatory standards and guidelines, and external rating agency considerations. The capital management process is centrally overseen by senior management and is frequently reviewed at the entity and country level.

Senior management oversees the capital management process of Citigroup and its principal subsidiaries mainly through Citigroup's Global Finance and Asset and Liability Committee (FinALCO). This Committee includes Citigroup's Chairman and Chief Executive Officer, Chief Financial Officer, Head of Corporate Finance and Treasury, Senior Risk Officer, the business segment CEOs, and other senior managers. The Committee's responsibilities include: determining the financial structure of Citigroup and its principal subsidiaries; ensuring that Citigroup and its regulated entities are adequately capitalized; reviewing the funding and capital markets plan for Citigroup; monitoring interest rate risk, corporate and bank liquidity, and the impact of currency translation on non-U.S. earnings and capital; and reviewing and recommending share repurchase levels and dividends on preferred and common stock. The FinALCO has established capital targets for Citigroup and for significant subsidiaries. These targets exceed the regulatory standards.

Capital Ratios

Citigroup is subject to risk-based capital ratio guidelines issued by the FRB. Capital adequacy is measured via two risk-based ratios, Tier 1 and Total Capital (Tier 1 + Tier 2 Capital). Tier 1 Capital is considered core capital while Total Capital also includes other items such as subordinated debt and loan loss reserves. Both measures of capital are stated as a percent of risk-adjusted assets. Risk-adjusted assets are measured primarily on their perceived credit risk and include certain off-balance sheet exposures, such as unfunded loan commitments and letters of credit and the notional amounts of derivative and foreign exchange contracts. Citigroup is also subject to the Leverage Ratio requirement, a non-risk-based asset ratio, which is defined as Tier 1 Capital as a percentage of adjusted average assets.

To be "well capitalized" under federal bank regulatory agency definitions, a bank holding company must have a Tier 1 Capital Ratio of at least 6%, a Total Capital Ratio of at least 10%, and a Leverage Ratio of at least 3%, and not be subject to an FRB directive to maintain higher capital levels.

As noted in the following table, Citigroup maintained a "well capitalized" position during the first three months of 2007 and the full year of 2006.

Citigroup Regulatory Capital Ratios(1)

	March 31, 2007(3)	December 31, 2006
Tier 1 Capital	**8.26%**	8.59%
Total Capital (Tier 1 and Tier 2)	**11.48**	11.65
Leverage(2)	**4.84**	5.16

(1) The FRB granted interim capital relief for the impact of adopting SFAS 158.

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

(3)

The impact related to using Citigroup's credit rating under the adoption of SFAS 157 is excluded from Tier 1 Capital at March 31, 2007.

Components of Capital Under Regulatory Guidelines

In millions of dollars	March 31, 2007	December 31, 2006
Tier 1 Capital		
Common stockholders' equity	**$ 121,083**	$ 118,783
Qualifying perpetual preferred stock	**1,000**	1,000
Qualifying mandatorily redeemable securities of subsidiary trusts	**9,440**	9,579
Minority interest	**1,124**	1,107
Less: Net unrealized gains on securities available-for-sale(1)	**(1,251)**	(943)
Less: Accumulated net losses on cash flow hedges, net of tax	**500**	61
Less: Pension liability adjustment, net of tax(2)	**1,570**	1,647
Less: Cumulative effect included in fair value of financial liabilities attributable to creditworthiness, net of tax(3)	**(222)**	
Less: Intangible assets:		
Goodwill	**(34,380)**	(33,415)
Other disallowed intangible assets	**(6,589)**	(6,127)
Other	**(853)**	(793)
Total Tier 1 Capital	**$ 91,422**	$ 90,899
Tier 2 Capital		
Allowance for credit losses(4)	**$ 10,604**	$ 10,034
Qualifying debt(5)	**24,447**	21,891
Unrealized marketable equity securities gains(1)	**562**	436
Total Tier 2 Capital	**$ 35,613**	$ 32,361
Total Capital (Tier 1 and Tier 2)	**$ 127,035**	$ 123,260
Risk-Adjusted Assets(6)	**$ 1,106,961**	$ 1,057,872

(1) Tier 1 Capital excludes unrealized gains and losses on debt securities available-for-sale in accordance with regulatory risk-based capital guidelines. The federal bank regulatory agencies permit institutions to include in Tier 2 Capital up to 45% of pretax net unrealized holding gains on available-for-sale equity securities with readily determinable fair values, net of tax. Institutions are required to deduct from Tier 1 Capital net unrealized holding losses on available-for-sale equity securities with readily determinable fair values, net of tax.

(2) The FRB granted interim capital relief for the impact of adopting SFAS 158.

(3) The impact related to using Citigroup's credit rating under the adoption of SFAS 157 is excluded from Tier 1 Capital at March 31, 2007.

(4) Includable up to 1.25% of risk-adjusted assets. Any excess allowance is deducted from risk-adjusted assets.

(5) Includes qualifying subordinated debt in an amount not exceeding 50% of Tier 1 Capital.

(6) Includes risk-weighted credit equivalent amounts, net of applicable bilateral netting agreements, of $87.3 billion for interest rate, commodity and equity derivative contracts and foreign-exchange contracts as of March 31, 2007, compared with $77.1 billion as of December 31, 2006. Market risk-equivalent assets included in risk-adjusted assets amounted to $43.3 billion and $40.1 billion at March 31, 2007 and December 31, 2006, respectively. Risk-adjusted assets also include the effect of other off-balance sheet exposures, such as unused loan commitments and letters of credit, and reflects deductions for certain intangible assets and any excess allowance for credit losses.

Common stockholders' equity increased approximately $2.3 billion during the first three months of 2007 to $121.1 billion at March 31, 2007, representing 6.0% of assets. This compares to $118.8 billion and 6.3% at year-end 2006.

Common Equity

The table below summarizes the change in common stockholders' equity:

In billions of dollars	
Common Equity, December 31, 2006	**$ 118.8**
Adjustment to opening retained earnings balance, net of tax(1)	**(0.2)**
Adjustment to opening Accumulated other comprehensive income (loss) balance, net of tax(2)	**0.1**
Net income	**5.0**
Employee benefit plans and other activities	**1.0**
Dividends	**(2.7)**
Treasury stock acquired	**(0.6)**
Net change in Accumulated other comprehensive income (loss), net of tax	**(0.3)**
Common Equity, March 31, 2007	**$ 121.1**

(1) The adjustment to the opening balance of retained earnings represents the total of the after-tax amounts for the adoption of the following accounting pronouncements:

SFAS 157, for $75 million,

SFAS No. 159, for ($99) million,

FSP No. FAS 13-2, "*Accounting for a Change or Projected Change in the Timing of Cash Flows Relating to Income Taxes Generated by a Leveraged Lease Transaction*" (FSP 13-2) for ($148) million, and

FASB Interpretation No. 48, "*Accounting for Uncertainty in Income Taxes*" (FIN 48) for ($14) million.

See Note 1 and Note 16 on pages 85 and 105, respectively.

(2) The after-tax adjustment to the opening balance of Accumulated other comprehensive income (loss) represents the reclassification of the unrealized gains (losses) related to the Legg Mason securities, as well as several miscellaneous items previously reported in accordance with SFAS No. 115, "*Accounting for Certain Investments in Debt and Equity Securities*" (SFAS 115). The related unrealized gains and losses were reclassified to retained earnings upon the adoption of the fair value option in accordance with SFAS 159. See Note 1 and 16 on pages 85 and 105, respectively, for further discussions.

The decrease in the common stockholders' equity ratio during the three months ended March 31, 2007 reflected the above items and a 7.3% increase in total assets.

On April 17, 2006, the Board of Directors authorized up to an additional $10 billion in share repurchases. As of March 31, 2007, $6.8 billion remained under authorized repurchase programs after the repurchase of $645 million and $7.0 billion in shares during the three months ended March 31, 2007 and full year 2006, respectively. As a result of the Company's recent acquisitions, the successful Nikko tender offer, and other growth opportunities, it is anticipated that the Company will not resume its share repurchase program for the remainder of the year. This is a forward-looking statement within the meaning of the Private Securities Litigation Reform Act. See "Forward-Looking Statements" on page 78. For further details, see "Unregistered Sales of Equity Securities and Use of Proceeds" on page 123.

The table below summarizes the Company's repurchase activity:

In millions, except per share amounts	Total Common Shares Repurchased	Dollar Value of Shares Repurchased	Average Price Paid per Share	Dollar Value of Remaining Authorized Repurchase Program
First quarter 2006	42.9	$ 2,000	$ 46.58	$ 2,412
Second quarter 2006	40.8	2,000	48.98	10,412(1)
Third quarter 2006	40.9	2,000	48.90	8,412
Fourth quarter 2006	19.4	1,000	51.66	7,412
Total 2006	144.0	$ 7,000	$ 48.60	$ 7,412
First quarter 2007(2)	**12.1**	**$ 645**	**$ 53.37**	**$ 6,767**

(1) On April 17, 2006, the Board of Directors authorized up to an additional $10 billion in share repurchases.

(2) See "Unregistered Sales of Equity Securities and Use of Proceeds" on page 123.

Mandatorily Redeemable Securities of Subsidiary Trusts

Total mandatorily redeemable securities of subsidiary trusts (trust preferred securities), which qualify as Tier 1 Capital, were $9.440 billion at March 31, 2007, as compared to $9.579 billion at December 31, 2006. On March 18, 2007 and March 26, 2007, Citigroup redeemed for cash all of the $23 million and $25 million Trust Preferred Securities of Adam Statutory Trust I and Adam Statutory Trust II, respectively, at the redemption price of $1,000 per preferred security plus any accrued distribution up to but excluding the date of redemption.

On March 6, 2007, Citigroup issued $1.000 billion of Enhanced Trust Preferred Securities (Citigroup Capital XVII). An additional $100 million was issued, related to this Trust, on March 14, 2007. See Note 12 on page 95 for details on Citigroup Capital XVII.

On February 15, 2007, Citigroup redeemed for cash all of the $300 million Trust Preferred Securities of Citicorp Capital I, $450 million of Citicorp Capital II, and $400 million of Citigroup Capital II, at the redemption price of $1,000 per preferred security plus any accrued distribution up to, but excluding, the date of redemption.

On April 23, 2007, Citigroup redeemed for cash all of the $22 million Trust Preferred Securities of Adam Capital Trust II at the redemption price of $1,000 per preferred security plus any accrued distribution up to but excluding the date of redemption.

The FRB has issued a final rule, with an effective date of April 11, 2005, which retains trust preferred securities in Tier 1 Capital of Bank Holding Companies (BHCs), but with stricter quantitative limits and clearer qualitative standards. Under the rule, after a five-year transition period, the aggregate amount of trust preferred securities and certain other capital elements included in Tier 1 Capital of internationally active banking organizations, such as Citigroup, would be limited to 15% of Tier 1 Capital elements, net of goodwill less any associated deferred tax liability. The amount of trust preferred securities and certain other elements in excess of the limit could be included in Tier 2 Capital, subject to restrictions. Under this rule, Citigroup currently would have less than 12% against the limit. The FRB has granted interim capital relief for the impact of adopting SFAS 158.

The FRB and the FFIEC may propose amendments to, and issue interpretations of, risk-based capital guidelines and reporting instructions. These may affect reported capital ratios and net risk-adjusted assets.*

Capital Resources of Citigroup's Depository Institutions

Bank Consolidation Project: During 2006, Citigroup began and completed the majority of its bank consolidation project, which called for the merger of its twelve U.S.-insured depository institutions into four, as well as the reorganization of its U.S. mortgage banking business. The first phase of this project was completed in July 2006, when CitiFinancial Credit Company (CCC), an indirect wholly owned subsidiary of Citigroup, transferred its ownership of Citicorp Trust Bank, fsb to Citigroup. The second phase occurred in October 2006, when Citigroup reduced its overall number of U.S.-insured depository institutions from twelve to five. Also during this phase, Citibank, N.A. transferred its investment in Citibank (South Dakota), N.A. (the Company's primary banking entity responsible for U.S. credit card activities) to Citigroup. In addition, a majority of the Company's U.S. consumer mortgage lending activity was consolidated within Citibank, N.A. as Citibank (West), FSB, Citibank Texas, N.A., Citibank, FSB and Citibank Delaware were merged into Citibank, N.A. The final phase of this consolidation project is expected to be completed at a later date with the merger of Citibank (Banamex USA) into Citibank, N.A.

Benefits achieved from reducing the number of depository institutions included optimized capital efficiency, enhanced flexibility of operations as a result of Citibank, N.A.'s larger capital base, reduced regulatory complexity and improved customer relationships.

Capital Ratios of Depository Institutions: Citigroup's subsidiary depository institutions in the United States are subject to risk-based capital guidelines issued by their respective primary federal bank regulatory agencies, which are similar to the FRB's guidelines. To be "well capitalized" under federal bank regulatory agency definitions, Citigroup's depository institutions must have a Tier 1 Capital Ratio of at least 6%, a Total Capital (Tier 1 + Tier 2 Capital) Ratio of at least 10% and a Leverage Ratio of at least 5%, and not be subject to a regulatory directive to meet and maintain higher capital levels. At March 31, 2007, all of Citigroup's subsidiary depository institutions were "well capitalized" under the federal regulatory agencies' definitions, including Citigroup's primary depository institution, Citibank, N.A., as noted in the tables on the next page.

* This statement is a forward-looking statement within the meaning of the Private Securities Litigation Reform Act. See "Forward-Looking Statements" on page 78.

Citibank, N.A. Regulatory Capital Ratios(1)

	Mar. 31, 2007(3)	Dec. 31, 2006
Tier 1 Capital	**8.13%**	8.32%
Total Capital (Tier 1 and Tier 2)	**12.05**	12.39
Leverage(2)	**5.97**	6.09

(1) The U.S. Banking Agencies granted interim capital relief for the impact of adopting SFAS 158.

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

(3) The impact related to using Citigroup's credit rating under the adoption of SFAS 157 is excluded from Tier 1 Capital at March 31, 2007.

Citibank, N.A. Components of Capital Under Regulatory Guidelines(1)

In billions of dollars	Mar. 31, 2007(2)	Dec. 31, 2006
Tier 1 Capital	**$ 62.2**	$ 59.9
Total Capital (Tier 1 and Tier 2)	**92.2**	89.1

(1) The U.S. Banking Agencies granted interim capital relief for the impact of adopting SFAS 158.

(2) The impact related to using Citigroup's credit rating under the adoption of SFAS 157 is excluded from Tier 1 Capital at March 31, 2007.

Citibank, N.A. had net income for the first three months ended March 31, 2007 amounting to $2.2 billion.

Citibank, N.A. did not issue any additional subordinated notes during the first quarter of 2007. For the full year 2006, Citibank, N.A. issued an additional $7.8 billion of subordinated notes that qualify for inclusion in Citibank, N.A.'s Tier 2 Capital. Total subordinated notes that were outstanding at March 31, 2007 and December 31, 2006 and included in Citibank, N.A.'s Tier 2 Capital amounted to $23.0 billion.

Broker-Dealer Subsidiaries

The Company's broker-dealer subsidiaries including Citigroup Global Markets Inc. (CGMI), an indirect wholly owned subsidiary of Citigroup Global Markets Holdings Inc. (CGMHI) are subject to various securities and commodities regulations and capital adequacy requirements of the regulatory and exchange authorities of the countries in which they operate. The Company's U.S. registered broker-dealer subsidiaries are subject to the Securities and Exchange Commission's Net Capital Rule, Rule 15c3-1 (the Net Capital Rule) under the Exchange Act.

As a registered broker-dealer, CGMI is subject to the SEC's Net Capital Rule. Under the Net Capital Rule, CGMI is required to maintain minimum net capital equal to 2% of aggregate debit items, as defined. Under NYSE regulations, CGMI may be required to reduce its business if its net capital is less than 4% of aggregate debit items and may also be prohibited from expanding its business or paying cash dividends if resulting net capital would be less than 5% of aggregate debit items. Furthermore, the Net Capital Rule does not permit withdrawal of equity or subordinated capital if the resulting net capital would be less than 5% of aggregate debit items.

During the third quarter of 2006, the SEC granted CGMI approval to compute net capital in accordance with the provisions of Appendix E of the Net Capital Rule. This methodology allows CGMI to compute market risk capital charges using internal Value-at-Risk models. Under Appendix E, CGMI is also required to hold tentative net capital in excess of $1 billion and net capital in excess of $500 million. The firm is also required to notify the SEC in the event that its tentative net capital is less than $5 billion.

Compliance with the Net Capital Rule could limit those operations of CGMI that require the intensive use of capital, such as underwriting and trading activities and the financing of customer account balances, and also restrict CGMHI's ability to withdraw capital from its broker-dealer subsidiaries, which in turn could limit CGMHI's ability to pay dividends and make payments on its debt.

At March 31, 2007, CGMI had net capital, computed in accordance with the Net Capital Rule, of $7.5 billion, which exceeded the minimum requirement by $6.8 billion.

In addition, certain of the Company's broker-dealer subsidiaries are subject to regulation in the other countries in which they do business, including requirements to maintain specified levels of net capital or its equivalent. The Company's broker-dealer subsidiaries were in compliance with their capital requirements at March 31, 2007.

Regulatory Capital Standards Developments

Citigroup generally supports the move to a new set of risk-based regulatory capital standards, published on June 26, 2004 (and subsequently amended in November 2005) by the Basel Committee on Banking Supervision (the Basel Committee), consisting of central banks and bank supervisors from 13 countries. The international version of the Basel II framework will allow Citigroup to leverage internal risk models used to measure credit, operational, and market risk exposures to drive regulatory capital calculations. On September 30, 2005, the U.S. banking regulators delayed the U.S. implementation of Basel II by one year. The current U.S. implementation timetable consists of parallel calculations under the current regulatory capital regime (Basel I) and Basel II, starting January 1, 2008, and an implementation transition period, starting January 1, 2009 through year-end 2011 or possibly later. The U.S. regulators have also reserved the right to change how Basel II is applied in the U.S., and retain the existing Prompt Corrective Action and leverage capital requirements applicable to U.S. banking organizations. The new timetable, clarifications, and other proposals are set forth in a notice of proposed rulemaking (NPR) issued on September 25, 2006, which contains a number of material differences from the international version of Basel II.

Citigroup continues to monitor, analyze and comment on the developing capital standards in the U.S. and in countries where Citigroup has significant presence, in order to assess their collective impact and allocate project management and funding resources accordingly.

LIQUIDITY

Overview

At the Holding Company level for Citigroup, for CGMHI, and for the Combined Holding Company and CGMHI, Citigroup maintains sufficient liquidity to meet all maturing unsecured debt obligations due within a one-year time horizon without accessing the unsecured markets.

Management of Liquidity

Management of liquidity at Citigroup is the responsibility of the Head of Corporate Finance and Treasury. A uniform liquidity risk management policy exists for Citigroup and its major operating subsidiaries. Under this policy, there is a single set of standards for the measurement of liquidity risk in order to ensure consistency across businesses, stability in methodologies and transparency of risk. Management of liquidity at each operating subsidiary and/or country is performed on a daily basis and is monitored by Corporate Treasury and independent risk management.

The basis of Citigroup's liquidity management is strong decentralized liquidity management at each of its principal operating subsidiaries and in each of its countries, combined with an active corporate oversight function. As discussed in "Capital Resources and Liquidity" on page 68, Citigroup's FinALCO undertakes this oversight responsibility, along with the Head of Corporate Finance and Treasury. One of the objectives of the FinALCO is to monitor and review the overall liquidity and balance sheet positions of Citigroup and its principal subsidiaries. Similarly, Asset and Liability Committees are also established for each country and/or major line of business.

Monitoring Liquidity

Each principal operating subsidiary and/or country must prepare an annual funding and liquidity plan for review by the Head of Corporate Finance and Treasury and approval by independent risk management. The funding and liquidity plan includes analysis of the balance sheet, as well as the economic and business conditions impacting the liquidity of the major operating subsidiary and/or country. As part of the funding and liquidity plan, liquidity limits, liquidity ratios, market triggers, and assumptions for periodic stress tests are established and approved.

Liquidity Limits

Liquidity limits establish boundaries for market access in business-as-usual conditions and are monitored against the liquidity position on a daily basis. These limits are established based on the size of the balance sheet, depth of the market, experience level of local management, stability of the liabilities, and liquidity of the assets. Finally, the limits are subject to the evaluation of the entities' stress test results. Generally, limits are established such that in stress scenarios, entities are self-funded or net providers of liquidity.

Liquidity Ratios

A series of standard corporate-wide liquidity ratios have been established to monitor the structural elements of Citigroup's liquidity. For bank entities, these include cash capital (defined as core deposits, long-term debt, and capital compared with illiquid assets), liquid assets against liquidity gaps, core deposits to loans, long-term assets to long-term liabilities, and deposits to loans. Several measures exist to review potential concentrations of funding by individual name, product, industry, or geography. At the Holding Company level for Citigroup, for CGMHI and for the Combined Holding Company and CGMHI, ratios are established for liquid assets against short-term obligations. Triggers for management discussion, which may result in other actions, have been established against these ratios. In addition, each individual major operating subsidiary or country establishes targets against these ratios and may monitor other ratios as approved in its funding and liquidity plan.

Market Triggers

Market triggers are internal or external market or economic factors that may imply a change to market liquidity or Citigroup's access to the markets. Citigroup market triggers are monitored by the Head of Corporate Finance and Treasury and the Head of Risk Oversight and are discussed in the FinALCO. Appropriate market triggers are also established and monitored for each major operating subsidiary and/or country as part of the funding and liquidity plans. Local triggers are reviewed with the local country or business ALCO and independent risk management.

Stress Testing

Simulated liquidity stress testing is periodically performed for each major operating subsidiary and/or country. The scenarios include assumptions about significant changes in key funding sources, credit ratings, contingent uses of funding, and political and economic conditions in certain countries. The results of stress tests of individual countries and operating subsidiaries are reviewed to ensure that each individual major operating subsidiary or country is either self-funded or a net provider of liquidity. In addition, a Contingency Funding Plan is prepared on a periodic basis for Citigroup. The plan includes detailed policies, procedures, roles and responsibilities, and the results of corporate stress tests. The product of these stress tests is a series of alternatives that can be used by the Head of Corporate Finance and Treasury in a liquidity event.

CGMHI monitors liquidity by tracking asset levels, collateral and funding availability to maintain flexibility to meet its financial commitments. As a policy, CGMHI attempts to maintain sufficient capital and funding sources in order to have the capacity to finance itself on a fully collateralized basis in the event that its access to uncollateralized financing is temporarily impaired. This is documented in CGMHI's contingency funding plan. This plan is reviewed periodically to keep the funding options current and in line with market conditions. The management of this plan includes an analysis used to determine CGMHI's ability to withstand varying levels of stress, including rating downgrades, which could impact its liquidation horizons and required margins. CGMHI maintains liquidity reserves of cash and loan value of unencumbered securities in excess of its outstanding short-term uncollateralized liabilities. This is monitored on a daily basis. CGMHI also ensures that long-term illiquid assets are funded with long-term liabilities.

FUNDING

Overview

As a financial holding company, substantially all of Citigroup's net earnings are generated within its operating subsidiaries. These subsidiaries make funds available to Citigroup, primarily in the form of dividends. Certain subsidiaries' dividend paying abilities may be limited by covenant restrictions in credit agreements, regulatory requirements and/or rating agency requirements that also impact their capitalization levels.

Banking Subsidiaries

There are various legal limitations on the ability of Citigroup's subsidiary depository institutions to extend credit, pay dividends or otherwise supply funds to Citigroup and its nonbank subsidiaries. The approval of the Office of the Comptroller of the Currency, in the case of national banks, or the Office of Thrift Supervision, in the case of federal savings banks, is required if total dividends declared in any calendar year exceed amounts specified by the applicable agency's regulations. State-chartered depository institutions are subject to dividend limitations imposed by applicable state law.

As of March 31, 2007, Citigroup's subsidiary depository institutions can declare dividends to their parent companies, without regulatory approval, of approximately $13.2 billion. In determining the dividends, each depository institution must also consider its effect on applicable risk-based capital and Leverage Ratio requirements, as well as policy statements of the federal regulatory agencies that indicate that banking organizations should generally pay dividends out of current operating earnings. Consistent with these considerations, Citigroup estimates that, as of March 31, 2007, its subsidiary depository institutions can distribute dividends to Citigroup of approximately $10.1 billion of the available $13.2 billion.

Non-Banking Subsidiaries

Citigroup also receives dividends from its nonbank subsidiaries. These nonbank subsidiaries are generally not subject to regulatory restrictions on dividends.

As discussed in "Capital Resources and Liquidity" on page 68, the ability of CGMHI to declare dividends can be restricted by capital considerations of its broker-dealer subsidiaries.

During 2007, it is not anticipated that any restrictions on the subsidiaries' dividending capability will restrict Citigroup's ability to meet its obligations as and when they become due.*

Sources of Funding

Primary sources of funding for Citigroup and its principal subsidiaries include:

- deposits;
- collateralized financing transactions;
- senior and subordinated debt;
- commercial paper;
- trust preferred securities; and
- purchased/wholesale funds.

Citigroup and its principal subsidiaries also generate funds through securitizing financial assets, including credit card receivables and single-family or multi-family residences. See Note 13 on page 98 for additional information about securitization activities. Finally, Citigroup's net earnings provide a significant source of funding to the corporation.

Citigroup's funding sources are well diversified across funding types and geography, a benefit of the strength of the global franchise. Funding for the parent and its major operating subsidiaries includes a large geographically diverse retail and corporate deposit base of $738.5 billion. A significant portion of these deposits has been, and is expected to be, long-term and stable and is considered core.

Citigroup and its subsidiaries have a significant presence in the global capital markets. Citigroup primarily conducts its capital markets funding activities within two legal entities: (i) Citigroup Inc., which issues long-term debt, medium-term notes, trust preferred securities, and preferred and common stock; and (ii) Citigroup Funding Inc. (CFI), a first-tier subsidiary of Citigroup, which issues commercial paper, medium- term notes and structured equity-linked and credit-linked notes, all of which are guaranteed by Citigroup.

Citigroup also guarantees various debt obligations of CGMHI, Associates and CitiFinancial Credit Company, the latter two being indirect subsidiaries of Citigroup. In addition, Citigroup guarantees various debt obligations of Citigroup Finance Canada Inc. (CFCI), a wholly owned subsidiary of Associates. CFCI continues to issue debt in the Canadian market supported by a Citigroup guarantee. See Note 20 on page 115 for further discussions. Other significant elements of long-term debt in the Consolidated Balance Sheet include collateralized advances from the Federal Home Loan Bank system, asset-backed outstandings, and certain borrowings of foreign subsidiaries.

CGMHI's consolidated balance sheet is highly liquid, with the vast majority of its assets consisting of marketable securities and collateralized short-term financing agreements arising from securities transactions. The highly liquid nature of these assets provides CGMHI with flexibility in financing and managing its business. CGMHI monitors and evaluates the adequacy of its capital and borrowing base on a daily basis to maintain liquidity, and to ensure that its capital base supports the regulatory capital requirements of its subsidiaries.

Citigroup uses its funding to service debt obligations, to pay dividends to its stockholders, to support organic growth, to fund acquisitions and to repurchase its shares, pursuant to Board of Directors approved plans.

---

*

This statement is a forward-looking statement within the meaning of the Private Securities Litigation Reform Act. See "Forward-Looking Statements" on page 78.

Each of Citigroup's major operating subsidiaries finances its operations on a basis consistent with its capitalization, regulatory structure and the environment in which it operates. Particular attention is paid to those businesses that for tax, sovereign risk, or regulatory reasons cannot be freely and readily funded in the international markets.

Citigroup's borrowings are diversified by geography, investor, instrument and currency. Decisions regarding the ultimate currency and interest rate profile of funding generated through these borrowings can be separated from the actual issuance through the use of derivative financial products.

At March 31, 2007, long-term debt and commercial paper outstanding for Citigroup Parent Company, CGMHI, Citigroup Funding Inc. and Citigroup's other subsidiaries were as follows:

In billions of dollars	Citigroup Parent Company	CGMHI	Citigroup Funding Inc.	Other Citigroup Subsidiaries
Long-term debt	$ 134.9	$ 28.4	$ 24.5	$ 123.0(1)
Commercial paper			$ 39.7	$ 0.9

(1)
At March 31, 2007, approximately $87.6 billion relates to collateralized advances from the Federal Home Loan Bank.

See Note 12 on page 95 for further detail on long-term debt and commercial paper outstanding.

Citigroup's ability to access the capital markets and other sources of wholesale funds, as well as the cost of these funds, is highly dependent on its credit ratings. The accompanying chart indicates the current ratings for Citigroup.

Citigroup's Debt Ratings as of March 31, 2007

	Citigroup Inc.			Citigroup Funding Inc.			Citibank, N.A.	
	Senior Debt	Subordinated Debt	Commercial Paper	Senior Debt	Subordinated Debt	Commercial Paper	Long-Term	Short-Term
Fitch Ratings	AA+	AA	F1+	AA+	AA	F1+	AA+	F1+
Moody's Investors Service	Aal	Aa2	P-1	Aa1	Aa2	P-1	Aaa	P-1
Standard & Poor's	AA	AA-	A-1+	AA	AA-	A-1+	AA+	A-1+

On February 14, 2007, Standard & Poor's upgraded the ratings of Citigroup and certain rated subsidiaries. The senior debt ratings of Citigroup and Citigroup Funding Inc. (CFI) were upgraded to "AA" from "AA-." The subordinated debt ratings of Citigroup and Citigroup Funding Inc. (CFI) were upgraded to "AA-" from "A+." The long-term rating of Citibank, N.A. was upgraded to "AA+" from "AA." The outlook for all of Citigroup's ratings is "stable."

Some of Citigroup's nonbank subsidiaries, including CGMHI, have credit facilities with Citigroup's subsidiary depository institutions, including Citibank, N.A. Borrowings under these facilities must be secured in accordance with Section 23A of the Federal Reserve Act. There are various legal restrictions on the extent to which a bank holding company and certain of its nonbank subsidiaries can borrow or obtain credit from Citigroup's subsidiary depository institutions or engage in certain other transactions with them. In general, these restrictions require that transactions be on arm's-length terms and be secured by designated amounts of specified collateral. See Note 12 on page 95.

OFF-BALANCE SHEET ARRANGEMENTS

Overview

Citigroup and its subsidiaries are involved with several types of off-balance sheet arrangements, including special purpose entities (SPEs), lines and letters of credit, and loan commitments.

The securitization process enhances the liquidity of the financial markets, may spread credit risk among several market participants, and makes new funds available to extend credit to consumers and commercial entities.

Uses of SPEs

In order to execute securitizations, the Company uses SPEs. An SPE is an entity in the form of a trust or other legal vehicle designed to fulfill a specific limited need of the company that organized it.

The principal uses of SPEs are to obtain liquidity and favorable capital treatment by securitizing certain of Citigroup's financial assets, to assist clients in securitizing their financial assets, and to create investment products for clients. SPEs may be organized as trusts, partnerships, or corporations. In a securitization, the company transferring assets to an SPE converts those assets into cash before they would have been realized in the normal course of business, through the SPE's issuing debt and equity instruments, certificates, commercial paper, and other notes of indebtedness. Investors usually have recourse to the assets in the SPE and often benefit from other credit enhancements, such as a collateral account or overcollateralization in the form of excess assets in the SPE, or from a liquidity facility, such as a line of credit or asset purchase agreement. Accordingly, the SPE can typically obtain a more favorable credit rating from rating agencies than the transferor could obtain for its own debt issuances, resulting in less expensive financing costs. The SPE may also enter into derivative contracts in order to convert the yield or currency of the underlying assets to match the needs of the SPE investors, or to limit or change the credit risk of the SPE. Citigroup may be the counterparty to these derivatives.

SPEs may be Qualifying SPEs (QSPEs) or variable interest entities (VIEs) or neither. A VIE is a type of SPE that does not have sufficient equity to finance its activities without additional subordinated financial support from third parties. Its investors may not have the power to make significant decisions about the entity's operations, or investors may not share pro rata in the entity's expected returns or losses. The Company's credit card receivable and mortgage loan securitizations are organized as QSPEs and are, therefore, not VIEs subject to FASB Interpretation No. 46, "Consolidation of Variable Interest Entities (revised December 2003)," (FIN 46-R). When an entity is deemed a VIE under FIN 46-R, the entity in question must be consolidated by the primary beneficiary; however, the Company is not the primary beneficiary of most of these entities and as such does not consolidate most of them.

Securitization of Citigroup's Assets

In some of these off-balance sheet arrangements, including credit card receivable and mortgage loan securitizations, Citigroup is securitizing assets that were previously recorded on its Consolidated Balance Sheet. A summary of certain cash flows received from and paid to securitization trusts is included in Note 13 on page 98.

Credit Card Receivables

Credit card receivables are securitized through trusts, which are established to purchase the receivables. Citigroup sells receivables into the trusts on a non-recourse basis. Credit card securitizations are revolving securitizations; that is, as customers pay their credit card balances, the cash proceeds are used to purchase new receivables and replenish the receivables in the trust. CGMI is one of several underwriters that distribute securities issued by the trusts to investors. The Company relies on securitizations to fund a significant portion of its managed *U.S. Cards* business, which includes both on-balance sheet and securitized receivables.

The following table reflects amounts related to the Company's securitized credit card receivables at March 31, 2007 and December 31, 2006:

In billions of dollars	Mar. 31, 2007	Dec. 31, 2006
Principal amount of credit card receivables in trusts	**$ 108.9**	$ 112.4
Ownership interests in principal amount of trust credit card receivables:		
Sold to investors via trust-issued securities	**93.8**	93.1

In billions of dollars		Mar. 31, 2007		Dec. 31, 2006
Retained by Citigroup as trust-issued securities		**3.3**		5.1
Retained by Citigroup via non-certificated interest recorded as consumer loans		**11.8**		14.2
Total ownership interests in principal amount of trust credit card receivables	**$**	**108.9**	$	112.4
Other amounts recorded on the balance sheet related to interests retained in the trusts:				
Amounts receivable from trusts	**$**	**4.5**	$	4.5
Amounts payable to trusts		**1.8**		1.7
Residual interest retained in trust cash flows		**2.7**		2.5

In the first quarters of 2007 and 2006, the Company recorded net gains from securitization of credit card receivables of $248 million and $171 million, respectively. Net gains reflect the following:

incremental gains from new securitizations

the reversal of the allowance for loan losses associated with receivables sold

net gains on replenishments of the trust assets

offset by other-than-temporary impairments.

See Note 13 on page 98 for additional information regarding the Company's securitization activities.

Mortgages and Other Assets

The Company provides a wide range of mortgage and other loan products to its customers. In addition to providing a source of liquidity and less expensive funding, securitizing these assets also reduces the Company's credit exposure to the borrowers. The Company's mortgage loan securitizations are primarily non-recourse, thereby effectively transferring the risk of future credit losses to the purchasers of the securities issued by the trust. In addition to servicing rights, the Company also retains a residual interest in its student loan and other asset securitizations, consisting of securities and interest-only strips that arise from the calculation of gain or loss at the time assets are sold to the SPE. The Company recognized gains related to the securitization of mortgages and other assets of $44 million and $51 million in the first quarters of 2007 and 2006, respectively.

Securitization of Client Assets

The Company acts as an intermediary for its corporate clients, assisting them in obtaining liquidity by selling their trade receivables or other financial assets to an SPE.

In addition, Citigroup administers several third-party-owned, special purpose, multi-seller finance companies that purchase pools of trade receivables, credit card receivables, and other financial assets from its clients. As administrator, the Company provides accounting, funding, and operations services to these conduits but has no ownership interest. Generally, the clients continue to service the transferred assets. The conduits' asset purchases are funded by issuing commercial paper and medium-term notes. Clients absorb the first losses of the conduits by providing collateral in the form of excess assets or holding a residual interest. The Company, along with other financial institutions, provides liquidity facilities, such as commercial paper backstop lines of credit to the conduits. The Company also provides loss enhancement in the form of letters of credit and other guarantees. All fees are charged on a market basis.

At March 31, 2007 and December 31, 2006, total assets and liabilities in the unconsolidated conduits were $74 billion and $66 billion, respectively.

Creation of Other Investment and Financing Products

The Company packages and securitizes assets purchased in the financial markets in order to create new security offerings, including arbitrage collateralized debt obligations (CDOs) and synthetic CDOs for institutional clients and retail customers, which match the clients' investment needs and preferences. Typically these instruments diversify investors' risk to a pool of assets as compared with investments in individual assets. The VIEs, which are issuers of CDO securities, are generally organized as limited liability corporations. The Company typically receives fees for structuring and/or distributing the securities sold to investors. In some cases, the Company may repackage the investment with higher-rated debt CDO securities or U.S. Treasury securities to provide a greater or a very high degree of certainty of the return of invested principal. A third-party manager is typically retained by the VIE to select collateral for inclusion in the pool and then actively manage it, or, in other cases, only to manage work-out credits. The Company may also provide other financial services and/or products to the VIEs for market-rate fees. These may include: the provision of liquidity or contingent liquidity facilities, interest rate or foreign exchange hedges and credit derivative instruments, as well as the purchasing and warehousing of securities until they are sold to the SPE. The Company is not the primary beneficiary of these VIEs under FIN 46-R due to its limited continuing involvement and, as a result, we do not consolidate their assets and liabilities in our financial statements.

See Note 13 on page 98 for additional information about off-balance sheet arrangements.

Credit Commitments and Lines of Credit

The table below summarizes Citigroup's credit commitments as of March 31, 2007 and December 31, 2006.

In millions of dollars	March 31, 2007	December 31, 2006
Financial standby letters of credit and foreign office guarantees	**$ 83,568**	$ 72,548
Performance standby letters of credit and foreign office guarantees	**15,861**	15,802
Commercial and similar letters of credit	**7,969**	7,861
One- to four-family residential mortgages	**5,669**	3,457
Revolving open-end loans secured by one- to four-family residential properties	**33,528**	32,449
Commercial real estate, construction and land development	**4,875**	4,007
Credit card lines(1)	**1,006,204**	987,409
Commercial and other consumer loan commitments(2)	**469,403**	439,931

In millions of dollars		March 31, 2007		December 31, 2006
Total	**$**	**1,627,077**	$	1,563,464

(1) Credit card lines are unconditionally cancelable by the issuer.

(2) Includes commercial commitments to make or purchase loans, to purchase third-party receivables, and to provide note issuance or revolving underwriting facilities. Amounts include $260 billion and $251 billion with original maturity of less than one year at March 31, 2007 and December 31, 2006, respectively.

CORPORATE GOVERNANCE AND CONTROLS AND PROCEDURES

Corporate Governance

Citigroup has a Code of Conduct that maintains the Company's commitment to the highest standards of conduct. The Company has established an ethics hotline for employees. The Code of Conduct is supplemented by a Code of Ethics for Financial Professionals (including finance, accounting, treasury, tax and investor relations professionals) that applies worldwide.

Both the Code of Conduct and the Code of Ethics for Financial Professionals can be found on the Citigroup Web site, www.citigroup.com, by clicking on the "Corporate Governance" page. The Company's Corporate Governance Guidelines and the charters for the Audit and Risk Management Committee, the Nomination and Governance Committee, the Personnel and Compensation Committee, and the Public Affairs Committee of the Board are also available under the "Corporate Governance" page, or by writing to Citigroup Inc., Corporate Governance, 425 Park Avenue, 2nd Floor, New York, New York 10043.

Controls and Procedures

Disclosure

The Company's disclosure controls and procedures are designed to ensure that information required to be disclosed under the Exchange Act securities laws is accumulated and communicated to management, including the Chief Executive Officer (CEO) and Chief Financial Officer (CFO), to allow for timely decisions regarding required disclosure and appropriate SEC filings.

The Company's Disclosure Committee is responsible for ensuring that there is an adequate and effective process for establishing, maintaining and evaluating disclosure controls and procedures for the Company's external disclosures.

The Company's management, with the participation of the Company's CEO and CFO, has evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) as of March 31, 2007 and, based on that evaluation, the CEO and CFO have concluded that at that date the Company's disclosure controls and procedures were effective.

Financial Reporting

The Company's *internal control over financial reporting* is a process under the supervision of the CEO and CFO, and effected by Citigroup's Board of Directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with generally accepted accounting principles. These controls include policies and procedures that:

- pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Company;

- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that the Company's receipts and expenditures are being made only in accordance with authorizations of the Company's management and directors; and

- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

Citigroup has had a longstanding process whereby business and financial officers throughout the Company attest to the accuracy of financial information reported in corporate systems as well as the effectiveness of internal controls over financial reporting and disclosure processes.

There were no changes in the Company's internal control over financial reporting during the fiscal quarter ended March 31, 2007 that materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

FORWARD-LOOKING STATEMENTS

In this Quarterly Report on Form 10-Q, the Company uses certain forward-looking statements when describing future business conditions. The Company's actual results may differ materially from those included in the forward-looking statements and are indicated by words such as "believe," "expect," "anticipate," "intend," "estimate," "may increase," "may fluctuate," and similar expressions, or future or conditional verbs such as "will," "should," "would," and "could."

These forward-looking statements involve external risks and uncertainties including, but not limited, to those described in the Company's 2006 Annual Report on Form 10-K section entitled "Risk Factors": economic conditions; credit, market and liquidity risk; competition; country risk; operational risk; U.S. fiscal policies; reputational and legal risk; and certain regulatory considerations. Risks and uncertainties disclosed in this 10-Q include, but are not limited to:

- the effect that our Structural Expense Review will have on our expenses;
- the effect that possible amendments to, and interpretations of, risk-based capital guidelines and reporting instructions might have on Citigroup's reported capital ratios and net risk-adjusted assets; and
- the dividending capabilities of Citigroup's subsidiaries.

Citigroup Inc.

TABLE OF CONTENTS

	Page No.
Financial Statements:	
Consolidated Statement of Income (Unaudited) Three Months Ended March 31, 2007 and 2006	80
Consolidated Balance Sheet March 31, 2007 (Unaudited) and December 31, 2006	81
Consolidated Statement of Changes in Stockholders' Equity (Unaudited) Three Months Ended March 31, 2007 and 2006	82
Consolidated Statement of Cash Flows (Unaudited) Three Months Ended March 31, 2007 and 2006	83
Consolidated Balance Sheet Citibank, N.A. and Subsidiaries March 31, 2007 (Unaudited) and December 31, 2006	84
Notes to Consolidated Financial Statements (Unaudited):	
Note 1 Basis of Presentation	85
Note 2 Discontinued Operations	87
Note 3 Business Segments	89
Note 4 Interest Revenue and Expense	90
Note 5 Commissions and Fees	90
Note 6 Retirement Benefits	91
Note 7 Restructuring	92
Note 8 Earnings Per Share	93
Note 9 Trading Account Assets and Liabilities	93
Note 10 Goodwill and Intangible Assets	94
Note 11 Investments	95
Note 12 Debt	95
Note 13 Securitizations and Variable Interest Entities	98
Note 14 Changes in Accumulated Other Comprehensive Income (Loss)	102
Note 15 Derivatives Activities	102
Note 16 Fair Value	105
Note 17 Guarantees	111

		Page No.
Note 18	Contingencies	113
Note 19	Citibank, N.A. and Subsidiaries Statement of Changes in Stockholder's Equity	114
Note 20	Condensed Consolidating Financial Statement Schedules	115

CONSOLIDATED FINANCIAL STATEMENTS

CITIGROUP INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF INCOME (Unaudited)

	Three Months Ended March 31,	
In millions of dollars, except per share amounts	**2007**	**2006(1)**
Revenues		
Interest revenue	**$ 28,132**	$ 21,873
Interest expense	**17,562**	12,107
Net interest revenue	**$ 10,570**	$ 9,766
Commissions and fees	**$ 5,773**	$ 5,188
Principal transactions	**2,997**	2,117
Administration and other fiduciary fees	**1,949**	1,705
Realized gains (losses) from sales of investments	**473**	379
Insurance premiums	**838**	770
Other revenue	**2,859**	2,258
Total non-interest revenues	**$ 14,889**	$ 12,417
Total revenues, net of interest expense	**$ 25,459**	$ 22,183
Provision for credit losses and for benefits and claims		
Provision for loan losses	**$ 2,706**	$ 1,396
Policyholder benefits and claims	**261**	227
Provision for unfunded lending commitments		50
Total provision for credit losses and for benefits and claims	**$ 2,967**	$ 1,673
Operating expenses		
Compensation and benefits	**$ 8,699**	$ 8,263
Net occupancy expense	**1,529**	1,382
Technology/communication expense	**979**	886
Advertising and marketing expense	**617**	603
Restructuring expense	**1,377**	
Other operating expenses	**2,370**	2,224
Total operating expenses	**$ 15,571**	$ 13,358
Income from continuing operations before income taxes and minority interest	**$ 6,921**	$ 7,152
Provision for income taxes	**1,862**	1,537
Minority interest, net of taxes	**47**	60
Income from continuing operations	**$ 5,012**	$ 5,555
Discontinued operations		
Income from discontinued operations	**$**	$ 1
Gain on sale		21
Provision (benefit) for income taxes and minority interest, net of taxes		(62)
Income from discontinued operations, net of taxes	**$**	$ 84

	Three Months Ended March 31,	
Net income	**$ 5,012**	$ 5,639
Basic earnings per share(2)		
Income from continuing operations	**$ 1.02**	$ 1.13
Income from discontinued operations, net of taxes		0.02
Net Income	**$ 1.02**	$ 1.14
Weighted average common shares outstanding	**4,877.0**	4,920.7
Diluted earnings per share(2)		
Income from continuing operations	**$ 1.01**	$ 1.11
Income from discontinued operations, net of taxes		0.02
Net income	**$ 1.01**	$ 1.12
Adjusted weighted average common shares outstanding	**4,967.9**	5,007.9

(1) Reclassified to conform to the current period's presentation.

(2) Due to rounding, earnings per share on continuing and discontinued operations may not sum to earnings per share on net income.

See Notes to the Unaudited Consolidated Financial Statements.

CITIGROUP INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

In millions of dollars, except shares	March 31, 2007 (Unaudited)	December 31, 2006
Assets		
Cash and due from banks (including segregated cash and other deposits)	**$ 24,421**	$ 26,514
Deposits with banks	**44,906**	42,522
Federal funds sold and securities borrowed or purchased under agreements to resell (including $78,113 at fair value as of March 31, 2007)	**303,925**	282,817
Brokerage receivables	**51,976**	44,445
Trading account assets (including $167,214 and $125,231 pledged to creditors at March 31, 2007 and December 31, 2006, respectively)	**460,065**	393,925
Investments (including $21,018 and $16,355 pledged to creditors as of March 31, 2007 and December 31, 2006, respectively)	**286,567**	273,591
Loans, net of unearned income		
Consumer	**519,105**	512,921
Corporate (including $1,832 and $384 at fair value as of March 31, 2007 and December 31, 2006, respectively)	**174,239**	166,271
Loans, net of unearned income	**$ 693,344**	$ 679,192
Allowance for loan losses	**(9,510)**	(8,940)
Total loans, net	**$ 683,834**	$ 670,252
Goodwill	**34,380**	33,415
Intangible assets	**19,330**	15,901
Other assets (including $13,375 at fair value as of March 31, 2007)	**111,562**	100,936
Total assets	**$ 2,020,966**	$ 1,884,318
Liabilities		
Non-interest-bearing deposits in U.S. offices	**$ 39,296**	$ 38,615
Interest-bearing deposits in U.S. offices (including $584 and $366 at fair value As of March 31, 2007 and December 31, 2006, respectively)	**198,840**	195,002
Non-interest-bearing deposits in offices outside the U.S.	**36,328**	35,149
Interest-bearing deposits in offices outside the U.S. (including $1,470 and $472 at fair value at March 31, 2007 and December 31, 2006, respectively)	**464,057**	443,275
Total deposits	**$ 738,521**	$ 712,041
Federal funds purchased and securities loaned or sold under agreements to repurchase (including $180,846 at fair value as of March 31, 2007)	**393,670**	349,235
Brokerage payables	**88,722**	85,119
Trading account liabilities	**173,902**	145,887
Short-term borrowings (including $14,304 and $2,012 at fair value as of March 31, 2007 and December 31, 2006, respectively)	**111,179**	100,833
Long-term debt (including $31,237 and $9,439 at fair value as of March 31, 2007 and December 31, 2006, respectively)	**310,768**	288,494
Other liabilities (including $962 at fair value as of March 31, 2007)	**82,121**	82,926
Total liabilities	**$ 1,898,883**	$ 1,764,535
Stockholders' equity		
Preferred stock ($1.00 par value; authorized shares: 30 million), at aggregate liquidation value	**$ 1,000**	$ 1,000
	55	55

In millions of dollars, except shares	March 31, 2007 (Unaudited)	December 31, 2006
Common stock ($.01 par value; authorized shares: 15 billion), issued shares **5,477,416,086 shares at March 31, 2007** and at December 31, 2006		
Additional paid-in capital	**17,341**	18,253
Retained earnings	**131,395**	129,267
Treasury stock, at cost: **March 31, 2007 530,976,999 shares** and December 31, 2006 565,422,301 shares	**(23,833)**	(25,092)
Accumulated other comprehensive income (loss)	**(3,875)**	(3,700)
Total stockholders' equity	**$ 122,083**	$ 119,783
Total liabilities and stockholders' equity	**$ 2,020,966**	$ 1,884,318

See Notes to the Unaudited Consolidated Financial Statements.

CITIGROUP INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY (Unaudited)

	Three Months Ended March 31,	
In millions of dollars, except shares in thousands	**2007**	**2006**
Preferred stock at aggregate liquidation value		
Balance, beginning of period	**$ 1,000**	$ 1,125
Redemption or retirement of preferred stock		(125)
Balance, end of period	**$ 1,000**	$ 1,000
Common stock and additional paid-in capital		
Balance, beginning of period	**$ 18,308**	$ 17,538
Employee benefit plans	**(913)**	(365)
Other	**1**	1
Balance, end of period	**$ 17,396**	$ 17,174
Retained earnings		
Balance, beginning of period	**$ 129,267**	$ 117,555
Adjustment to opening balance, net of tax(1)	**(186)**	
Adjusted balance, beginning of period	**$ 129,081**	$ 117,555
Net income	**5,012**	5,639
Common dividends(2)	**(2,682)**	(2,474)
Preferred dividends	**(16)**	(17)
Balance, end of period	**$ 131,395**	$ 120,703
Treasury stock, at cost		
Balance, beginning of period	**$ (25,092)**	$ (21,149)
Issuance of shares pursuant to employee benefit plans	**1,904**	1,391
Treasury stock acquired(3)	**(645)**	(2,000)
Other		5
Balance, end of period	**$ (23,833)**	$ (21,753)
Accumulated other comprehensive income (loss)		
Balance, beginning of period	**$ (3,700)**	$ (2,532)
Adjustment to opening balance, net of tax(4)	**149**	
Adjusted balance, beginning of period	**$ (3,551)**	$ (2,532)
Net change in unrealized gains and losses on investment securities, net of tax	**159**	(356)
Net change in cash flow hedges, net of tax	**(439)**	206
Net change in foreign currency translation adjustment, net of tax	**(121)**	(28)
Pension liability adjustment, net of tax	**77**	4
Net change in Accumulated other comprehensive income (loss)	**$ (324)**	$ (174)
Balance, end of period	**$ (3,875)**	$ (2,706)
	$ 121,083	$ 113,418

	Three Months Ended March 31,	
Total common stockholders' equity (shares outstanding: 4,946,439 at March 31, 2007 and 4,971,241 at December 31, 2006)		
Total stockholders' equity	**$ 122,083**	$ 114,418
Comprehensive income		
Net income	**$ 5,012**	$ 5,639
Net change in Accumulated other comprehensive income (loss)	**(324)**	(174)
Total comprehensive income	**$ 4,688**	$ 5,465

(1) The adjustment to the opening balance of retained earnings represents the total of the after-tax amounts for the adoption of the following accounting pronouncements:

- SFAS 157 for $75 million,
- SFAS 159 for ($99) million,
- FSP 13-2 for ($148) million, and
- FIN 48 for ($14) million.

See Note 1 and Note 16 on pages 85 and 105, respectively.

(2) Common dividends declared were 54 cents per share in the first quarter of 2007 and 49 cents per share in the first quarter of 2006.

(3) All open market repurchases were transacted under an existing authorized share repurchase plan.

(4) The after-tax adjustment to the opening balance of Accumulated other comprehensive income (loss) represents the reclassification of the unrealized gains (losses) related to the Legg Mason securities as well as several miscellaneous items previously reported in accordance with SFAS No. 115, "*Accounting for Certain Investments in Debt and Equity Securities"* (SFAS 115). The related unrealized gains and losses were reclassified to retained earnings upon the adoption of the fair value option in accordance with SFAS 159. See Note 1 and Note 16 on pages 85 and 105 for further discussions.

See Notes to the Unaudited Consolidated Financial Statements.

CITIGROUP INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS (Unaudited)

In millions of dollars	Three Months Ended March 31, 2007	2006(1)
Cash flows from operating activities of continuing operations		
Net income	**$ 5,012**	$ 5,639
Income from discontinued operations, net of taxes and minority interest		84
Income from continuing operations	**$ 5,012**	$ 5,555
Adjustments to reconcile net income to net cash (used in) provided by operating activities of continuing operations		
Amortization of deferred policy acquisition costs and present value of future profits	**79**	70
Additions to deferred policy acquisition costs	**(110)**	(88)
Depreciation and amortization	**573**	599
Provision for credit losses	**2,706**	1,446
Change in trading account assets	**(66,140)**	(32,315)
Change in trading account liabilities	**28,015**	23,780
Change in federal funds sold and securities borrowed or purchased under agreements to resell	**(21,108)**	(22,088)
Change in federal funds purchased and securities loaned or sold under agreements to repurchase	**44,435**	37,148
Change in brokerage receivables net of brokerage payables	**(3,928)**	(526)
Net gains from sales of investments	**(473)**	(379)
Change in loans held for sale	**(1,513)**	(1,725)
Other, net	**(5,965)**	(8,307)
Total adjustments	**$ (23,429)**	$ (2,385)
Net cash (used in) provided by operating activities of continuing operations	**$ (18,417)**	$ 3,170
Cash flows from investing activities of continuing operations		
Change in deposits at interest with banks	**$ (2,384)**	$ (1,575)
Change in loans	**(72,413)**	(85,820)
Proceeds from sales and securitizations of loans	**61,333**	63,397
Purchases of investments	**(81,229)**	(63,425)
Proceeds from sales of investments	**39,017**	17,444
Proceeds from maturities of investments	**34,393**	32,402
Other investments, primarily short-term, net		(44)
Capital expenditures on premises and equipment	**(784)**	(875)
Proceeds from sales of premises and equipment, subsidiaries and affiliates, and repossessed assets	**516**	525
Business acquisitions	**(2,353)**	
Net cash used in investing activities of continuing operations	**$ (23,904)**	$ (37,971)
Cash flows from financing activities of continuing operations		
Dividends paid	**$ (2,698)**	$ (2,491)
Issuance of common stock	**394**	258
Redemption or retirement of preferred stock		(125)
Treasury stock acquired	**(645)**	(2,000)
Stock tendered for payment of withholding taxes	**(819)**	(569)
Issuance of long-term debt	**34,760**	25,040
Payments and redemptions of long-term debt	**(25,393)**	(14,425)
Change in deposits	**24,902**	35,530
Change in short-term borrowings	**9,718**	(8,800)
Net cash provided by financing activities of continuing operations	**$ 40,219**	$ 32,418

	Three Months Ended March 31,	
Effect of exchange rate changes on cash and cash equivalents	**$ 9**	$ 162
Change in cash and due from banks	**$ (2,093)**	$ (2,221)
Cash and due from banks at beginning of period	**$ 26,514**	$ 23,632
Cash and due from banks at end of period	**$ 24,421**	21,411
Supplemental disclosure of cash flow information for continuing operations		
Cash paid during the period for income taxes	**$ 1,826**	$ 1,017
Cash paid during the period for interest	**$ 15,332**	11,150
Non-cash investing activities		
Transfers to repossessed assets	**$ 453**	$ 358

(1) Reclassified to conform to the current period's presentation.

See Notes to the Unaudited Consolidated Financial Statements.

CITIBANK, N.A. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

In millions of dollars, except shares	March 31, 2007 (Unaudited)	December 31, 2006(1)
Assets		
Cash and due from banks	$ 17,516	$ 18,917
Deposits with banks	40,777	38,377
Federal funds sold and securities purchased under agreements to resell	10,869	9,219
Trading account assets (including $241 and $117 pledged to creditors at March 31, 2007 and December 31, 2006, respectively)	105,980	103,945
Investments (including $2,154 and $1,953 pledged to creditors at March 31, 2007 and December 31, 2006, respectively)	227,860	215,222
Loans, net of unearned income	579,223	558,952
Allowance for loan losses	(5,854)	(5,152)
Total loans, net	$ 573,369	$ 553,800
Goodwill	14,938	13,799
Intangible assets	10,631	6,984
Premises and equipment, net	7,235	7,090
Interest and fees receivable	8,054	7,354
Other assets	59,720	44,790
Total assets	$ 1,076,949	$ 1,019,497
Liabilities		
Non-interest-bearing deposits in U.S. offices	$ 39,463	$ 38,663
Interest-bearing deposits in U.S. offices	165,774	167,015
Non-interest-bearing deposits in offices outside the U.S.	32,762	31,169
Interest-bearing deposits in offices outside the U.S.	452,806	428,896
Total deposits	$ 690,805	$ 665,743
Trading account liabilities	44,774	43,136
Purchased funds and other borrowings	90,784	73,081
Accrued taxes and other expense	10,448	10,777
Long-term debt and subordinated notes	124,139	115,833
Other liabilities	38,697	37,774
Total liabilities	$ 999,647	$ 946,344
Stockholder's equity		
Capital stock ($20 par value) outstanding shares: 37,534,553 in each period	$ 751	$ 751
Surplus	45,794	43,753
Retained earnings	32,399	30,358
Accumulated other comprehensive income (loss)(2)	(1,642)	(1,709)
Total stockholder's equity	$ 77,302	$ 73,153
Total liabilities and stockholder's equity	$ 1,076,949	$ 1,019,497

(1) Reclassified to conform to the current period's presentation.

(2) Amounts at March 31, 2007 and December 31, 2006 include the after-tax amounts for net unrealized gains/(losses) on investment securities of $10 million and ($119) million, respectively, for foreign currency translation of ($315) million and ($456) million, respectively, for cash flow hedges of ($401) million and ($131) million, respectively, and for additional minimum pension liability of ($936) million and ($1.003) billion, respectively.

See Notes to the Unaudited Consolidated Financial Statements.

CITIGROUP INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

1. Basis of Presentation

The accompanying unaudited consolidated financial statements as of March 31, 2007 and for the three-month period ended March 31, 2007 include the accounts of Citigroup Inc. (Citigroup) and its subsidiaries (collectively, the Company). In the opinion of management, all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation, have been reflected. The accompanying unaudited consolidated financial statements should be read in conjunction with the consolidated financial statements and related notes included in Citigroup's 2006 Annual Report on Form 10-K.

Certain financial information that is normally included in annual financial statements prepared in accordance with U.S. generally accepted accounting principles, but is not required for interim reporting purposes, has been condensed or omitted.

Management must make estimates and assumptions that affect the Consolidated Financial Statements and the related footnote disclosures. While management makes its best judgment, actual results could differ from those estimates.

Certain reclassifications have been made to the prior-period's financial statements to conform to the current period's presentation.

Significant Accounting Policies

The Company's accounting policies are fundamental to understanding management's discussion and analysis of results of operations and financial condition. The Company has identified five policies as being significant because they require management to make subjective and/or complex judgments about matters that are inherently uncertain. These policies relate to Valuations of Financial Instruments, Allowance for Credit Losses, Securitizations, Income Taxes and Legal Reserves. The Company, in consultation with the Audit and Risk Management Committee of the Board of Directors, has reviewed and approved these significant accounting policies, which are further described in the Company's 2006 Annual Report on Form 10-K.

Accounting Changes

Fair Value Measurements (SFAS 157)

The Company elected to early-adopt SFAS 157, "Fair Value Measurements" (SFAS 157), as of January 1, 2007. SFAS 157 defines fair value, establishes a consistent framework for measuring fair value and expands disclosure requirements about fair value measurements. SFAS 157 requires, among other things, Citigroup's valuation techniques used to measure fair value to maximize the use of observable inputs and minimize the use of unobservable inputs. In addition, SFAS 157 precludes the use of block discounts for instruments traded in an active market, which were previously applied to large holdings of publicly-traded equity securities, and requires the recognition of trade-date gains related to certain derivative trades that use unobservable inputs in determining the fair value. This guidance supersedes the guidance in EITF Issue No. 02-3, which prohibited the recognition of day-one gains on certain derivative trades when determining the fair value of instruments not traded in an active market. The cumulative effect of these two changes resulted in an increase to January 1, 2007 retained earnings of $75 million.

In moving to maximize the use of observable inputs as required by SFAS 157, Citigroup began to reflect external credit ratings as well as other observable inputs when measuring the fair value of our derivative positions. The cumulative effect of making this derivative valuation adjustment was a gain of $250 million after-tax ($402 million pre-tax, which was recorded in the Markets & Banking business), or $0.05 per diluted share, included in 2007 first quarter earnings. The primary drivers of this change were the requirement that Citigroup include its own credit rating in pricing derivatives and the elimination of a valuation adjustment, which is no longer necessary under SFAS 157.

See Note 16 on page 105 for additional information.

Fair Value Option (SFAS 159)

In conjunction with the adoption of SFAS 157, the Company early-adopted SFAS 159, "The Fair Value Option for Financial Assets and Financial Liabilities" (SFAS 159), as of January 1, 2007. SFAS 159 provides an option for most financial assets and liabilities to be reported at fair value on an instrument-by-instrument basis with changes in fair value reported in earnings. After the initial adoption, the election is made at the acquisition of a financial asset, financial liability, or a firm commitment and it may not be revoked. Under the SFAS 159 transition provisions, the Company has elected to report certain financial instruments and other items at fair value on a contract-by-contract basis, with future changes in value reported in earnings. SFAS 159 provides an opportunity to mitigate volatility in reported earnings that was caused by measuring hedged assets and liabilities that were previously required to use an accounting method other than fair value, while the related economic hedges were reported at fair value.

The adoption of SFAS 159 resulted in a decrease to January 1, 2007 retained earnings of $99 million.

See Note 16 on page 105 for additional information.

Accounting for Uncertainty in Income Taxes

In July 2006, the FASB issued FIN 48, "*Accounting for Uncertainty in Income Taxes*" (FIN 48), which sets out a framework for preparers to use to determine the appropriate level of tax reserves to maintain for uncertain tax positions. This interpretation of FASB Statement No. 109 uses a two-step approach wherein a tax benefit is recognized if a position is more likely than not to be sustained. The amount of the benefit is then measured to be the highest tax benefit that is greater than 50 percent likely to be realized. FIN 48 also sets out disclosure requirements to enhance transparency of an entity's tax reserves.

Citigroup adopted FIN 48 as of January 1, 2007 that resulted in a decrease to January 1, 2007 retained earnings of $14 million.

The total unrecognized tax benefits as of January 1, 2007 is $3.1 billion. There was no material change to this balance during the first quarter of 2007. The total amount of unrecognized tax benefits as of January 1, 2007 that would affect the effective tax rate is $1.0 billion. The remaining $2.1 billion represents temporary differences or amounts for which offsetting deductions or credits are available in a different taxing jurisdiction. The total amount of interest and penalties recognized in the Consolidated Balance Sheet at January 1, 2007 is approximately $510 million ($320 million net of tax). There was no material change to this balance during the first quarter of 2007. The Company classifies interest and penalties as income tax expense. The Company is currently under audit by the IRS and other major taxing jurisdictions around the world. It is thus reasonably possible that significant changes in the gross balance of unrecognized tax benefits may occur within the next 12 months (an estimate of the range of such gross changes cannot be made), but the Company does not expect such audits to result in amounts that would cause a significant change to its effective tax rate.

The following are the major tax jurisdictions in which the Company and its affiliates operate and the earliest tax year subject to examination:

Jurisdiction	**Tax year**
United States	2003
Mexico	2004
New York State and City	2005(1)
United Kingdom	1998
Germany	2000
Korea	2001

(1) During the first quarter of 2007, one of the major filing groups completed an audit for 2001 2004.

Leveraged Leases

On January 1, 2007, the Company adopted FASB Staff Position, "*Accounting for a Change or Projected Change in the Timing of Cash Flows Relating to Income Taxes Generated by a Leverage Lease Transaction*" (FSP 13-2), which provides guidance regarding changes or projected changes in the timing of cash flows relating to income taxes generated by a leveraged lease transaction.

Leveraged leases can provide significant tax benefits to the lessor, primarily as a result of the timing of tax payments. Since changes in the timing and/or amount of these tax benefits may have a significant effect on the cash flows of a lease transaction, a lessor, in accordance with FSP 13-2, will be required to perform a recalculation of a leveraged lease when there is a change or projected change in the timing of the realization of tax benefits generated by that lease. Previously, Citigroup did not recalculate the tax benefits if only the timing of cash flows has changed.

The adoption of FSP 13-2 resulted in a decrease to January 1, 2007 retained earnings of $148 million. This decrease to retained earnings will be recognized in earnings over the remaining lives of the leases as tax benefits are realized.

Stock-Based Compensation

On January 1, 2006, the Company adopted SFAS No. 123 (revised 2004), *"Share-Based Payment"* (SFAS 123(R)), which replaced the existing SFAS 123 and APB 25, *"Accounting for Stock Issued to Employees."* SFAS 123(R) requires companies to measure compensation expense for stock options and other share-based payments based on the instruments' grant date fair value, and to record expense based on that fair value reduced by expected forfeitures.

The Company maintains a number of incentive programs in which equity awards are granted to eligible employees. The most significant of the programs offered is the Capital Accumulation Program (CAP). Under the CAP program, the Company grants deferred and restricted shares to eligible employees. The program provides that employees who meet certain age plus years-of-service requirements (retirement-eligible employees) may terminate active employment and continue vesting in their awards provided they comply with specified non-compete provisions. For awards granted to retirement-eligible employees prior to the adoption of SFAS 123(R), the Company has been and will continue to amortize the compensation cost of these awards over the full vesting periods. Awards granted to retirement-eligible employees after the adoption of SFAS 123(R) must be either expensed on the grant date or accrued in the year prior to the grant date.

The impact to 2006 was a charge of $648 million ($398 million after-tax) for the immediate expensing of awards granted to retirement-eligible employees in January 2006, and $824 million ($526 million after-tax) for the accrual of the awards that were granted in January 2007.

In adopting SFAS 123(R), the Company began to recognize compensation expense for restricted or deferred stock awards net of estimated forfeitures. Previously, the effects of forfeitures were recorded as they occurred.

Accounting for Certain Hybrid Financial Instruments

On January 1, 2006, the Company elected to early-adopt, primarily on a prospective basis, SFAS No. 155, *"Accounting for Certain Hybrid Financial Instruments"* (SFAS 155). In accordance with this standard, hybrid financial instruments such as structured notes containing embedded derivatives that otherwise would require bifurcation, as well as interest-only instruments may be accounted for at fair value if the Company makes an irrevocable election to do so on an instrument-by-instrument basis. The changes in fair value are recorded in current earnings. The impact of adopting this standard was not material.

Accounting for Servicing of Financial Assets

On January 1, 2006, the Company elected to early-adopt SFAS No. 156, *" Accounting for Servicing of Financial Assets"*(SFAS 156). This pronouncement requires all servicing rights to be initially recognized at fair value. Subsequent to initial recognition, it permits a one-time irrevocable election to remeasure each class of servicing rights at fair value, with the changes in fair value being recorded in current earnings. The classes of servicing rights are identified based on the availability of market inputs used in determining their fair values and the methods for managing their risks. The Company has elected fair value accounting for its mortgage and student loan classes of servicing rights. The impact of adopting this standard was not material.

Future Application of Accounting Standards

Potential Amendments to Various Current Accounting Standards

The FASB is currently working on amendments to the existing accounting standards governing asset transfers and fair value measurements in business combinations and impairment tests. Upon completion of these standards, the Company will need to reevaluate its accounting and disclosures. Due to the ongoing deliberations of the standard setters, the Company is unable to accurately determine the effect of future amendments or proposals at this time.

2. Discontinued Operations

Sale of the Asset Management Business

On December 1, 2005, the Company completed the sale of substantially all of its Asset Management Business, which had total assets of approximately $1.4 billion and liabilities of approximately $0.6 billion at the closing date, to Legg Mason, Inc. (Legg Mason) in exchange for Legg Mason's broker-dealer and capital markets businesses, $2.298 billion of Legg Mason's common and preferred shares (valued as of the closing date), and $500 million in cash. This cash was obtained via a lending facility provided by Citigroup Markets & Banking business. The transaction did not include Citigroup's asset management business in *Mexico*, its retirement services business in *Latin America* (both of which are included in *International Retail Banking*) or its interest in the CitiStreet joint venture (which is included in *Smith Barney*). The total value of the transaction at the time of closing was approximately $4.369 billion, resulting in an after-tax gain to Citigroup of approximately $2.082 billion ($3.404 billion pretax, which was reported in discontinued operations).

Concurrently, Citigroup sold Legg Mason's capital markets business to Stifel Financial Corp. The business consisted of areas in which Citigroup already had full capabilities, including investment banking, institutional equity sales and trading, taxable fixed income sales and trading, and research. No gain or loss was recognized from this transaction. (The transactions described in these two paragraphs are referred to as the "Sale of the Asset Management Business.")

In connection with this sale, Citigroup and Legg Mason entered into a three-year agreement under which Citigroup will continue to offer its clients Asset Management's products, will become the primary retail distributor of the Legg Mason funds managed by Legg Mason Capital Management Inc., and may also distribute other Legg Mason products. These products will be offered primarily through Citigroup's Global Wealth Management businesses, *Smith Barney* and *Private Bank*, as well as through Primerica and Citibank. The distribution of these products will be subject to applicable requirements of law and Citigroup's suitability standards and product requirements.

Upon completion of the Sale of the Asset Management Business, Citigroup added 1,226 financial advisors in 124 branch offices to its Global Wealth Management Business.

On January 31, 2006, the Company completed the sale of its Asset Management Business within Bank Handlowy (an indirect banking subsidiary of Citigroup located in Poland) to Legg Mason. This transaction, which was originally part of the overall Asset Management Business sold to Legg Mason Inc. on December 1, 2005, was postponed due to delays in obtaining local regulatory approval. A gain from this sale of $18 million after-tax and minority interest ($31 million pretax and minority interest) was recognized in the first quarter of 2006 within discontinued operations.

During March 2006, the Company sold 10.3 million shares of Legg Mason stock through an underwritten public offering. The net sale proceeds of $1.258 billion resulted in a pretax gain of $24 million in Alternative Investments.

In September 2006, the Company received from Legg Mason the final closing adjustment payment related to this sale. This payment resulted in an additional after-tax gain of $51 million ($83 million pretax), recorded in discontinued operations.

Results for all of the businesses included in the Sale of the Asset Management Business, including the gain, are reported as discontinued operations for all periods presented. In connection with the adoption of SFAS 159, changes in the market value of the Legg Mason shares are recorded in Trading account assets and in current earnings. Prior to the adoption of this pronouncement, changes in the market value of the Legg Mason shares were included in the Consolidated Statement of Changes in Stockholders' Equity within Accumulated other comprehensive income (net change in unrealized gains and losses on investment securities, net of taxes). Any effects on the Company's current earnings related to these securities, such as dividend revenue, are included in the results of Alternative Investments.

The following is summarized financial information for discontinued operations related to the Sale of the Asset Management Business:

	Three Months Ended March 31,	
In millions of dollars	**2007**	**2006**
Total revenues, net of interest expense	**$**	$ 21
Income (loss) from discontinued operations	**$**	$ (1)
Gain on sale		21
Provision for income taxes and minority interest, net of taxes		10
Income from discontinued operations, net of taxes	**$**	$ 10

87

Sale of the Life Insurance & Annuities Business

On July 1, 2005, the Company completed the sale of Citigroup's Travelers Life & Annuity and substantially all of Citigroup's international insurance businesses to MetLife, Inc. (MetLife). The businesses sold were the primary vehicles through which Citigroup engaged in the Life Insurance & Annuities Business, which had total assets of approximately $93.2 billion and liabilities of approximately $83.8 billion.

Citigroup received $1.0 billion in MetLife equity securities and $10.830 billion in cash, which resulted in an after-tax gain of approximately $2.120 billion ($3.386 billion pretax), which was reported in discontinued operations.

This transaction encompassed Travelers Life & Annuity's U.S. businesses and its international operations other than Citigroup's life insurance business in *Mexico* (which is now included within *International Retail Banking*). International operations included wholly owned insurance companies in the United Kingdom, Belgium, Australia, Brazil, Argentina, and Poland; joint ventures in Japan and Hong Kong; and offices in China. This transaction also included Citigroup's Argentine pension business. (The transaction described in the preceding three paragraphs is referred to as the "Sale of the Life Insurance & Annuities Business.")

In connection with the Sale of the Life Insurance & Annuities Business, Citigroup and MetLife entered into 10-year agreements under which Travelers Life & Annuity and MetLife products will be made available through certain Citigroup distribution channels.

During the first quarter of 2006, $15 million of the total $657 million federal tax contingency reserve release was reported within discontinued operations as it related to the Life Insurance & Annuities Business sold to MetLife.

In July 2006, Citigroup recognized an $85 million after-tax gain from the sale of MetLife shares. This gain was reported within income from continuing operations in the Alternative Investments business.

In July 2006, the Company received the final closing adjustment payment related to this sale, resulting in an after-tax gain of $75 million ($115 million pretax), which was recorded in discontinued operations.

In addition, during the 2006 third quarter, a release of $42 million of deferred tax liabilities was reported within discontinued operations as it related to the Life Insurance & Annuities Business sold to MetLife.

Results for all of the businesses included in the Sale of the Life Insurance & Annuities Business are reported as discontinued operations for all periods presented.

Summarized financial information for discontinued operations related to the Sale of the Life Insurance & Annuities Business is as follows:

	Three Months Ended March 31,	
In millions of dollars	**2007**	**2006**
Total revenues, net of interest expense	**$**	$
Income from discontinued operations	**$**	$ 2
Provision (benefit) for income taxes		(28)
Income from discontinued operations, net of taxes	**$**	$ 30

The Spin-Off of Travelers Property Casualty Corp. (TPC)

During the first quarter of 2006, releases from various tax contingency reserves were recorded as the IRS concluded their tax audits for the years 1999 through 2002. Included in these releases was $44 million related to Travelers Property Casualty Corp., which the Company spun off during 2002. This release has been included in the provision for income taxes within the results for discontinued operations.

Combined Results for Discontinued Operations

Summarized financial information for the Life Insurance and Annuities Business, the Asset Management Business, and Travelers Property Casualty Corp. is as follows:

	Three Months Ended March 31,	
In millions of dollars	**2007**	**2006**
Total revenues, net of interest expense	**$**	$ 21
Income from discontinued operations	**$**	$ 1
Gain on sale		21
Provision (benefit) for income taxes and minority interest, net of taxes		(62)
Income from discontinued operations, net of taxes	**$**	$ 84

88

3. Business Segments

The following table presents certain information regarding the Company's continuing operations by segment:

In millions of dollars, except identifiable assets in billions	Revenues, Net of Interest Expense		Provision (Benefit) for Income Taxes		Income (Loss) from Continuing Operations(1)		Identifiable Assets	
	First Quarter						Mar. 31,	Dec. 31,
	2007	2006	2007	2006(2)	2007	2006(2)	2007	2006
Global Consumer	**$ 13,106**	$ 11,955	**$ 1,017**	$ 847	**$ 2,633**	$ 3,073	**$ 736**	$ 702
Markets & Banking	**8,957**	7,279	**947**	574	**2,621**	1,929	**1,180**	1,078
Global Wealth Management	**2,818**	2,483	**251**	136	**448**	287	**70**	66
Alternative Investments	**562**	675	**138**	111	**222**	353	**12**	12
Corporate/Other(3)	**16**	(209)	**(491)**	(131)	**(912)**	(87)	**23**	26
Total	**$ 25,459**	$ 22,183	**$ 1,862**	$ 1,537	**$ 5,012**	$ 5,555	**$ 2,021**	$ 1,884

(1) Includes pretax provisions (credits) for credit losses and for benefits and claims in the Global Consumer results of $2.7 billion and $1.7 billion and in the Global Wealth Management results of $17 million and $5 million for the 2007 and 2006 first quarters, respectively. Markets & Banking results and Alternative Investments results include a pretax provision of $263 million and $1 million, respectively, for the first quarter of 2007.

(2) The effective tax rates for the first quarter of 2006 reflect the impact of the resolution of the Federal Tax Audit.

(3) Corporate/Other reflects restructuring charge of $1.377 billion in the 2007 first quarter. Of this total charge, $942 million is attributable to Global Consumer; $277 million to Markets & Banking; $55 million to Global Wealth Management; $7 million to Alternative Investments; and $96 million to Corporate/Other. See Note 7 on page 92 for further discussions.

4. Interest Revenue and Expense

For the three-month periods ending March 31, 2007 and 2006, interest revenue and expense consisted of the following:

In millions of dollars	Three Months Ended March 31, 2007	Three Months Ended March 31, 2006(1)
Interest revenue		
Loan interest, including fees	**$ 14,935**	$ 12,818
Deposits with banks	**709**	489
Federal funds sold and securities purchased under agreements to resell	**4,289**	3,205
Investments, including dividends	**3,540**	2,056
Trading account assets(2)	**3,930**	2,700
Other interest	**729**	605
Total interest revenue	**$ 28,132**	$ 21,873
Interest expense		
Deposits	**$ 6,558**	$ 4,505
Trading account liabilities(2)	**307**	243
Short-term debt and other liabilities	**6,947**	4,864
Long-term debt	**3,750**	2,495
Total interest expense	**$ 17,562**	$ 12,107
Net interest revenue	**$ 10,570**	$ 9,766
Provision for loan losses	**2,706**	1,396
Net interest revenue after provision for loan losses	**$ 7,864**	$ 8,370

(1) Reclassified to conform to the current period's presentation.

(2) Interest expense on Trading account liabilities of Markets & Banking is reported as a reduction of interest revenue from Trading account assets.

5. Commissions and Fees

Commissions and fees revenue includes charges to customers for credit and bank cards, including transaction-processing fees and annual fees; advisory, and equity and debt underwriting services; lending and deposit-related transactions, such as loan commitments, standby letters of credit, and other deposit and loan servicing activities; investment management-related fees including brokerage services, and custody and trust services; insurance fees and commissions.

The following table presents commissions and fees revenue for the three-month periods ended March 31,

In millions of dollars	2007	2006(1)
Credit cards and bank cards	**$ 1,270**	$ 1,266
Investment banking	**1,561**	1,010
Smith Barney	**774**	717
Markets & Banking trading-related	**686**	655
Checking-related	**287**	248

In millions of dollars	2007	2006(1)
Transaction services	**231**	209
Corporate finance	**295**	170
Loan servicing(2)	**261**	568
Primerica	**116**	96
Other Consumer	**216**	159
Other Markets & Banking	**57**	56
Other	**19**	34
Total commissions and fees	**$ 5,773**	$ 5,188

(1) Reclassified to conform to the current period's presentation.

(2) Includes fair value adjustments on mortgage servicing assets.

6. Retirement Benefits

The Company has several non-contributory defined benefit pension plans covering substantially all U.S. employees and has various defined benefit pension and termination indemnity plans covering employees outside the United States. The U.S. defined benefit plan provides benefits under a cash balance formula. Employees satisfying certain age and service requirements remain covered by a prior final pay formula. The Company also offers postretirement health care and life insurance benefits to certain eligible U.S. retired employees, as well as to certain eligible employees outside the United States. For information on the Company's Retirement Benefit Plans and Pension Assumptions, see Citigroup's 2006 Annual Report on Form 10-K.

The following table summarizes the components of the net expense recognized in the Consolidated Statement of Income for the three months ended March 31, 2007 and 2006.

Net Expense

	Three Months Ended March 31,							
	Pension Plans				Postretirement Benefit Plans			
	U.S. Plans(1) (2)		Plans Outside U.S.		U.S. Plans		Plans Outside U.S.	
In millions of dollars	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006
Benefits earned during the period	**$ 67**	$ 68	**$ 44**	$ 43	**$ 1**	$ 1	**$ 6**	$ 4
Interest cost on benefit obligation	**163**	157	**74**	68	**15**	16	**18**	14
Expected return on plan assets	**(222)**	(212)	**(107)**	(84)	**(3)**	(3)	**(24)**	(14)
Amortization of unrecognized:								
Net transition obligation			**1**					
Prior service cost	**(1)**	(6)		1	**(1)**	(1)		
Net actuarial loss	**27**	44	**13**	14	**1**	3	**2**	2
Net expense	**$ 34**	$ 51	**$ 25**	$ 42	**$ 13**	$ 16	**$ 2**	$ 6

(1) The U.S. plans exclude nonqualified pension plans, for which the net expense was $12 million and $14 million for the three months ended March 31, 2007 and 2006, respectively.

(2) In 2006, the Company announced that commencing January 1, 2008, the U.S. qualified pension plan would be frozen. Accordingly, no additional contributions would be credited to the cash balance plan for existing plan participants. However, employees still covered under the prior final pay plan will continue to accrue benefits.

Employer Contributions

Citigroup's pension funding policy for U.S. plans and non-U.S. plans is generally to fund to applicable minimum funding requirements, rather than to the amounts of accumulated benefit obligations. For the U.S. plans, the Company may increase its contributions above the minimum required contribution under the Employee Retirement Income Security Act of 1974 (ERISA), if appropriate to its tax and cash position and the plan's funded position. At March 31, 2007 and December 31, 2006, there were no minimum required contributions and no discretionary cash or non-cash contributions are currently planned for the U.S. plans. For the non-U.S. plans, the Company contributed $43 million as of March 31, 2007. Citigroup presently anticipates contributing an additional $120 million to fund its non-U.S. plans in 2007 for a total of $163 million.

7. Restructuring

During the first quarter of 2007, the Company completed a review of its structural expense base in a Company-wide effort to create a more streamlined organization, reduce expense growth and provide investment funds for future growth initiatives.

The primary goals of the 2007 Structural Expense Review are as follow:

- Eliminate layers of management/improve workforce management;
- Consolidate certain back-office, middle-office and corporate functions;
- Increase the use of shared services;
- Expand centralized procurement; and
- Continue to rationalize operational spending on technology.

In March 2007, Citigroup recorded a pre-tax restructuring charge of $1.377 billion in accordance with SFAS No. 146, *"Accounting for Costs Associated with Exit or Disposal Activities"* (SFAS 146). This pronouncement permits charges recorded under other accounting standards to be presented along with those recorded under SFAS 146 in a separate line, Restructuring expense, on the Consolidated Statement of Income, provided those costs are incurred in connection with a restructuring event. The charge included $961 million related to employee severance, of which $950 million is accounted for in accordance with SFAS No. 112, *"Employer's Accounting for Post Employment Benefits"* (SFAS 112), and $11 million accounted for in accordance with SFAS 146, $352 million related to the write-down to estimated salvage value of assets available for disposal accounted for in accordance with SFAS No. 144, *"Accounting for the Impairment or Disposal of Long-Lived Assets"* (SFAS 144), $25 million related to exiting leasehold and other contractual obligations, and $39 million related to other costs (including employee termination costs). The severance costs reflect the accrual to eliminate approximately 17,300 positions, after considering attrition and redeployment within the Company.

The implementation of these restructuring initiatives also caused certain related premises and equipment assets to become redundant. The remaining depreciable lives of these assets were shortened, and accelerated depreciation charges will begin in the second quarter of 2007 in addition to normal scheduled depreciation.

Additional charges totaling approximately $200 million, pre-tax, are anticipated to be recorded by the end of 2007.

Separate from the restructuring charge, additional implementation costs related to these initiatives of approximately $100 million pretax are expected throughout 2007.

The status of the 2007 Structural Expense Review is summarized in the following table:

Restructuring Reserve Activity

In millions of dollars

Original restructuring charge	**$ 1,377**
First quarter 2007 utilization	**(268)**
Reserve balance at March 31, 2007	**$ 1,109**

The utilization of the 2007 restructuring reserve resulted from non-cash charges related to the write-off of assets, primarily intangible assets.

8. Earnings Per Share

The following is a reconciliation of the income and share data used in the basic and diluted earnings per share computations for the three months ended March 31, 2007 and 2006:

In millions, except per share amounts	March 31, 2007	March 31, 2006
Income from continuing operations	**$ 5,012**	$ 5,555
Discontinued operations		84
Preferred dividends	**(16)**	(16)
Income available to common stockholders for basic EPS	**4,996**	5,623
Effect of dilutive securities		
Income available to common stockholders for diluted EPS	**$ 4,996**	$ 5,623
Weighted average common shares outstanding applicable to basic EPS	**4,877.0**	4,920.7
Effect of dilutive securities:		
Options	**26.7**	27.3
Restricted and deferred stock	**64.2**	59.9
Adjusted weighted average common shares outstanding applicable to diluted EPS	**4,967.9**	5,007.9
Basic earnings per share(1)		
Income from continuing operations	**$ 1.02**	$ 1.13
Discontinued operations		0.02
Net income	**$ 1.02**	$ 1.14
Diluted earnings per share(1)		
Income from continuing operations	**$ 1.01**	$ 1.11
Discontinued operations		0.02
Net income	**$ 1.01**	$ 1.12

(1) Due to rounding, earnings per share on continuing and discontinued operations may not sum to earnings per share on net income.

9. Trading Account Assets and Liabilities

Trading account assets and liabilities, at fair value, consisted of the following:

In millions of dollars	March 31, 2007	December 31, 2006
Trading account assets		
U.S. Treasury and federal agency securities	**$ 60,885**	$ 44,661
State and municipal securities	**17,099**	17,358
Foreign government securities	**46,978**	33,057
Corporate and other debt securities	**98,771**	93,891
Derivatives(1)	**46,466**	49,541

In millions of dollars		March 31, 2007		December 31, 2006
Equity securities		**106,203**		92,518
Mortgage loans and collateralized mortgage securities		**45,814**		37,104
Other		**37,849**		25,795
Total trading account assets	**$**	**460,065**	$	393,925
Trading account liabilities				
Securities sold, not yet purchased	**$**	**99,711**	$	71,083
Derivatives[1]		**74,191**		74,804
Total trading account liabilities	**$**	**173,902**	$	145,887

(1) Pursuant to master netting agreements and cash collateral.

10. Goodwill and Intangible Assets

The changes in goodwill during the first three months of 2007 were as follows:

In millions of dollars	Goodwill
Balance at December 31, 2006	**$ 33,415**
Acquisition of Grupo Financiero Uno	**865**
Acquisition of Quilter	**268**
Foreign exchange translation and other	**(168)**
Balance at March 31, 2007	**$ 34,380**

During the first quarter of 2007, no goodwill was written off due to impairment.

The changes in intangible assets during the first three months of 2007 were as follows:

In millions of dollars	Net Carrying Amount at December 31, 2006	Acquisitions	Amortization	FX & Other(1)	Impairments(2)	Net Carrying Amount at March 31, 2007
Purchased credit card relationships	**$ 4,879**	**$ 92**	**$ (151)**	**$ 7**	**$ (35)**	**$ 4,792**
Core deposit intangibles	**734**	**45**	**(22)**	**14**		**771**
Other customer relationships	**389**		**(16)**	**(23)**	**(127)**	**223**
Present value of future profits	**181**		**(1)**			**180**
Indefinite-lived intangible assets	**639**			**(5)**	**(73)**	**561**
Other	**3,640**	**387**	**(62)**	**6**		**3,971**
Intangible assets carried at fair value(3)	**5,439**	**3,119**		**274**		**8,832**
Total intangible assets	**$ 15,901**	**$ 3,643**	**$ (252)**	**$ 273**	**$ (235)**	**$ 19,330**

(1) Includes foreign exchange translation as well as purchase accounting adjustments.

(2) The impairment loss was determined based on a discounted cash flow model as a result of the 2007 Structural Expense Review and is included in Restructuring expense on the Consolidated Statement of Income.

(3) Relates to mortgage servicing rights.

The components of intangible assets were as follows:

	March 31, 2007			December 31, 2006		
In millions of dollars	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Purchased credit card relationships	**$ 8,488**	**$ 3,696**	**$ 4,792**	$ 8,391	$ 3,512	$ 4,879
Core deposit intangibles	**1,295**	**524**	**771**	1,223	489	734
Other customer relationships	**860**	**637**	**223**	1,044	655	389
Present value of future profits	**427**	**247**	**180**	428	247	181
Other(1)	**4,836**	**865**	**3,971**	4,445	805	3,640

	March 31, 2007			December 31, 2006		
Total amortizing intangible assets	**$ 15,906**	**$ 5,969**	**$ 9,937**	$ 15,531	$ 5,708	$ 9,823
Indefinite-lived intangible assets	**561**	**N/A**	**561**	639	N/A	639
Intangible assets carried at fair value(2)	**$ 8,832**	**N/A**	**8,832**	$ 5,439	N/A	5,439
Total intangible assets	**$ 25,299**	**$ 5,969**	**$ 19,330**	$ 21,609	$ 5,708	$ 15,901

(1) Includes contract-related intangible assets

(2) Represents mortgage servicing rights.

N/A Not applicable

11. Investments

In millions of dollars	March 31, 2007	December 31, 2006
Fixed income securities, substantially all available-for-sale at fair value	**$ 266,399**	$ 254,107
Equity securities	**20,131**	19,447
Other	**37**	37
Total	**$ 286,567**	$ 273,591

The amortized cost and fair value of investments in fixed income and equity securities at March 31, 2007 and December 31, 2006 were as follows:

	March 31, 2007				December 31, 2006(1)(2)	
In millions of dollars	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Amortized Cost	Fair Value
Fixed income securities held to maturity(3)	**$ 1**	**$**	**$**	**$ 1**	$ 1	$ 1
Fixed income securities available-for-sale						
Mortgage-backed securities, principally obligations of U.S. Federal agencies	**$ 89,051**	**$ 268**	**$ 231**	**$ 89,088**	$ 82,443	$ 82,413