CITIGROUP INC
Form 10-Q
August 01, 2008

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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 June 30, 2008

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, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ý Accelerated filer o Non-accelerated filer o Smaller reporting company 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 June 30, 2008: 5,445,393,308

Available on the Web at www.citigroup.com

Citigroup Inc.

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THE COMPANY

Citigroup Inc. (Citigroup and, together with its subsidiaries, the Company) is a global diversified financial services holding company whose 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 2007 Annual Report on Form 10-K and Citigroup's Quarterly Report on Form 10-Q for the quarter ended March 31, 2008. Additional financial, statistical, and business-related information, as well as business and segment trends, is included in a Financial Supplement that was filed as Exhibit 99.2 to the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission (SEC) on July 18, 2008.

The principal executive offices of the Company are located at 399 Park Avenue, New York, New York 10043, telephone number 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 "All SEC Filings." The 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 regional lines:

The following are the four regions in which Citigroup operates. The regional results are fully reflected in the segment results.

(1) *Asia* includes Japan, *Latin America* includes Mexico, and *North America* includes U.S., Canada and Puerto Rico.

CITIGROUP INC. AND SUBSIDIARIES

SUMMARY OF SELECTED FINANCIAL DATA

In millions of dollars, except per share amounts	Second Quarter 2008	Second Quarter 2007	% Change	Six Months 2008	Six Months 2007	% Change
Net interest revenue	$ 14,305	$ 11,398	26%	$ 27,704	$ 21,926	26%
Non-interest revenue	4,347	14,932	(71)	3,968	29,588	(87)
Revenues, net of interest expense	$ 18,652	$ 26,330	(29)%	$ 31,672	$ 51,514	(39)%
Operating expenses	15,943	14,691	9	32,014	30,064	6
Provisions for credit losses and for benefits and claims	7,187	2,710	NM	13,163	5,660	NM
Income (loss) from continuing operations before taxes and minority interest	$ (4,478)	$ 8,929	NM	$ (13,505)	$ 15,790	NM
Income taxes (benefits)	(2,337)	2,663	NM	(6,220)	4,509	NM
Minority interest, net of taxes	76	123	(38)%	55	170	(68)%
Income (loss) from continuing operations	$ (2,217)	$ 6,143	NM	$ (7,340)	$ 11,111	NM
Income (loss) from discontinued operations, net of taxes(1)	(278)	83	NM	(266)	127	NM
Net income (loss)	$ (2,495)	$ 6,226	NM	$ (7,606)	$ 11,238	NM
Earnings per share						
Basic						
Income (loss) from continuing operations	$ (0.49)	$ 1.25	NM	$ (1.50)	$ 2.27	NM
Net Income (loss)	(0.54)	1.27	NM	(1.55)	2.29	NM
Diluted(2)						
Income (loss) from continuing operations	(0.49)	1.23	NM	(1.50)	2.22	NM
Net Income (loss)	(0.54)	1.24	NM	(1.55)	2.25	NM
Dividends declared per common share	$ 0.32	$ 0.54	(41)%	$ 0.64	$ 1.08	(41)%
Preferred Dividends Basic *(in millions)*	$ 361	$ 14		$ 444	$ 30	
Preferred Dividends Diluted *(in millions)*	91	14		108	30	
At June 30:						
Total assets	$ 2,100,385	$ 2,220,715	(5)%			
Total deposits	803,642	771,761	4			
Long-term debt	417,928	340,077	23			
Mandatorily redeemable securities of subsidiary trusts	23,658	10,095	NM			
Common stockholders' equity	108,981	127,003	(14)			
Total stockholders' equity	136,405	127,603	7			
Ratios:						
Return on common stockholders' equity(3)	(10.4)%	20.2%		(14.5)%	18.7%	
Tier 1 Capital	8.74%	7.91%				
Total Capital	12.29	11.23				
Leverage(4)	5.04	4.37				
Common Stockholders' equity to assets	5.19%	5.72%				
Dividend payout ratio(5)	N/A	43.5		N/A	48.0	
Ratio of earnings to fixed charges and preferred stock dividends	0.64x	1.47x		0.54x	1.43x	

(1) Discontinued operations include the operations and associated loss on the sale of CitiCapital's equipment finance unit to General Electric. See Note 2 to the consolidated financial statements on page 80.

(2) Due to the net loss in the 2008 periods, basic shares were used to calculate diluted earnings per share. Adding diluted securities to the denominator would result in anti-dilution.

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

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

(5) Dividends declared per common share as a percentage of net income per diluted share. For the first half of 2008, the dividend payout ratio was not calculable due to the net loss.

NM Not meaningful.

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

Certain statements in this Form 10-Q, including, but not limited to, statements made in "Management's Discussion and Analysis," are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. These statements are based on management's current expectations and are subject to uncertainty and changes in circumstances. Actual results may differ materially from those included in these statements due to a variety of factors including, but not limited to, those described in Citigroup's 2007 Annual Report on Form 10-K under "Risk Factors" beginning on page 38.

MANAGEMENT'S DISCUSSION AND ANALYSIS

SECOND QUARTER OF 2008 MANAGEMENT SUMMARY

Citigroup reported a $2.2 billion loss from continuing operations ($0.49 per share) for the second quarter of 2008. The second quarter results showed solid underlying revenue and expense performance but were more than offset by write-downs and losses related to the continued disruption in the fixed income markets and higher consumer credit costs. The net loss of $2.5 billion in the second quarter includes the results of CitiCapital (which is now reflected as discontinued operations, including the $309 million estimated after-tax loss on sale).

Revenues were $18.7 billion, down 29% from a year ago, primarily as a result of a $7.3 billion decrease in Securities & Banking revenues, including $3.4 billion in write-downs on subprime-related direct exposures, a downward credit value adjustment of $2.4 billion related to exposure to monoline insurers, $545 million write- downs related to commercial real estate positions, and write-downs of $428 million (net of underwriting fees) on funded and unfunded highly leveraged financing commitments and $325 million impairment on Alt-A mortgage securities.

Global Cards revenues were up 3% on double-digit growth in *EMEA*, *Latin America* and *Asia,* partially offset by lower securitization results in *North America*. Consumer Banking revenues were up 1%, where loan and deposit growth were partially offset by a $745 million net loss from the mark-to-market on our mortgage servicing right (MSR) asset and related hedge. GWM revenues grew 4% on strength in banking and lending revenues which were partially offset by a slowdown in capital markets, particularly in *Asia*. Transaction Services revenues were up 30%. Total revenues improved $5.6 billion from the first quarter of 2008.

Customer volume growth was strong, with average loans up 9%, average deposits up 6%, and average interest-earning assets down 5%, reflecting our focus on balance sheet management. Global Cards purchase sales were up 6%. Transaction Services customer liability balances were up 15% and assets under custody grew 13%. In GWM, client assets under fee-based management were down 8%.

Net interest revenue increased 26% from last year, reflecting volume increases across most products. Net interest margin (NIM) in the second quarter of 2008 was 3.18%, up 77 basis points from the second quarter of 2007, reflecting significantly lower cost of funding, partially offset by a decrease in asset yields related to the decrease in the fed funds rate. (See discussion of NIM on page 39).

Operating expenses increased 9% from the second quarter of 2007. The major components of the change are the $446 million in repositioning charges and the absence of a $300 million litigation reserve release recorded in the prior-year period. Expense growth also reflected the impact of recent acquisitions. Expenses were down 1% from the first quarter of 2008 and headcount was down 6,000 from March 31, 2008, and approximately 11,000 year-to-date reflecting the continued benefits from our re-engineering efforts.

Total credit costs of $6.9 billion included NCL's of $4.4 billion up from $2.0 billion in the second quarter of 2007 and a net build of $2.5 billion to its credit reserves. The build consisted of $2.3 billion in Consumer ($1.9 billion in *North America* and $409 million in regions outside of *North America*) and $224 million in ICG. The incremental net charge to increase loan loss reserves of $2.0 billion was mainly due to residential real estate in *North America*. The Consumer loans loss rate was 2.82%, a 122 basis-point increase from the second quarter of 2007. Corporate cash-basis loans were $2.3 billion at June 30, 2008, an increase of $1.7 billion from year-ago levels. The total allowance for loan losses and unfunded lending commitments totaled $21.9 billion at June 30, 2008.

The effective tax rate of 52% in the second quarter of 2008 primarily resulted from the pretax losses in the Company's S&B business taxed in the U.S. (the U.S. is a higher tax rate jurisdiction). In addition, the tax benefits of permanent differences, including the tax benefit for not providing U.S. income taxes on the earnings of certain foreign subsidiaries that are indefinitely invested, favorably affected the Company's effective tax rate.

Stockholders' equity and trust preferred securities were $160.1 billion at June 30, 2008, reflecting common and preferred stock issuances of $13.0 billion during the second quarter of 2008. We distributed $2.1 billion in dividends to shareholders during the quarter. Citigroup maintained its "well-capitalized" position with a Tier 1 Capital Ratio of 8.74% at June 30, 2008.

On July 11, 2008, we announced the agreement to sell our German retail banking operation, which is expected to result in an estimated after-tax gain of approximately $4 billion in the fourth quarter of 2008. This is expected to result in a pro forma increase to the June 30, 2008 Tier 1 Capital ratio of approximately 60 basis points.

EVENTS IN 2008

Additional Write-Downs on Subprime-Related Direct Exposures

During the second quarter of 2008, the Company's S&B business recorded losses of $3.4 billion pretax, net of hedges, on its subprime-related direct exposures, bringing the total losses year-to-date to $9.3 billion. The Company's remaining $22.5 billion in U.S. subprime net direct exposure in S&B at June 30, 2008 consisted of (a) approximately $18.1 billion of net exposures to the super senior tranches of collateralized debt obligations, which are collateralized by asset- backed securities, derivatives on asset-backed securities or both and (b) approximately $4.3 billion of subprime-related exposures in its lending and structuring business. See "Exposure to U.S. Residential Real Estate" on page 30 for a further discussion of such exposures and the associated losses recorded during the second quarter of 2008.

Incremental Write-Downs on Highly Leveraged Loans and Financing Commitments

Due to the continued dislocation of the credit markets and the reduced market interest in higher risk/higher yield instruments that began during the second half of 2007, liquidity in the market for highly leveraged financings has yet to return. This has resulted in the Company recording additional pretax write-downs of $428 million on funded and unfunded highly leveraged finance exposures, bringing year-to-date pretax losses to $3.5 billion.

Citigroup's exposure to highly leveraged financings totaled $24 billion at June 30, 2008 ($11 billion in funded and $13 billion in unfunded commitments), compared to $38 billion at March 31, 2008 ($21 billion in funded and $17 billion in unfunded commitments). During the second quarter of 2008, the Company transferred approximately $12 billion of loans to third parties, of which $8.5 billion relates to the highly leveraged loans and commitments. This allows Citigroup to lock in the sales proceeds and significantly reduces further downside price risk associated with these commitments. See "Highly Leveraged Financing Commitments" on page 66 for further discussion.

Write-Downs on Monoline Insurers

During the second quarter of 2008, Citigroup recorded pretax write-downs on credit value adjustments (CVA) of $2.4 billion on its exposure to monoline insurers, bringing the year-to-date write-downs to $3.9 billion. CVA is calculated by applying the counterparty's current credit spread to the expected exposure on the trade. The majority of the exposure relates to hedges on super senior positions that were executed with various monoline insurance companies. During the second quarter of 2008, credit spreads on monoline insurers continued to widen and expected exposures increased. See "Direct Exposure to Monolines" on page 31 for a further discussion.

Gains on Auction Rate Securities (ARS)

As of June 30, 2008, auction rate securities (ARS) classified as Trading assets totaled $5.6 billion compared to $6.5 billion as of March 31, 2008. Of the total balance, a significant majority is ARS where the underlying assets are student loans, while the remainder is ARS where the underlying assets are U.S. municipal securities as well as various other assets.

During the second quarter of 2008, *S&B* recorded $197 million pretax gains in Principal transactions as some liquidity returned to the market with a number of auctions being completed and certain ARS being re-financed by the issuer. This reduced the total year to date losses on ARS to $1.3 billion, a significant majority of which relates to ARS where student loans are the underlying assets.

Incremental Write-downs on Alt-A Mortgage Securities in S&B

During the second quarter of 2008, Citigroup recorded additional pretax losses of approximately $325 million, net of hedges, on Alt-A mortgage securities held in S&B, bringing the year-to-date net loss to $1.3 billion. For these purposes, Alt-A mortgage securities are non-agency residential mortgage-backed securities (RMBS) where: (1) the underlying collateral has weighted average FICO scores between 680 and 720 or, (2) for instances where FICO scores are greater than 720, RMBS have 30% or less of the underlying collateral composed of full documentation loans.

The Company had $16.4 billion in Alt-A mortgage securities carried at fair value at June 30, 2008 in S&B, which decreased from $19.5 billion at March 31, 2008. Of the $16.4 billion, $4.3 billion were classified as Trading assets, of which $193 million of fair value write-downs, net of hedging, were recorded in earnings, and $12.1 billion were classified as available-for-sale investments, on which $132 million of write-downs were recorded in earnings due to other-than-temporary impairments. In addition, $237 million of pretax fair value unrealized losses were recorded in Accumulated Other Comprehensive Income (OCI).

Additional Write-Downs on Commercial Real Estate Exposures

S&B's commercial real estate exposure can be split into three categories: assets held at fair value, loans and commitments, and equity and other investments. For assets that are held at fair value, Citigroup recorded an additional $545 million of fair value write-downs, net of hedges, during the second quarter of 2008, bringing the year-to-date fair value write-downs to $1.1 billion. See "Exposure to Commercial Real Estate" on page 30 for a further discussion.

Credit Reserves

During the second quarter of 2008, the Company recorded a net build of $2.5 billion to its credit reserves. The build consisted of $2.3 billion in Consumer ($1.9 billion in *North America* and $409 million in regions outside of *North America*) and $224 million in ICG.

The $1.9 billion build in *North America Consumer* primarily reflected a weakening of leading credit indicators, including higher delinquencies on first and second mortgages, unsecured personal loans and credit cards. Reserves also increased due to trends in the U.S. macro-economic environment, including the housing market downturn and rising unemployment rates.

The $409 million build in regions outside of *North America* was primarily driven by portfolio growth and by deterioration in Mexico, Brazil and *EMEA* cards.

The build of $224 million in ICG primarily reflected a slight deterioration in leading indicators of losses in the corporate loan portfolio.

Loss on Mortgage Servicing Right (MSR) Asset and Related Hedge (MSR-related MTM)

The U.S. mortgage business recorded a net pretax loss of approximately $745 million in the second quarter of 2008, resulting from a gain of approximately $1.4 billion on the mark-to-market on the MSR, offset by a decrease of $2.1 billion in the value of the related hedge (collectively, the "MSR-related MTM"). During the second quarter of 2008, the net MSR position was impacted by: (i) high volatility in the markets causing divergence between the hedge and the related asset and continuous rebalancing of the hedge and (ii) constraint on further upward valuation of the MSR.

Repositioning Charges

In the second quarter of 2008, Citigroup recorded repositioning charges of $446 million related to Citigroup's ongoing reengineering plans, which will result in certain branch closings and headcount reductions of approximately 2,900 employees. Including the first quarter of 2008 repositioning charges, the year-to-date charges equal $1.1 billion and a headcount reduction of approximately 12,600 employees.

Issuance of Preferred and Common Stock

In the second quarter of 2008, Citigroup raised $8.0 billion of capital through public offerings of preferred stock and sold approximately $4.9 billion of common stock. The Company has raised $32.3 billion in equity capital during 2008. See Note 13 on page 93 for further information.

Sale of CitiCapital

On April 17, 2008, Citigroup signed an agreement to sell CitiCapital, the equipment finance unit in *North America*. The sale consists of net assets of approximately $12.5 billion. A pretax loss of $517 million, was recorded during the quarter in Discontinued Operations on the Company's Consolidated Statement of Income. In addition, the results of all of CitiCapital businesses have been reported as Discontinued Operations for all periods presented. Furthermore, the assets and liabilities as of June 30, 2008 of the CitiCapital businesses to be sold are included within Assets of discontinued operations held for sale, and Liabilities of discontinued operations held for sale, respectively, on the Company's Consolidated Balance Sheet. The sale closed on July 31, 2008.

Sale of CitiStreet

In the second quarter of 2008, Citigroup and State Street Corporation entered into a definitive agreement to sell CitiStreet, a benefits servicing business, to ING Group in an all-cash transaction valued at $900 million. CitiStreet is a joint venture formed in 2000, which is owned 50 percent each by Citigroup and State Street. The transaction closed on July 1, 2008 and is estimated to generate an after-tax gain of $225 million ($347 million pretax) in the third quarter of 2008.

Sale of Upromise Cards Portfolio

During the second quarter, Global Cards sold substantially all of the Upromise Cards portfolio to Bank of America, resulting in an after-tax gain of $107 million. The portfolio sold had balances of approximately $1 billion of credit card receivables.

Divestiture of Diners Club International

On June 30, 2008, Citigroup completed the sale of Diners Club International (DCI) to Discover Financial Services, resulting in a pretax gain of approximately $111 million for the second quarter of 2008.

Citigroup will continue to issue Diners Club cards and support its brand and products through ownership of its many Diners Club card issuers around the world.

Sale of Citigroup's German Retail Banking Operation

On July 11, 2008, Citigroup announced the agreement to sell its German retail banking operations to Credit Mutuel for Euro 4.9 billion ($7.7 billion) in cash plus earnings accrued in 2008 through the closing. The transaction is expected to result in an after-tax gain of approximately $4 billion upon closing. After giving effect to the proposed sale, Citigroup's Tier 1 capital ratio as of June 30 would have a pro forma increase of approximately 60 basis points. The sale does not include the corporate and investment banking business or the Germany-based European data center. The sale is expected to close in the fourth quarter of 2008 pending regulatory approvals.

The German retail banking operations generated post-tax earnings for the six months of 2008 of approximately $262 million, and for the full year 2007 of approximately $500 million, and had a net asset value of approximately $2.1 billion at June 30, 2008.

SEGMENT AND REGIONAL NET INCOME (LOSS) AND REVENUE

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

Citigroup Net Income (Loss) Segment View

In millions of dollars	Second Quarter 2008	Second Quarter 2007	% Change	Six Months 2008	Six Months 2007	% Change
Global Cards						
North America	**$ 178**	$ 711	(75)%	**$ 715**	$ 1,583	(55)%
EMEA	**19**	53	(64)	**74**	98	(24)
Latin America	**165**	184	(10)	**681**	419	63
Asia	**105**	109	(4)	**236**	214	10
Total Global Cards	**$ 467**	$ 1,057	(56)%	**$ 1,706**	$ 2,314	(26)%
Consumer Banking						
North America	**$ (951)**	$ 891	NM	**$ (1,284)**	$ 1,641	NM
EMEA	**65**	89	(27)%	**66**	122	(46)%
Latin America	**76**	183	(58)	**347**	352	(1)
Asia	**110**	310	(65)	**309**	616	(50)
Total Consumer Banking	**$ (700)**	$ 1,473	NM	**$ (562)**	$ 2,731	NM
Institutional Clients Group (ICG)						
North America	**$ (2,853)**	$ 1,461	NM	**$ (8,808)**	$ 2,722	NM
EMEA	**(89)**	804	NM	**(1,231)**	1,498	NM
Latin America	**402**	391	3%	**784**	757	4%
Asia	**496**	728	(32)	**854**	1,324	(35)
Total ICG	**$ (2,044)**	$ 3,384	NM	**$ (8,401)**	$ 6,301	NM
Global Wealth Management (GWM)						
North America	**$ 309**	$ 334	(7)%	**$ 474**	$ 695	(32)%
EMEA	**20**	46	(57)	**46**	53	(13)
Latin America	**15**	29	(48)	**41**	44	(7)
Asia	**61**	103	(41)	**138**	168	(18)
Total GWM	**$ 405**	$ 512	(21)%	**$ 699**	$ 960	(27)%
Corporate/Other(1)	**$ (345)**	$ (283)	(22)	**$ (782)**	$ (1,195)	35
Income (Loss) from Continuing Operations	**$ (2,217)**	$ 6,143	NM	**$ (7,340)**	$ 11,111	NM
Discontinued Operations	**$ (278)**	$ 83		**$ (266)**	$ 127	
Net Income (Loss)	**$ (2,495)**	$ 6,226	NM	**$ (7,606)**	$ 11,238	NM

(1) The six months ending June 30, 2007 include a $1,440 million Restructuring charge related to the Company's Structural Expense Initiatives project announced on April 11, 2007.

NM
Not meaningful

Citigroup Net Income (Loss) Regional View

In millions of dollars	Second Quarter 2008	Second Quarter 2007	% Change	Six Months 2008	Six Months 2007	% Change
North America						
Global Cards	**$ 178**	$ 711	(75)%	**$ 715**	$ 1,583	(55)%
Consumer Banking	**(951)**	891	NM	**(1,284)**	1,641	NM
ICG	**(2,853)**	1,461	NM	**(8,808)**	2,722	NM
Securities & Banking	**(2,904)**	1,409	NM	**(8,938)**	2,636	NM
Transaction Services	**51**	52	(2)	**130**	86	51
GWM	**309**	334	(7)	**474**	695	(32)
Total *North America*	**$ (3,317)**	$ 3,397	NM	**$ (8,903)**	$ 6,641	NM
EMEA						
Global Cards	**$ 19**	$ 53	(64)%	**$ 74**	$ 98	(24)%
Consumer Banking	**65**	89	(27)	**66**	122	(46)
ICG	**(89)**	804	NM	**(1,231)**	1,498	NM
Securities & Banking	**(327)**	631	NM	**(1,691)**	1,175	NM
Transaction Services	**238**	173	38%	**460**	323	42
GWM	**20**	46	(57)	**46**	53	(13)
Total *EMEA*	**$ 15**	$ 992	(98)%	**$ (1,045)**	$ 1,771	NM
Latin America						
Global Cards	**$ 165**	$ 184	(10)%	**$ 681**	$ 419	63%
Consumer Banking	**76**	183	(58)	**347**	352	(1)
ICG	**402**	391	3	**784**	757	4
Securities & Banking	**260**	301	(14)	**510**	590	(14)
Transaction Services	**142**	90	58	**274**	167	64
GWM	**15**	29	(48)	**41**	44	(7)
Total *Latin America*	**$ 658**	$ 787	(16)%	**$ 1,853**	$ 1,572	18%
Asia						
Global Cards	**$ 105**	$ 109	(4)%	**$ 236**	$ 214	10%
Consumer Banking	**110**	310	(65)	**309**	616	(50)
ICG	**496**	728	(32)	**854**	1,324	(35)
Securities & Banking	**226**	527	(57)	**285**	936	(70)
Transaction Services	**270**	201	34	**569**	388	47
GWM	**61**	103	(41)	**138**	168	(18)
Total *Asia*	**$ 772**	$ 1,250	(38)%	**$ 1,537**	$ 2,322	(34)%
Corporate/Other	**(345)**	(283)	(22)	**(782)**	(1,195)	35
Income (Loss) from Continuing Operations	**$ (2,217)**	$ 6,143	NM	**$ (7,340)**	$ 11,111	NM
Income (Loss) from Discontinued Operations	**$ (278)**	$ 83	NM	**$ (266)**	$ 127	NM
Net Income (Loss)	**$ (2,495)**	$ 6,226	NM	**$ (7,606)**	$ 11,238	NM

NM

Not meaningful

Citigroup Revenues Segment View

In millions of dollars	Second Quarter 2008	Second Quarter 2007	% Change	Six Months 2008	Six Months 2007	% Change
Global Cards						
North America	**$ 2,928**	$ 3,298	(11)%	**$ 6,271**	$ 6,705	(6)%
EMEA	**652**	506	29	**1,274**	883	44
Latin America	**1,229**	990	24	**3,005**	1,857	62
Asia	**659**	531	24	**1,334**	1,044	28
Total Global Cards	**$ 5,468**	$ 5,325	3%	**$ 11,884**	$ 10,489	13%
Consumer Banking						
North America	**$ 4,124**	$ 4,224	(2)%	**$ 8,609**	$ 8,282	4%
EMEA	**1,296**	1,113	16	**2,537**	2,183	16
Latin America	**1,038**	996	4	**2,086**	1,942	7
Asia	**1,431**	1,475	(3)	**2,989**	2,933	2
Total Consumer Banking	**$ 7,889**	$ 7,808	1%	**$ 16,221**	$ 15,340	6%
Institutional Clients Group						
North America	**$ (1,748)**	$ 4,026	NM	**$ (9,572)**	$ 8,271	NM
EMEA	**1,740**	2,993	(42)%	**1,873**	5,820	(68)%
Latin America	**1,075**	985	9	**2,087**	1,950	7
Asia	**1,872**	2,257	(17)	**3,593**	3,873	(7)
Total ICG	**$ 2,939**	$ 10,261	(71)%	**$ (2,019)**	$ 19,914	NM
Global Wealth Management						
North America	**$ 2,427**	$ 2,441	(1)%	**$ 4,803**	$ 4,826	
EMEA	**153**	137	12	**323**	245	32%
Latin America	**102**	92	11	**202**	183	10
Asia	**633**	527	20	**1,266**	761	66
Total GWM	**$ 3,315**	$ 3,197	4%	**$ 6,594**	$ 6,015	10%
Corporate/Other	**(959)**	(261)	NM	**(1,008)**	(244)	NM
Total Net Revenues	**$ 18,652**	$ 26,330	(29)%	**$ 31,672**	$ 51,514	(39)%

NM Not meaningful

Citigroup Revenues Regional View

In millions of dollars	Second Quarter 2008	Second Quarter 2007	% Change	Six Months 2008	Six Months 2007	% Change
North America						
Global Cards	**$ 2,928**	$ 3,298	(11)%	**$ 6,271**	$ 6,705	(6)%
Consumer Banking	**4,124**	4,224	(2)	**8,609**	8,282	4
ICG	**(1,748)**	4,026	NM	**(9,572)**	8,271	NM
Securities & Banking	**(2,244)**	3,655	NM	**(10,561)**	7,562	NM
Transaction Services	**496**	371	34	**989**	709	39
GWM	**2,427**	2,441	(1)	**4,803**	4,826	
Total *North America*	**$ 7,731**	$ 13,989	(45)%	**$ 10,111**	$ 28,084	(64)%
EMEA						
Global Cards	**$ 652**	$ 506	29%	**$ 1,274**	$ 883	44%
Consumer Banking	**1,296**	1,113	16	**2,537**	2,183	16
ICG	**1,740**	2,993	(42)	**1,873**	5,820	(68)
Securities & Banking	**871**	2,313	(62)	**191**	4,542	(96)
Transaction Services	**869**	680	28	**1,682**	1,278	32
GWM	**153**	137	12	**323**	245	32
Total *EMEA*	**$ 3,841**	$ 4,749	(19)%	**$ 6,007**	$ 9,131	(34)%
Latin America						
Global Cards	**$ 1,229**	$ 990	24%	**$ 3,005**	$ 1,857	62%
Consumer Banking	**1,038**	996	4	**2,086**	1,942	7
ICG	**1,075**	985	9	**2,087**	1,950	7
Securities & Banking	**707**	724	(2)	**1,387**	1,454	(5)
Transaction Services	**368**	261	41	**700**	496	41
GWM	**102**	92	11	**202**	183	10
Total *Latin America*	**$ 3,444**	$ 3,063	12%	**$ 7,380**	$ 5,932	24%
Asia						
Global Cards	**$ 659**	$ 531	24%	**$ 1,334**	$ 1,044	28%
Consumer Banking	**1,431**	1,475	(3)	**2,989**	2,933	2
ICG	**1,872**	2,257	(17)	**3,593**	3,873	(7)
Securities & Banking	**1,205**	1,722	(30)	**2,217**	2,859	(22)
Transaction Services	**667**	535	25	**1,376**	1,014	36
GWM	**633**	527	20	**1,266**	761	66
Total *Asia*	**$ 4,595**	$ 4,790	(4)%	**$ 9,182**	$ 8,611	7%
Corporate/Other	**(959)**	(261)	NM	**(1,008)**	(244)	NM
Total Net Revenue	**$ 18,652**	$ 26,330	(29)%	**$ 31,672**	$ 51,514	(39)%

NM
Not meaningful

GLOBAL CARDS

In millions of dollars	Second Quarter 2008	Second Quarter 2007	% Change	Six Months 2008	Six Months 2007	% Change
Net interest revenue	**$ 3,024**	$ 2,683	13%	**$ 5,754**	$ 4,988	15%
Non-interest revenue	**2,444**	2,642	(7)	**6,130**	5,501	11
Revenues, net of interest expense	**$ 5,468**	$ 5,325	3%	**$ 11,884**	$ 10,489	13%
Operating expenses	**2,725**	2,490	9	**5,335**	4,902	9
Provision for credit losses and for benefits and claims	**2,023**	1,288	57	**3,918**	2,169	81
Income before taxes and minority interest	**$ 720**	$ 1,547	(53)%	**$ 2,631**	$ 3,418	(23)%
Income taxes	**249**	487	(49)	**918**	1,100	(17)
Minority interest, net of taxes	**4**	3	33	**7**	4	75
Net income	**$ 467**	$ 1,057	(56)%	**$ 1,706**	$ 2,314	(26)%
Average assets *(in billions of dollars)*	**$ 124**	$ 110	13%	**$ 124**	$ 108	15%
Return on assets	**1.51%**	3.85%		**2.77%**	4.32%	
Revenues, net of interest expense, by region:						
North America	**$ 2,928**	$ 3,298	(11)%	**$ 6,271**	$ 6,705	(6)%
EMEA	**652**	506	29	**1,274**	883	44
Latin America	**1,229**	990	24	**3,005**	1,857	62
Asia	**659**	531	24	**1,334**	1,044	28
Total revenues	**$ 5,468**	$ 5,325	3%	**$ 11,884**	$ 10,489	13%
Net income by region:						
North America	**$ 178**	$ 711	(75)%	**$ 715**	$ 1,583	(55)%
EMEA	**19**	53	(64)	**74**	98	(24)
Latin America	**165**	184	(10)	**681**	419	63
Asia	**105**	109	(4)	**236**	214	10
Total net income	**$ 467**	$ 1,057	(56)%	**$ 1,706**	$ 2,314	(26)%
Key Drivers *(in billions of dollars)*						
Average loans	**$ 92.3**	$ 80.1	15%			
Purchase sales	**$ 116.0**	$ 109.3	6%			
Open accounts *(in millions)*	**185.1**	184.9				
Loans 90+ days past due as a % of EOP loans	**2.32%**	1.92%				

2Q08 vs. 2Q07

Global Cards revenue increased 3%. *Net Interest Revenue* was 13% higher than the prior year primarily driven by growth in average loans of 15%. *Non-Interest Revenue* decreased 7% primarily due to lower securitization results in *North America* and the absence of a prior-year $51 million pretax gain on sale of MasterCard shares. This decrease was partially offset by growth in purchase sales of 6%, a $170 million pretax gain on the Upromise Cards Portfolio sale, and a $111 million pretax gain on the sale of DCI.

In *North America*, an 11% revenue decline was mainly driven by lower securitization revenues, which reflected the impact of higher funding costs and higher credit costs flowing through the securitization trusts. This decrease was partially offset by a $170 million pretax gain on the Upromise sale and a $29 million pretax gain on sale of DCI. Purchase sales were even with the prior-year period.

Outside of *North America*, revenues increased by 29%, 24%, and 24% in *EMEA*, *Latin America*, and *Asia*, respectively. These increases were driven by double-digit growth in purchase sales and average loans in all regions. The pretax gain on sale of DCI affected *EMEA*, *Latin America*, and *Asia* by $34 million, $17 million, and $31 million, respectively. Results include the impact of the acquisitions of Egg, Grupo Cuscatlán, and Bank of Overseas Chinese (BOOC). Revenues also increased from the foreign currency translation related to the strengthening of local currencies (generally referred to hereinafter as "fx translation").

Operating expenses increased 9%, primarily due to business volumes, higher credit management costs, the impact of acquisitions, and a repositioning charge. Expenses increased by 2% in *North America*, 31% in *EMEA*, 17% in *Latin America*, and 17% in *Asia*. Outside of *North America*, fx translation and acquisitions also contributed to the increase in expenses.

Provision for credit losses and for benefits and claims increased $735 million, reflecting increases of $567 million in net credit losses and $157 million in loan loss reserve builds. In *North America* credit costs increased $345 million, driven by higher net credit losses, up $234 million or 52%, and a higher loan loss reserve build, up $111 million or 50%. Higher credit costs reflected higher business volumes, as well as a weakening of leading credit indicators, trends in the macro-economic environment, including the housing market downturn, higher fuel costs, rising unemployment trends, and higher bankruptcy filings. The net credit loss ratio increased by 2.15 basis points to 6.46%.

Outside of *North America*, credit costs increased by $93 million, $205 million, and $81 million in *EMEA*, *Latin America*, and *Asia*, respectively. These increases were driven by higher business volumes, as well as higher net credit losses, which were up $84 million, $217 million, and $32 million in *EMEA*, *Latin America*, and *Asia*, respectively. Higher net credit losses were driven by Mexico, Brazil, India, and the Egg acquisition. Also contributing to the increase were higher loan loss reserve builds, which were up $46 million.

2008 YTD vs. 2007 YTD

Total Global Cards revenue increased 13%. *Net Interest Revenue* was 15% higher than the prior year primarily driven by growth in average loans of 20%. *Non-Interest Revenue* increased by 11% primarily due to growth in purchase sales of 9%, a $663 million gain on sale of Redecard shares in the first quarter of 2008, a $439 million pretax gain on the IPO of Visa shares in the first quarter of 2008, a $170 million pretax gain on the Upromise sale in the second quarter of 2008, and a $111 million pretax gain on sale of DCI in the second quarter of 2008. These increases were partially offset by lower securitization results in *North America* and the absence of a prior-year $278 million pretax gain on sale of MasterCard shares.

In *North America*, a 6% revenue decline was driven by lower securitization revenues, which reflected the impact of higher funding costs and higher credit losses in the securitization trusts, as well as by the absence of a prior-year $212 million gain on sale of MasterCard shares. This decrease was partially offset by a $349 million pretax gain on Visa shares in the first quarter of 2008, a $170 million pretax gain on the Upromise sale in the second quarter of 2008, and a $29 million pretax gain on sale of DCI in the second quarter of 2008. Purchase sales and average loans were up 2% and 3%, respectively.

Outside of *North America*, revenues increased by 44%, 62%, and 28% in *EMEA*, *Latin America*, and *Asia*, respectively. These increases were driven by double-digit growth in purchase sales and average loans in all regions. The pretax gain on sale of DCI impacted *EMEA*, *Latin America*, and *Asia* by $34 million, $17 million, and $31 million, respectively. Current-year revenues were favorably impacted by a $663 million pretax gain on sale of Redecard shares and a $90 million pretax gain on the IPO of Visa shares in the first quarter of 2008. These increases were partially offset by the absence of the prior-year $66 million gain on sale of MasterCard shares. Results include the impact of fx translation, as well as the acquisitions of Egg, Grupo Financiero Uno, Grupo Cuscatlán, and BOOC.

Operating expenses increased 9%, primarily due to business volumes, higher credit management costs, the impact of acquisitions, and repositioning charges. Expenses were flat in *North America*. Expenses increased by 39% in *EMEA*, 21% in *Latin America*, and 20% in *Asia*. Outside of *North America*, the impact of fx translation also contributed to the increase in expenses.

Provision for credit losses and for benefits and claims increased $1.7 billion reflecting an increase of $949 million in net credit losses and $789 million in loan loss reserve builds. In *North America*, credit costs increased $818 million, driven by higher net credit losses, up $363 million or 39%, and a higher loan loss reserve build, up $455 million. Higher credit costs reflected higher business volumes, as well as a weakening of leading credit indicators, trends in the macro-economic environment, including the housing market downturn, higher fuel costs, rising unemployment trends, and higher bankruptcy filings, as well as the continued acceleration in the rate at which delinquent customers advanced to write-off.

Outside of *North America*, credit costs increased by $199 million, $591 million, and $130 million in *EMEA*, *Latin America*, and *Asia*, respectively. These increases were driven by higher business volumes, as well as higher net credit losses, which were up $166 million, $357 million, and $63 million in *EMEA*, *Latin America*, and *Asia*, respectively. Higher net credit losses were driven by Mexico, Brazil, India, and the Grupo Financiero Uno and Egg acquisitions. Also contributing to the increase were higher loan loss reserve builds, which were up $33 million, $234 million, and $67 million in *EMEA*, *Latin America*, and *Asia*, respectively.

CONSUMER BANKING

In millions of dollars	Second Quarter 2008	Second Quarter 2007	% Change	Six Months 2008	Six Months 2007	% Change
Net interest revenue	**$ 6,093**	$ 5,491	11%	**$ 12,052**	$ 10,787	12%
Non-interest revenue	**1,796**	2,317	(22)	**4,169**	4,553	(8)
Revenues, net of interest expense	**$ 7,889**	$ 7,808	1%	**$ 16,221**	$ 15,340	6%
Operating expenses	**4,726**	4,227	12	**9,316**	8,277	13
Provision for credit losses and for benefits and claims	**4,498**	1,442	NM	**8,261**	3,188	NM
Income (loss) before taxes and minority interest	**$ (1,335)**	$ 2,139	NM	**$ (1,356)**	$ 3,875	NM
Income taxes (benefits)	**(644)**	649	NM	**(805)**	1,118	NM
Minority interest, net of taxes	**9**	17	(47)	**11**	26	(58)
Net income (loss)	**$ (700)**	$ 1,473	NM	**$ (562)**	$ 2,731	NM
Average assets *(in billions of dollars)*	**$ 589**	$ 602	(2)%	**$ 588**	$ 588	
Return on assets	**(0.48)%**	0.98%		**(0.19)%**	0.94%	
Revenues, net of interest expense, by region:						
North America	**$ 4,124**	$ 4,224	(2)%	**$ 8,609**	$ 8,282	4%
EMEA	**1,296**	1,113	16	**2,537**	2,183	16
Latin America	**1,038**	996	4	**2,086**	1,942	7
Asia	**1,431**	1,475	(3)	**2,989**	2,933	2
Total revenues	**$ 7,889**	$ 7,808	1%	**$ 16,221**	$ 15,340	6%
Net income (loss) by region:						
North America	**$ (951)**	$ 891	NM	**$ (1,284)**	$ 1,641	NM
EMEA	**65**	89	(27)	**66**	122	(46)
Latin America	**76**	183	(58)	**347**	352	(1)
Asia	**110**	310	(65)	**309**	616	(50)
Total net income (loss)	**$ (700)**	$ 1,473	NM	**$ (562)**	$ 2,731	NM
Consumer Finance Japan (CFJ) NIR	**$ 173**	$ 344	(50)%	**$ 437**	$ 759	(42)%
Consumer Banking, excluding CFJ NIR	**$ 5,920**	$ 5,147	15%	**$ 11,615**	$ 10,028	16%
CFJ Operating expenses	**$ 101**	$ 102	(1)%	**$ 196**	$ 228	(14)%
Consumer Banking, excluding CFJ-operating expenses	**$ 4,625**	$ 4,125	12%	**$ 9,120**	$ 8,049	13%
CFJ Net income	**$ (154)**	$ (40)	NM	**$ (240)**	$ (38)	NM
Consumer Banking, excluding CFJ Net income	**$ (546)**	$ 1,513	NM	**$ (322)**	$ 2,769	NM
Key Indicators						
Average loans *(in billions)*	**$ 423.2**	$ 388.9	9%			
Average deposits *(in billions)*	**$ 310.4**	$ 287.1	8			
Accounts *(in millions)*	**85.5**	79.7	7			
Loans 90+ days past due as % of EOP loans	**2.35%**	1.42%				
Branches	**8,300**	8,201	1			

NM Not meaningful

2Q08 vs. 2Q07

Consumer Banking revenue increased 1%. *Net interest revenue* was 11% higher than the prior year, as growth in average loans and deposits of 9% and 8%, respectively, and margin expansion, were partially offset by a 50% net interest revenue decline in CFJ. The impact of fx translation also contributed to the increase in revenues. *Non-Interest Revenue* declined 22%, primarily due to a 20% decline in investment sales and a $745 million net loss from the MSR-related MTM in *North America*.

In *North America*, revenues declined 2%, primarily due to a $745 million net loss from the MSR-related MTM, partially offset by growth in average loans and deposits of 7% and 3%, respectively. Excluding the impact from the MSR-related MTM, revenues increased 14%. Revenues in *EMEA* increased 16%, driven by increased average loans and deposits, up 18% and 19%, respectively. Revenues in *Latin America* were up 4%, driven by 19% growth in average loans and 8% growth in deposits, partially offset by the absence of a gain on asset sales recorded in the prior-year period. Revenue in *Asia* declined 3%, primarily driven by a 49% decline in CFJ, reflecting the difficult operating environment and ongoing impact of consumer lending laws passed in the fourth quarter of 2006. Excluding CFJ, Asia's revenues increased

11%, as a 14% growth in average loans and a 10% growth in deposits were offset by a 30% decline in investment sales due to a decline in equity markets and related trading activities across *Asia*.

Operating expenses growth of 12% was primarily driven by higher business volumes, increased credit management costs, a $130 million repositioning charge, and acquisitions.

Expenses were up 10% in *North America*, primarily driven by a $92 million repositioning charge, higher credit management expenses, and acquisitions. Higher expenses of 16% in *EMEA* were mainly due to a repositioning charge of $24 million and volume growth. Higher business volumes also contributed most of the expense growth in *Latin America*. The 14% expense growth in *Asia* was primarily driven by the acquisition of Bank of Overseas Chinese (BOOC) and business volumes. The impact of fx translation also contributed to the increase in expenses in *EMEA*, *Latin America* and *Asia*.

Provisions for credit losses and for benefits and claims increased $3.1 billion, reflecting significantly higher net credit losses in *North America* and *Latin America*, as well as a $1.6 billion incremental pretax charge to increase loan loss reserves, primarily in *North America*. The impact of portfolio growth and acquisitions also contributed to the increase in credit costs.

Credit costs in *North America* increased by $2.6 billion, due to higher net credit losses, up $1.1 billion, and a $1.5 billion incremental pretax charge to increase loan loss reserves. Higher credit costs reflected a weakening of leading credit indicators, including higher delinquencies in first and second mortgages, and unsecured personal loans, as well as trends in the macro economic environment, including the housing market downturn. The net credit loss ratio increased 146 basis points to 2.33%. Credit costs increased 44% in *EMEA*, reflecting a 29% increase in net credit losses, and a $31 million incremental pretax charge to increase loan loss reserves. In *Latin America*, credit costs increased $150 million, primarily due to higher losses in the current quarter and the absence of recoveries in the prior-year period in Mexico. In *Asia*, credit costs increased by $166 million, driven by a $79 million increase in net credit losses, and an $87 million incremental pretax charge to increase loan loss reserves. Higher credit costs were primarily driven by higher losses and delinquencies in India.

2008 YTD vs. 2007 YTD

Consumer Banking revenue increased 6%. *Net interest revenue* was 12% higher than the prior year, as growth of 11% in average loans and deposits, and margin expansion, was partially offset by a 42% net interest revenue decline in CFJ. The impact of acquisitions and fx translation also contributed to the increase in revenues. *Non-Interest Revenue* declined 8%, primarily due to a 17% decline in investment sales and a loss from the MSR-related MTM in *North America*, and the absence of a $41 million gain on the sale of MasterCard shares in the prior-year.

In *North America*, revenues increased 4%, primarily due to increases in average loans and deposits of 9% and 4%, respectively, and margin expansion, partially offset by a loss from the MSR-related MTM. Excluding the impact from the MSR-related MTM, revenues increased 13%. Revenues in *EMEA* increased 16%, mainly driven by 24% growth in average loans and 32% growth in deposits (including the impact of Egg acquisition). Revenues in *Latin America* were up 7%, driven by 24% growth in average loans and 14% growth in deposits (including the impact of acquisitions of Grupo Financiero Uno and Grupo Cuscatlan), partially offset by spread compression and the absence of a gain on the sale of MasterCard shares in the prior-year period. *Asia*'s revenues increased 2%, as growth in average loans and deposits of 14% and 12%, respectively, was partially offset by a 41% revenue decline in CFJ. Excluding CFJ, revenues increased 17%. Volume growth in *EMEA*, *Latin America* and *Asia* was partially offset by a double-digit decline in investment sales due to a decline in equity markets across the regions.

Operating expenses growth of 13% was primarily driven by higher business volumes, increased credit management costs, a $342 million repositioning charge, and acquisitions, partially offset by a $221 million benefit related to a legal vehicle repositioning in Mexico.

Expenses were up 14% in *North America*, primarily driven by a $217 million repositioning charge, higher credit management expenses, and acquisitions. Higher expenses of 23% in *EMEA* were mainly due to a repositioning charge of $95 million, volume growth and the acquisition of Egg. Expenses declined 4% in *Latin America*, mainly due to a $221 million benefit related to a legal vehicle repositioning in Mexico, partially offset by higher business volume. The 14% expense growth in *Asia* was primarily driven by the acquisition of BOOC and higher volumes. The impact of fx translation also contributed to the increase in expenses in *EMEA*, *Latin America* and *Asia*.

Provisions for credit losses and for benefits and claims increased $5.1 billion, reflecting significantly higher net credit losses in *North America*, Mexico and India, as well as a $2.4 billion incremental pretax charge to increase loan loss reserves, primarily in *North America*. The impact of portfolio growth and acquisitions and portfolio growth also contributed to the increase in credit costs.

Credit costs in *North America* increased by $4.4 billion, due to higher net credit losses, up $2.1 billion, and a $2.3 billion incremental pretax charge to increase loan loss reserves. Higher credit costs reflected a weakening of leading credit indicators, including higher delinquencies in first and second mortgages, and unsecured personal loans, as well as trends in the macro economic environment, including the housing market downturn. The net credit loss ratio increased 131 basis points to 2.17%. Credit costs increased $90 million in *EMEA*, primarily driven by a 21% increase in net credit losses including the impact of Egg acquisition. In *Latin America*, credit costs increased $243 million, primarily due to higher net credit losses and the absence of recoveries in the prior-year period in Mexico. In *Asia*, credit costs increased by $305 million, driven by a $150 million increase in net credit losses, and a $155 million incremental pretax charge to increase loan loss reserves. Higher credit costs were primarily driven by higher losses and delinquencies in India.

INSTITUTIONAL CLIENTS GROUP (ICG)

In millions of dollars	Second Quarter 2008	Second Quarter 2007	% Change	Six Months 2008	Six Months 2007	% Change
Net interest revenue	**$ 4,823**	$ 2,810	72%	**$ 9,126**	5,245	74%
Non-interest revenue	**(1,884)**	7,451	NM	**(11,145)**	14,669	NM
Revenues, net of interest expense	**$ 2,939**	$ 10,261	(71)%	**$ (2,019)**	$ 19,914	NM
Operating expenses	**5,858**	5,349	10	**11,828**	10,740	10%
Provision for credit losses and for benefits and claims	**626**	(30)	NM	**923**	276	NM
Income (loss) before taxes and minority interest	**$ (3,545)**	$ 4,942	NM	**$ (14,770)**	$ 8,898	NM
Income taxes (benefits)	**(1,562)**	1,470	NM	**(6,394)**	2,473	NM
Minority interest, net of taxes	**61**	88	(31)%	**25**	124	(80)%
Net income (loss)	**$ (2,044)**	$ 3,384	NM	**$ (8,401)**	$ 6,301	NM
Average assets *(in billions of dollars)*	**$ 1,411**	$ 1,290	9%	**$ 1,426**	$ 1,223	17%
Revenues, net of interest expense, by region:						
North America	**$ (1,748)**	$ 4,026	NM	**$ (9,572)**	$ 8,271	NM
EMEA	**1,740**	2,993	(42)%	**1,873**	5,820	(68)%
Latin America	**1,075**	985	9	**2,087**	1,950	7
Asia	**1,872**	2,257	(17)	**3,593**	3,873	(7)
Total revenues	**$ 2,939**	$ 10,261	(71)%	**$ (2,019)**	19,914	NM
Net income (loss) by region:						
North America	**$ (2,853)**	$ 1,461	NM	**$ (8,808)**	$ 2,722	NM
EMEA	**(89)**	804	NM	**(1,231)**	1,498	NM
Latin America	**402**	391	3%	**784**	757	4%
Asia	**496**	728	(32)	**854**	1,324	(35)
Total net income (loss)	**$ (2,044)**	$ 3,384	NM	**$ (8,401)**	$ 6,301	NM
Total net income (loss) by product:						
Securities and Banking	**$ (2,745)**	$ 2,868	NM	**$ (9,834)**	$ 5,337	NM
Transaction Services	**701**	516	36%	**1,433**	964	49%
Total net income (loss)	**$ (2,044)**	$ 3,384	NM	**$ (8,401)**	$ 6,301	NM
Securities and Banking						
Revenue details						
Net Investment Banking	**$ 453**	$ 1,469	(69)%	**$ (1,214)**	$ 3,064	NM
Lending	**95**	504	(81)	**679**	1,074	(37)%
Equity markets	**1,398**	1,582	(12)	**2,377**	3,065	(22)
Fixed income markets	**(633)**	4,652	NM	**(7,656)**	9,103	NM
Other Securities and Banking	**(774)**	207	NM	**(952)**	111	NM
Total Securities and Banking Revenues	**$ 539**	$ 8,414	(94)%	**$ (6,766)**	$ 16,417	NM
Transaction Services	**2,400**	1,847	30	**4,747**	3,497	36%
Total Revenues	**$ 2,939**	$ 10,261	(71)%	**$ (2,019)**	$ 19,914	NM

	Second Quarter			Six Months		
Transaction Services						
Average deposits and other customer liability balances *(in billions)*	**$ 276**	$ 239	15%			
Assets under custody *(EOP in trillions)*	**$ 12.8**	$ 11.3	13%			

NM
Not meaningful

2Q08 vs. 2Q07

Revenues, net of interest expense, were down 94% in Securities and Banking due to substantial write-downs and losses related to the credit markets. These included write-downs of $3.4 billion on subprime-related direct exposures, downward credit value adjustments of $2.4 billion related to exposure to monoline insurers, write-downs of $545 million on commercial real estate positions, write-downs of $428 million, net of underwriting fees, on funded and unfunded highly leveraged finance commitments and write-downs on Alt-A mortgage securities of $325 million, net of hedges. Negative revenues were partially offset by record revenues in interest rate and currency trading, and commodities. Revenues also included a $197 million gain on auction rate securities inventory. Equity markets revenues decreased 12%. Record revenue growth in the prime broker and cash businesses in North America was offset by weakness in global derivatives and convertibles. Transaction Services revenues net, of interest expense were up 30%

to a record $2.4 billion reflecting double-digit revenue growth across all regions. Customer volumes continued to be strong, with liability balances up 15% and assets under custody up 13%. Treasury and Trade Solutions (TTS) revenues were up 29%, driven by growth in liabilities and increased yields on trade loans. Securities Services improved by 31%, driven by higher volumes and the impact of the Bisys acquisition.

North America revenue growth was primarily driven by the Bisys acquisition. In EMEA, revenues increased 28%, as liability balances grew 25% to a record $110 billion. Latin America revenue growth of 41% reflected growth in TTS liabilities and spreads. In Asia, revenues were up 25%, reflecting double-digit growth in TTS and Securities Services.

Operating expenses increased 6% in Securities and Banking, due to a $257 million repositioning charge and the absence of a $300 million release of litigation reserves recorded in the prior-year period. Expense growth also reflected the impact of recent acquisitions, partially offset by a decline in compensation costs. Transaction Services expenses grew 22%, primarily driven by increased investment spending, higher business volumes, and the Bisys acquisition.

The *provision for credit losses* in Securities and Banking increased, reflecting a $386 million increase in net credit losses mainly associated with loan sales. Credit costs were also driven by an incremental net charge of $227 million to increase loan reserves, reflecting a deterioration in leading indicators of losses in the corporate loan portfolio. Transaction Services credit costs increased $24 million, mainly due to higher net credit losses, and a $16 million incremental charge to increase loan loss reserves.

On June 12, 2008, Citigroup announced the restructuring of Old Lane and its multi-strategy hedge fund (the "Fund") in anticipation of redemptions by all unaffiliated, non-Citigroup employee investors. Old Lane may establish single-strategy funds with future offerings designed to meet client demand as part of the ICG client platform or take other actions related to Old Lane assets. To accomplish this restructuring, Citigroup purchased substantially all of the assets of the Fund at fair value on June 30, 2008. The fair value of assets purchased from the Fund was approximately $6 billion at June 30, 2008.

2008 YTD vs. 2007 YTD

Revenues, net of interest expense, were negative in Securities and Banking due to substantial write-downs and losses related to the fixed income and credit markets. Included in this decrease were $9.3 billion of write-downs on subprime-related direct exposure, $3.5 billion of write-downs (net of underwriting fees) on funded and unfunded highly leveraged finance commitments, $3.9 billion of downward credit market value adjustments related to exposure to monoline insurers, $1.3 billion write-downs on Alt-A mortgage securities, net of hedges, $1.1 billion write-downs on commercial real estate exposures, and $1.3 billion of write-downs on auction rate securities inventory, due to failed auctions predominantly in the first quarter of 2008 and deterioration in the credit markets. Transaction Services revenues grew 36%, with double-digit growth in Treasury & Trade Solutions and Securities Services driven by strong growth in customer liability balances and assets under custody.

Operating expenses grew 23% in Transaction Services due to increased investment spending, business volumes, and the acquisition of The Bisys Group. Expenses increased by 7% in Securities and Banking due to $563 million of repositioning charges and the absence of a litigation reserve release recorded in the prior year offset partially by a decrease in compensation costs.

The *provision for credit losses* in Securities and Banking increased, primarily from a $512 million increase in net credit losses partially due to loan sales. Transaction Services credit costs increased, mainly due to a charge to increase loan loss reserves.

GLOBAL WEALTH MANAGEMENT

In millions of dollars	Second Quarter 2008	Second Quarter 2007	% Change	Six Months 2008	Six Months 2007	% Change
Net interest revenue	**$ 599**	$ 526	14%	**$ 1,169**	$ 1,055	11%
Non-interest revenue	**2,716**	2,671	2	**5,425**	4,960	9
Revenues, net of interest expense	**$ 3,315**	$ 3,197	4%	**$ 6,594**	$ 6,015	10%
Operating expenses	**2,634**	2,461	7	**5,430**	4,564	19
Provision for credit losses and for benefits and claims	**40**	12	NM	**61**	29	NM
Income before taxes and minority interest	**$ 641**	$ 724	(11)%	**$ 1,103**	$ 1,422	(22)%
Income taxes (benefits)	**232**	197	18	**391**	447	(13)
Minority interest, net of taxes	**4**	15	(73)	**13**	15	(13)
Net income	**$ 405**	$ 512	(21)%	**$ 699**	$ 960	(27)%
Average assets *(in billions of dollars)*	**$ 110**	$ 78	41%	**$ 109**	$ 72	51%
Return on assets	**1.47%**	2.63%		**1.28%**	2.67%	
Revenues, net of interest expense, by region:						
North America	**$ 2,427**	$ 2,441	(1)%	**$ 4,803**	$ 4,826	
EMEA	**153**	137	12	**323**	245	32%
Latin America	**102**	92	11	**202**	183	10
Asia	**633**	527	20	**1,266**	761	66
Total revenues	**$ 3,315**	$ 3,197	4%	**$ 6,594**	$ 6,015	10%
Net income by region:						
North America	**$ 309**	$ 334	(7)%	**$ 474**	$ 695	(32)%
EMEA	**20**	46	(57)	**46**	53	(13)
Latin America	**15**	29	(48)	**41**	44	(7)
Asia	**61**	103	(41)	**138**	168	(18)
Total net income	**$ 405**	$ 512	(21)%	**$ 699**	$ 960	(27)%
Key Indicators						
Average loans *(in billions)*	**$ 65**	$ 51	27%			
Average deposits and other customer liability balances *(in billions)*	**$ 127**	$ 113	12%			
Offices	**848**	872	(3)			
Total client assets *(in billions)*	**$ 1,662**	$ 1,788	(7)%			
Clients assets under fee-based management *(in billions)*	**469**	509	(8)			

NM
Not meaningful

2Q08 vs. 2Q07

Revenues, net of interest expense, increased 4% primarily due to the impact of the Nikko Cordial acquisition, an increase in *EMEA* Banking revenues and an increase in *Latin America* Capital Markets, partially offset by a slowdown in *Asia* Capital Markets, lower discretionary investment revenue and lower Capital Markets in *North America*.

Total client assets, including assets under fee-based management, decreased $126 billion, or 7%, mainly reflecting the impact of *North America* market declines in June. Net flows declined compared to the prior year, to ($11) billion. GWM had 14,983 financial advisors/bankers as of June 30, 2008, compared with 15,595 as of June 30, 2007, driven by attrition in *North America* and *Asia*, as well as the elimination of low performing bankers and advisors.

Operating expenses increased 7% primarily due to the impact of Nikko Cordial and repositioning charges, which were partly offset by expense discipline and the impact of reengineering projects.

The *provision for credit losses* increased by $28 million, which represents building of loan loss reserves, primarily for mortgages and for lending to address client liquidity needs related to their auction rate securities holdings in *North America*.

Income taxes increased reflecting the absence of a $65 million tax benefit due to the initial application of APB23 to certain foreign subsidiaries in the prior year.

2008 YTD vs. 2007 YTD

Revenues, net of interest expense, increased 10% primarily due to the impact of the Nikko Cordial acquisition, an increase in *EMEA* Banking and Capital Markets revenues, and an increase in *Latin America* Capital Markets, partially offset by lower Capital Markets revenue in *Asia* and *North America*.

Operating expenses increased 19% primarily due to the impact of acquisitions, a reserve of $250 million in the first quarter of 2008 related to an offer to facilitate the liquidation of investments in a Citi-managed fund for its clients, and repositioning charges.

The *provision for credit losses* increased by $32 million, reflecting reserve builds and $9 million of write-offs in Asia. The reserve builds were for mortgages and for lending to address client liquidity needs related to their auction rate securities holdings in *North America*.

CORPORATE/OTHER

	Second Quarter		Six Months	
In millions of dollars	**2008**	**2007**	**2008**	**2007**
Net interest revenue	**$ (235)**	$ (116)	**$ (396)**	$ (153)
Non-interest revenue	**(724)**	(145)	**(612)**	(91)
Revenues, net of interest expense	**$ (959)**	$ (261)	**$ (1,008)**	$ (244)
Operating expense		164	**105**	1,581
Provision for loan losses		(2)		(2)
(Loss) before taxes and minority interest	**$ (959)**	$ (423)	**$ (1,113)**	$ (1,823)
Income taxes (benefits)	**(612)**	(140)	**(330)**	(629)
Minority interest, net of taxes	**(2)**		**(1)**	1
Loss from continuing operations	**$ (345)**	$ (283)	**$ (782)**	$ (1,195)
Income (loss) from discontinued operations, net of tax	**$ (278)**	$ 83	**$ (266)**	$ 127
Net loss	**$ (623)**	$ (200)	**$ (1,048)**	$ (1,068)

2Q08 vs. 2Q07

Revenues, net of interest expense, decreased primarily due to inter-company transaction costs related to recent capital raises and the sale of CitiCapital. Additionally, higher funding costs primarily related to an increase in non-earning assets, as well as enhancements in Citigroup's liquidity position.

Operating expenses, decreased primarily due to lower repositioning charges and SFAS 123R related expenses.

Income taxes (benefits) increased due to lower taxes held at Corporate.

2008 YTD vs. 2007 YTD

Revenues, net of interest expense, decreased primarily due to higher funding costs primarily related to an increase in the deferred tax asset and the enhancement of the liquidity position. Additionally, inter-company transaction costs related to recent capital raises and the sale of CitiCapital, mark-to-market losses on Nikko Cordial equity holdings, as well as the absence of a prior-year gain on the sale of certain corporate-owned assets, contributed to the decline in revenues.

Operating expenses, excluding the 2007 first quarter repositioning charge of $1,377 million, decreased primarily due to lower SFAS 123R related expenses.

Income taxes (benefits) decreased due to higher taxes held at Corporate.

REGIONAL DISCUSSIONS

The following are the four regions in which Citigroup operates. The regional results are fully reflected in the previous segment discussions.

NORTH AMERICA

	Second Quarter			Six Months		
In millions of dollars	2008	2007	% Change	2008	2007	% Change
Net interest revenue	**$ 7,180**	$ 5,676	26%	**$ 13,871**	$ 10,922	27%
Non-interest revenue	**551**	8,313	(93)	**(3,760)**	17,162	NM
Total Revenues, net of interest expense	**$ 7,731**	$ 13,989	(45)%	**$ 10,111**	$ 28,084	(64)%
Total operating expenses	**8,146**	7,352	11	**16,423**	15,068	9
Provisions for credit losses and for benefits and claims	**$ 4,921**	$ 1,500	NM	**$ 8,810**	$ 3,029	NM
Income (loss) before taxes and minority interest	**$ (5,336)**	$ 5,137	NM	**$ (15,122)**	$ 9,987	NM
Income taxes (benefits)	**(2,070)**	1,674	NM	**(6,235)**	3,250	NM
Minority interest, net of tax	**51**	66	(23)%	**16**	96	(83)%
Net income (loss)	**$ (3,317)**	$ 3,397	NM	**$ (8,903)**	$ 6,641	NM
Average assets *(in billions of dollars)*	**$ 1,328**	$ 1,215	9%	**$ 1,309**	$ 1,186	10%
Return on assets	**(1.00)%**	1.12%		**(1.37)%**	1.13%	
Key Drivers *(in billions of dollars, except branches)*						
Average Loans	**$ 431.8**	$ 395.8	9%			
Average Consumer Banking Loans	**305.1**	286.0	7			
Average deposits (and other consumer liability balances)	**251.8**	244.3	3			
Branches/offices	**4,230**	4,132	2			

NM Not meaningful

2Q08 vs. 2Q07

Total revenues decreased 45%. *Net Interest Revenue* was 26% higher than the prior year primarily driven by growth in average loans of 9% and average deposits of 3%. In addition, lower funding costs resulted in higher spreads during the quarter. *Non-Interest Revenue* decreased 93% primarily due to Securities and Banking's substantial write-downs and losses related to the credit markets. These included write-downs on subprime-related direct exposures, downward credit value adjustments related to exposure to Monoline insurers, and write-downs on commercial real estate positions. Negative revenues were partially offset by strong revenues in interest rate and currency trading, and commodities, as well as a $197 million gain on auction rate securities inventory. Consumer Banking's $745 million net loss from the MSR-related MTM and lower securitization results in Global Cards also impacted revenues in the quarter. Global Cards results also include a $170 million pretax gain on the Upromise Cards Portfolio sale and $29 million pretax gain on the sale of DCI during the second quarter of 2008.

Operating expenses increased 11% primarily due to repositioning charges, acquisitions and the absence of a $300 million release of litigation reserves recorded in the prior-year period.

Provisions for credit losses and for benefits and claims increased $3.4 billion, driven predominantly by Global Cards and Consumer Banking. Global Cards credit costs increased $345 million, driven by higher net credit losses, up $234 million or 52%, and a higher loan loss reserve build, up $111 million or 50%. Higher credit costs reflected higher business volumes, as well as a weakening of leading credit indicators, trends in the macro-economic environment, including the housing market downturn, higher fuel costs, rising unemployment trends, and higher bankruptcy filings. The net credit loss ratio increased by 215 basis points to 6.46%. Consumer banking credit costs increased by $2.6 billion, due to higher net credit losses, up $1.1 billion, and a $1.5 billion incremental pretax charge to increase loan loss reserves. Higher credit costs reflected a weakening of leading credit indicators, including higher delinquencies in first and second mortgages, and unsecured personal loans, as well as trends in the macro-economic environment, including the housing market downturn. The net credit loss ratio increased 146 basis points to 2.33%. In the ICG, Securities and Banking increased, reflecting higher net credit losses mainly associated with loan sales and increases to loan reserves, reflecting a slight deterioration in leading indicators of losses in the corporate loan portfolio.

2008 YTD vs. 2007 YTD

Total revenues decreased 64%. *Net Interest Revenue* was 27% higher than the prior year primarily driven by growth in average loans of 12% and average deposits of 7%. In addition, lower funding costs resulted in higher spreads during the first half of 2008. *Non-Interest Revenue* decreased $20.9 billion driven by substantial write-downs and losses related to the fixed income and credit markets in Securities and Banking. In Global Cards a 6% revenue decline was driven by lower securitization revenues as well as by the absence of a prior-year $212 million gain on sale of MasterCard shares. This decrease was partially offset by a $349 million pretax gain on the IPO of Visa shares in 1Q08, and pretax gains in 2Q08 of $170 million on the Upromise Cards Portfolio sale and $29 million on the sale of DCI. In Consumer Banking, revenue was negatively impacted by the loss from the MSR-related MTM.

Operating expenses increased 9%, reflecting repositioning charges, the impact of acquisitions, and the absence of a prior year litigation reserve release in Securities and Banking, offset by a partial release of the Visa-related litigation reserve in the first quarter 2008.

Provisions for credit losses and for benefits and claims increased $5.8 billion. Global Cards credit costs increased $818 million, driven by higher net credit losses, up $363 million or 39%, and a higher loan loss reserve build, up $455 million. Higher credit costs reflected higher business volumes, as well as a weakening of leading credit indicators, trends in the macro-economic environment, including the housing market downturn, higher fuel costs, rising unemployment trends, and higher bankruptcy filings, as well as the continued acceleration in the rate at which delinquent customers advanced to write-off. Consumer banking credit costs increased by $4.4 billion, due to higher net credit losses, up $2.1 billion, and a $2.3 billion incremental pretax charge to increase loan loss reserves. Higher credit costs reflected a weakening of leading credit indicators, including higher delinquencies in first and second mortgages, and unsecured personal loans, as well as trends in the macro-economic environment, including the housing market downturn. In the ICG, Securities and Banking increased, reflecting higher net credit losses mainly associated with loan sales and increases to loan reserves, reflecting a slight deterioration in leading indicators of losses in the corporate loan portfolio.

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EMEA

In millions of dollars	Second Quarter 2008	Second Quarter 2007	% Change	Six Months 2008	Six Months 2007	% Change
Net interest revenue	**$ 2,707**	$ 2,139	27%	**$ 5,142**	$ 3,852	33%
Non-interest revenue	**1,134**	2,610	(57)	**865**	5,279	(84)
Total Revenues, net of interest expense	**$ 3,841**	$ 4,749	(19)%	**$ 6,007**	$ 9,131	(34)%
Total operating expenses	**3,187**	3,057	4	**6,555**	5,908	11
Provisions for credit losses and for benefits and claims	**$ 699**	$ 353	98	**$ 1,279**	$ 915	40
Income (loss) before taxes and minority interest	**$ (45)**	$ 1,339	NM	**$ (1,827)**	$ 2,308	NM
Income taxes (benefits)	**(81)**	322	NM	**(824)**	495	NM
Minority interest, net of tax	**21**	25	(16)%	**42**	42	
Net income (loss)	**$ 15**	$ 992	(98)%	**$ (1,045)**	$ 1,771	NM
Average assets *(in billions of dollars)*	**$ 393**	$ 423	(7)%	**$ 423**	$ 395	7%
Return on assets	**0.02%**	0.94%		**(0.50)%**	0.90%	
Key Drivers *(in billions of dollars, except branches)*						
Average Loans	**$ 140.1**	$ 130.4	7%			
Average Consumer Banking Loans	**42.5**	36.0	18			
Average deposits (and other consumer liability balances)	**$ 178.5**	$ 149.6	19			
Branches/offices	**1,055**	1,051				

NM Not meaningful

2Q08 vs. 2Q07

Total Revenues decreased 19% largely driven by continued write-downs in Securities and Banking. Excluding Securities and Banking, revenues were up 22%.

In Global Cards, revenues increased by 29% to $652 million, driven by higher purchase sales and average loans, up 27% and 42%, respectively, together with a portion of the gain on the sale of DCI. Consumer Banking revenues increased by 16% to $1.3 billion, driven by strong growth in average loans and deposit growth of 18% and 19%, respectively, and improved net interest margin. In the ICG, Securities and Banking revenues were down 62% from the 2007 second quarter to $871million, due to write-downs on highly leveraged finance commitments and lower revenue in equity markets and underwriting as well as advisory services. Revenues also reflected strong results in local markets sales and trading, primarily driven by high client revenue and strong trading performance. Transaction Services revenues increased 28% to $869 million reflecting increased customer volumes with liability balances up 25%. Revenues in GWM grew by 12% to $153 million primarily driven by an increase in banking revenues. GWM average loans grew 37% while client assets, including assets under fee-based management, decreased by 9% primarily due to market actions as well as net flows. The impact of fx translation also contributed to revenue growth for *EMEA*.

Operating Expenses were up 4%, primarily due to repositioning charges in the current quarter and the impact of acquisitions and fx translations. Sequentially expenses declined by 5%, due to a decline in incentive compensation, the benefits from reengineering efforts and expense management.

Provisions for credit losses and for benefits and claims increased 98%. The increase was primarily driven by losses associated with loan sales in Securities and Banking, higher Card customer volumes, some deterioration in western European countries, the impact of the Egg acquisition and higherloan loss reserve builds.

Taxes increased reflecting the absence of a $96 million tax benefit due to the initial application of APB23 to certain foreign subsidiaries recorded in the prior year. The impact of fx translation contributed to expense growth for the region

2008 YTD vs. 2007 YTD

Revenues were down 34% due to write-downs in Securities and Banking, partially offset by double-digit growth across all other businesses, the impact of recent acquisitions and fx translation.

Global Cards revenues increased by 44% to $1.3 billion, driven by double-digit growth in purchase sales and average loans, and the impact of the Egg acquisition. Revenues in Consumer Banking increased by 16% to $2.5 billion, driven by strong growth in average loans, deposit growth, improved net interest margin and the impact of the Egg acquisition. In ICG, Securities and Banking revenue of $191 million was down from a record first half last year, due to write downs on subprime-related direct exposures in the first quarter of 2008 and highly leveraged finance commitments. Revenues in Securities and Banking also included a strong performance in fixed income emerging markets.

Transaction Services revenues increased by 32% to a record $1,682 million driven by customer volumes and deposit growth. Revenues in GWM grew by 32% to $323 million primarily driven by an increase in banking revenues and the impact of the recent acquisition of Quilter and fx translation.

Operating Expenses were up 11% primarily due to the impact of recent organizational and repositioning charges included in the first six months of 2008, the impact of acquisitions, partially offset by a decline in incentive compensation and the benefits from reengineering efforts and fx translation.

Provisions for credit losses and for benefits and claims increased 40% primarily due to an increase in net credit losses as well as the Egg acquisition.

LATIN AMERICA

	Second Quarter			Six Months		
In millions of dollars	**2008**	**2007**	**% Change**	**2008**	**2007**	**% Change**
Net interest revenue	**$ 2,169**	$ 1,776	22%	**$ 4,184**	$ 3,279	28%
Non-interest revenue	**1,275**	1,287	(1)	**3,196**	2,653	20
Total Revenues, net of interest expense	**$ 3,444**	$ 3,063	12%	**$ 7,380**	$ 5,932	24%
Total operating expenses	**1,822**	1,653	10	**3,309**	3,132	6
Provisions for credit losses and for benefits and claims	**$ 785**	$ 352	NM	**$ 1,566**	$ 667	NM
Income before taxes and minority interest	**$ 837**	$ 1,058	(21)%	**$ 2,505**	$ 2,133	17%
Income taxes	**178**	270	(34)	**650**	560	16
Minority interest, net of tax	**1**	1		**2**	1	100
Net income	**$ 658**	$ 787	(16)%	**$ 1,853**	$ 1,572	18%
Average assets *(in billions of dollars)*	**$ 159**	$ 144	10%	**$ 156**	$ 137	14%
Return on assets	**1.66%**	2.19%		**2.39%**	2.31%	
Key Drivers *(in billions of dollars, except branches)*						
Average Loans	**$ 62.1**	$ 54.8	13%			
Average Consumer Banking Loans	**15.6**	13.1	19			
Average deposits (and other consumer liability balances)	**$ 70.3**	$ 59.1	19			
Branches/offices	**2,646**	2,638				

NM
Not meaningful

2Q08 vs. 2Q07

Total Revenues were 12% higher than the prior year, driven by 13% growth in average loans, 29% growth in cards purchase sales, 19% growth in total deposits. The increases were partially offset by a 2% decrease in Securities and Banking due to write-downs and losses related to fixed income and credit markets and a $40 million reduction in revenues from a Chile divestiture. The impact of fx translation also contributed to the increase in revenues.

Operating expenses grew 10% primarily driven by volume growth, higher expenses in collection and legal costs, and acquisitions completed later in 2007. The impact of fx translation also contributed to the increase in expenses.

Provisions for credit losses and for benefits and claims increased $433 million, primarily reflecting asset deterioration, volume growth, and $124 million of net recoveries in the prior-year period.

2008 YTD vs. 2007 YTD

Total Revenue was 24% higher than the prior year, reflecting 2008 first quarter figures which included a $663 million gain from the Redecard sale, growth of 21% in average loans, 35% in cards purchase sales, and 25% in total deposits. The increases were partially offset by a 5% decrease in Securities and Banking due to write-downs and losses related to fixed income and credit markets. The impact of fx translation also contributed to the increase in revenues.

Operating expense growth of 6% was primarily driven by acquisitions, volume growth and higher collection and legal costs, partially offset by a $282 million benefit related to a legal vehicle repositioning in Mexico. The impact of fx translation also contributed to the increase in expenses.

Provisions for credit losses and for benefits and claims increased $899 million primarily reflecting a legacy portfolio sale in 2007, asset deterioration, and volume growth.

ASIA

In millions of dollars	Second Quarter 2008	Second Quarter 2007	% Change	Six Months 2008	Six Months 2007	% Change
Net interest revenue (NIR)	**$ 2,484**	$ 1,920	29%	**$ 4,903**	$ 4,023	22%
Non-interest revenue	**2,111**	2,870	(26)	**4,279**	4,588	(7)
Total Revenues, net of interest expense	**$ 4,595**	$ 4,790	(4)%	**$ 9,182**	$ 8,611	7%
Total operating expenses	**2,788**	2,465	13	**5,622**	4,374	29
Provisions for credit losses and for benefits and claims	**$ 781**	$ 508	54%	**$ 1,508**	$ 1,051	43%
Income before taxes and minority interest	**$ 1,026**	$ 1,817	(44)%	**$ 2,052**	$ 3,186	(36)%
Income taxes	**250**	533	(53)	**523**	830	(37)
Minority interest, net of tax	**4**	34	(88)	**(8)**	34	NM
Net income	**$ 772**	$ 1,250	(38)%	**$ 1,537**	$ 2,322	(34)%
Average assets						
(in billions of dollars)	**$ 354**	$ 298	19%	**$ 359**	$ 274	31%
Return on assets	**0.88%**	1.68%		**0.86%**	1.71%	
Consumer Finance Japan (CFJ) NIR	**$ 173**	$ 344	(50)%	**$ 437**	$ 759	(42)%
Asia excluding CFJ NIR	**$ 2,311**	$ 1,576	47%	**$ 4,466**	$ 3,264	37%
CFJ Operating Expenses	**$ 101**	$ 102	(1)%	**$ 196**	$ 228	(14)%
Asia excluding CFJ Operating Expenses	**$ 2,687**	$ 2,363	14%	**$ 5,426**	$ 4,146	31%
CFJ Net Income	**$ (154)**	(40)	NM	**$ (240)**	$ (38)	NM
Asia excluding CFJ Net Income	**$ 926**	1,290	(28)%	**$ 1,777**	$ 2,360	(25)%
Key Drivers						
(in billions of dollars, except branches)						
Average Loans	**$ 134.2**	$ 123.7	8%			
Average Consumer Banking Loans	**51.6**	45.3	14			
Average deposits (and other consumer liability balances)	**$ 212.8**	$ 186.1	14			
Branches/offices	**1,217**	1,252	(3)			

NM
Not meaningful

2Q08 vs. 2Q07

Asia revenues decreased 4%. *Net Interest Revenue* increased 29%. Cards growth of 18% was driven by 21% growth in purchase sales and 27% growth in average loans. Consumer Banking grew by 16%, driven by 14% growth in average loans and 10% growth in deposits. Transaction Services exhibited strong growth across all products resulting in 25% growth. Securities and Banking grew $473 million, reflecting higher dividends, fx translation, and acquisitions. *Non-Interest Revenue* decreased 26%, as Securities and Banking suffered from continued market volatility and declining valuations. Outside of Securities and Banking, non-interest revenue increased 18% with strong growth in Cards, Transaction Services and Wealth Management, partially offset by lower Investment Sales in Banking and Wealth Management. Results included a $31 million gain on the sale of DCI.

Operating Expenses increased 13% primarily driven by the impact of acquisitions and fx translation and repositioning charges.

Provisions for credit losses and for benefits and claims increased 54% primarily driven by a $147 million pretax charge to increase loan loss reserves. Higher credit costs were due to a combination of portfolio growth and some deterioration in the macroeconomic environment, including India Consumer Banking.

Asia Excluding CFJ

As disclosed in the table above, NIR excluding CFJ increased 47% and 37% in the 2008 second quarter and year-to-date periods, respectively. *Operating Expense* excluding CFJ increased 14% and 31%, and Net income excluding CFJ decreased 28% and 25%, respectively.

2008 YTD vs. 2007 YTD

Asia revenues increased 7%. *Net Interest Revenue* increased 22%. Cards growth of 23% was driven by 24% growth in purchase sales and 28% growth in average loans. Consumer Banking grew by 21%, driven by growth of 17% in average loans and 12% growth in deposits. Transaction Services exhibited strong growth across all products resulting in 34% growth. Securities and Banking grew $513 million, reflecting higher dividend revenue, fx translation, and acquisitions. *Non-Interest Revenue* decreased 7% as Securities and Banking suffered from continued market volatility and declining valuations. Outside of Securities and Banking, non-interest revenue increased 39% with strong growth in Cards, Transaction Services and Wealth Management, partially offset by lower Investment Sales in Banking and Wealth Management. Results included a $31 million gain on the sale of DCI and an $81 million gain on the IPO of Visa shares, partially offset by a $21 million gain on the sale of MasterCard shares in the prior-year period.

Operating Expense increased 29% primarily driven by the impact of acquisitions, fx translation and repositioning charges.

Provisions for credit losses and for benefits and claims increased 43% primarily driven by a $214 million incremental pretax charge to increase loan loss reserves, increased credit costs in India Consumer Banking, acquisitions and portfolio growth.

MANAGING GLOBAL RISK

Citigroup's risk management framework balances strong corporate oversight with well-defined independent risk management functions for each business and region, as well as cross-business product expertise. The Citigroup risk management policies and practices are described in Citigroup's 2007 Annual Report on Form 10-K.

DETAILS OF CREDIT LOSS EXPERIENCE

In millions of dollars	2nd Qtr.(1) 2008	1st Qtr.(1) 2008	4th Qtr.(1) 2007	3rd Qtr.(1) 2007	2nd Qtr.(1) 2007
Allowance for loan losses at beginning of period	**$ 18,257**	$ 16,117	$ 12,728	$ 10,381	$ 9,510
Provision for loan losses					
Consumer	**$ 6,346**	$ 5,456	$ 6,516	$ 4,608	$ 2,571
Corporate	**724**	245	882	154	(58)
	$ 7,070	$ 5,701	$ 7,398	$ 4,762	$ 2,513
Gross credit losses					
Consumer					
In U.S. offices	**$ 2,599**	$ 2,325	$ 1,895	$ 1,364	$ 1,238
In offices outside the U.S.	**1,996**	1,851	1,602	1,617	1,348
Corporate					
In U.S. offices	**346**	40	596	20	20
In offices outside the U.S.	**36**	97	169	74	30
	$ 4,977	$ 4,313	$ 4,262	$ 3,075	$ 2,636
Credit recoveries					
Consumer					
In U.S. offices	**$ 148**	$ 172	$ 162	$ 160	$ 165
In offices outside the U.S.	**381**	329	343	279	347
Corporate					
In U.S. offices	**24**	3	15	1	9
In offices outside the U.S.	**1**	33	55	59	80
	$ 554	$ 537	$ 575	$ 499	$ 601
Net credit losses					
In U.S. offices	**$ 2,773**	$ 2,190	$ 2,314	$ 1,223	$ 1,084
In offices outside the U.S.	**1,650**	1,586	1,373	1,353	951
Total	**$ 4,423**	$ 3,776	$ 3,687	$ 2,576	$ 2,035
Other net(2)(3)(4)(5)(6)	**$ (127)**	$ 215	$ (322)	$ 161	$ 393
Allowance for loan losses at end of period	**$ 20,777**	$ 18,257	$ 16,117	$ 12,728	$ 10,381
Allowance for unfunded lending commitments(7)	**$ 1,107**	$ 1,250	$ 1,250	$ 1,150	$ 1,100
Total allowance for loan losses and unfunded lending commitments	**$ 21,884**	$ 19,507	$ 17,367	$ 13,878	$ 11,481
Net consumer credit losses	**$ 4,066**	$ 3,675	$ 2,992	$ 2,542	$ 2,074

In millions of dollars	2nd Qtr.(1) 2008	1st Qtr.(1) 2008	4th Qtr.(1) 2007	3rd Qtr.(1) 2007	2nd Qtr.(1) 2007
As a percentage of average consumer loans	**2.82%**	2.54%	2.08%	1.86%	1.60%
Net corporate credit losses/(recoveries)	**$ 357**	$ 101	$ 695	$ 34	$ (39)
As a percentage of average corporate loans	**0.19%**	0.05%	0.34%	0.02%	NM

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

(2) The second quarter of 2008 primarily includes reductions to the credit loss reserves of $21 million related to securitizations, reductions of $156 million related to the sale of CitiCapital and additions of $56 million related to purchase price adjustments for the Grupo Cuscatlan acquisition.

(3) The first quarter of 2008 primarily includes reductions to the credit loss reserves of $58 million related to securitizations, additions of $50 million related to the BOOC acquisition and additions of $217 related to fx translation.

(4) The fourth quarter of 2007 primarily includes reductions to the credit loss reserves of $150 million related to securitizations and $7 million related to transfers to loans held-for-sale, reductions of $151 million related to purchase price adjustments to the Egg Bank acquisition and reductions of $83 million related to the transfer of the U.K. CitiFinancial portfolio to Loans held-for-sale.

(5) The third quarter of 2007 primarily includes additions related to purchase accounting adjustments related to the acquisition of Grupo Cuscatlan of $181 million offset by reductions of $73 million related to securitizations.

(6) The second quarter of 2007 primarily includes additions to the loan loss reserve of $505 million related to the acquisition of Egg and Nikko Cordial, partially offset by reductions of $70 million related to securitizations and $77 million related to a balance sheet reclassification to Loans held-for-sale in the U.S. Cards portfolio.

(7) 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

Consumer Loan Balances, Net of Unearned Income

In billions of dollars	End of Period Jun. 30, 2008	End of Period Mar. 31,(1) 2008	End of Period Jun. 30,(1) 2007	Average 2nd Qtr. 2008	Average 1st Qtr.(1) 2008	Average 2nd Qtr.(1) 2007
On-balance sheet(2)	**$ 567.3**	$ 578.5	$ 529.6	**$ 580.5**	$ 581.2	$ 521.2
Securitized receivables (all in *North America Cards*)	**111.0**	109.5	101.1	**107.4**	105.8	97.5
Credit card receivables held-for-sale(3)		0.9	2.9	**1.0**	1.0	3.3
Total managed(4)	**$ 678.3**	$ 688.9	$ 633.6	**$ 688.9**	$ 688.0	$ 622.0

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

(2) Total loans and total average loans exclude certain interest and fees on credit cards of approximately $3 billion and $2 billion for the second quarter of 2008, approximately $2 billion and $2 billion for the first quarter of 2008 and approximately $2 billion and $2 billion for the second quarter of 2007, respectively, which are included in Consumer Loans on the Consolidated Balance Sheet.

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

(4) This table presents loan information on a held basis and shows the impact of securitizations to reconcile to a managed basis. 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 are consistent with the way management reviews operating performance and allocates resources. Held-basis reporting is the related GAAP measure.

Citigroup's total allowance for loans, leases and unfunded lending commitments of $21.9 billion is available to absorb probable credit losses inherent in the entire portfolio. For analytical purposes only, the portion of Citigroup's allowance for loan losses attributed to the Consumer portfolio was $16.5 billion at June 30, 2008, $14.4 billion at March 31, 2008 and $7.2 billion at June 30, 2007. The increase in the allowance for loan losses from June 30, 2007 of $9.3 billion included net builds of $9.6 billion.

The builds consisted of $9.5 billion in Consumer ($7.8 billion in *North America* and $1.7 billion in regions outside of *North America*) and $123 million in Global Wealth Management.

The build of $7.8 billion in *North America* Consumer primarily reflects an increase in the losses embedded in the portfolio as a result of weakening leading credit indicators, including increased delinquencies on first and second mortgages, unsecured personal loans, credit cards, and auto loans. Also, the build reflected trends in the U.S. macro-economic environment, including the housing market downturn rising, unemployment rates and portfolio growth. The build of $1.7 billion in regions outside of *North America* Consumer primarily reflects portfolio growth and the impact of recent acquisitions and credit deterioration in certain countries.

On-balance-sheet consumer loans of $567.3 billion increased $37.7 billion, or 7%, from June 30, 2007, primarily driven by *EMEA, Latin America and Asia Cards, Consumer Banking* and *Global Wealth Management*. 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 macroeconomic and regulatory policies.

EXPOSURE TO U.S. RESIDENTIAL REAL ESTATE IN SECURITIES AND BANKING

Subprime-Related Direct Exposure in Securities and Banking

The following table summarizes Citigroup's U.S. subprime-related direct exposures in Securities and Banking (S&B) at June 30, 2008 and March 31, 2008:

In billions of dollars	March 31, 2008 exposures	Second quarter 2008 write-downs	Second quarter 2008 sales/transfers(1)	June 30, 2008 exposures
Direct ABS CDO Super Senior Exposures:				
Gross ABS CDO Super Senior Exposures (A)	$ 33.2			$ 27.9
Hedged Exposures (B)	10.5			9.8
Net ABS CDO Super Senior Exposures:				
ABCP/CDO	$ 16.8	$ (2.0)	$ (0.4)	$ 14.4
High grade	3.8	(1.3)(2)	(0.5)	2.0
Mezzanine	2.0	0.1(2)	(0.5)	1.6
ABS CDO-squared	0.1	0.0	(0.0)	0.2
Total Net Direct ABS CDO Super Senior Exposures (A-B)=(C)	$ 22.7	$ (3.2)(3)	$ (1.5)(4)	$ 18.1
Lending & Structuring Exposures:				
CDO warehousing/unsold tranches of ABS CDOs	$ 0.2	$ (0.0)	$ (0.1)	$ 0.1
Subprime loans purchased for sale or securitization	3.6	(0.3)	(0.6)	2.8
Financing transactions secured by subprime	2.6	(0.1)(2)	(1.0)	1.5
Total Lending and Structuring Exposures (D)	$ 6.4	$ (0.3)	$ (1.7)	$ 4.3
Total Net Exposures C+D(5)	$ 29.1	$ (3.5)	$ (3.2)	$ 22.5
Credit Adjustment on Hedged Counterparty Exposures (E)(6)		$ (2.4)		
Total Net Write-Downs (C+D+E)		$ (5.9)		

Note: Table may not foot or cross-foot due to roundings

(1) Reflects sales, transfers, repayment of principal and liquidations.

(2) Includes $80 million recorded in credit costs.

(3) Includes losses associated with liquidations and decline in value from March 31, 2008 to dates of liquidation.

(4) A portion of the underlying securities were repurchased in liquidations of two CDOs and are reported as Trading Account Assets. Some of these repurchased securities have already been resold, and as of June 30, 2008, the remaining balance was $319 million.

(5) Composed of net CDO super senior exposures and gross Lending and Structuring exposures.

(6)

SFAS 157 adjustment related to counterparty credit risk.

Subprime-Related Direct Exposure in Securities and Banking

The Company had approximately $22.5 billion in net U.S. subprime-related direct exposures in its Securities and Banking business at June 30, 2008.

The exposure consisted of (a) approximately $18.1 billion of net exposures in the super senior tranches (i.e., most senior tranches) of collateralized debt obligations which are collateralized by asset-backed securities, derivatives on asset-backed securities or both (ABS CDOs), and (b) approximately $4.4 billion of subprime-related exposures in its lending and structuring business.

Direct ABS CDO Super Senior Exposures

The net $18.1 billion in ABS CDO super senior exposures as of June 30, 2008 is collateralized primarily by subprime residential mortgage-backed securities (RMBS), derivatives on RMBS or both. These exposures include $14.4 billion in commercial paper (ABCP) issued as the super senior tranches of ABS CDOs and approximately $3.7 billion of other super senior tranches of ABS CDOs.

Citigroup's CDO super senior subprime direct exposures, $18.1 billion at June 30, 2008, are Level 3 assets and are subject to valuation based on significant unobservable inputs. Accordingly, fair value of these exposures is based on estimates of future cash flows from the mortgage loans underlying the assets of the ABS CDOs. To determine the performance of the underlying mortgage loan portfolios, the Company estimates the prepayments, defaults and loss severities based on a number of macro-economic factors, including housing price changes, unemployment rates and interest rates and borrower and loan attributes, such as age, credit scores, documentation status, loan-to-value (LTV) ratios and debt-to-income (DTI) ratios. The model is calibrated using available mortgage loan information including historical loan performance. In addition, the methodology estimates the impact of geographic concentration of mortgages, and the impact of reported fraud in the origination of subprime mortgages. An appropriate discount rate is then applied to the cash flows generated for each super senior ABS CDO tranche, in order to estimate its current fair value.

When necessary, the valuation methodology used by Citigroup is refined and the inputs used for the purposes of estimation are modified, in part, to reflect ongoing market developments. More specifically, the inputs of home price appreciation (HPA) assumptions and delinquency data were updated during the quarter along with discount rates that are based upon a weighted average combination of implied spreads from single name ABS bond prices and ABX indices, as well as CLO spreads.

Consistent with the first quarter of 2008, the second quarter housing-price changes were estimated using a forward-looking projection which incorporates the S&P Case-Shiller Home Price Index. The valuation of the Company's direct ABS CDO super senior exposures as of June 30, 2008 assumes a cumulative decline in U.S. housing prices from peak to trough of 23%. This rate assumes declines of 12% and 3% in 2008 and 2009, respectively, the remainder of the 23% decline having already occurred before the end of 2007. The valuation of the Company's direct ABS CDO super senior exposures as of March 31, 2008 assumed a cumulative decline in U.S. housing prices from peak to trough of 20%, with assumed declines of 8% and 3% in 2008 and 2009, respectively.

In addition, during the first and second quarters of 2008, the discount rates were based on a weighted average combination of the implied spreads from single named ABS bond prices, ABX indices and CLO spreads depending on vintage and asset types.

The primary drivers that currently impact the super senior valuations are the discount rates used to calculate the present value of projected cash flows and projected mortgage loan performance. In valuing its direct ABS CDO super senior exposures, the Company has made its best estimate of the key inputs that should be used in its valuation methodology. However, the size and nature of these positions as well as current market conditions are such that changes in inputs such as the discount rates used to calculate the present value of the cash flows can have a significant impact on the reported value of these exposures. For instance, each 10 basis point change in the discount rate used generally results in an approximate $58 million change in the fair value of the Company's direct ABS CDO super senior exposures as at June 30, 2008. This applies to both decreases in the discount rate (which would increase the value of these assets and reduce write- downs) and increases in the discount rate (which would decrease the value of these assets and increase reported write-downs).

Estimates of the fair value of the CDO super senior exposures depend on market conditions and are subject to further change over time. In addition, while Citigroup believes that the methodology used to value these exposures is reasonable, the methodology is subject to continuing refinement, including those made as a result of market developments. Further, any observable transactions in respect of some or all of these exposures could be employed in the fair valuation process in accordance with and in the manner called for by SFAS 157.

Lending and Structuring Exposures

The $4.4 billion of subprime-related exposures includes approximately $0.1 billion of CDO warehouse inventory and unsold tranches of ABS CDOs, approximately $2.8 billion of actively managed subprime loans purchased for resale or securitization, at a discount to par, during 2007, and approximately $1.5 billion of financing transactions with customers secured by subprime collateral. These amounts represent the fair value as determined using observable inputs and other market data. The majority of the change from the March 31, 2008 balances reflects sales, transfers and liquidations.

Securities and Banking also has trading positions, both long and short, in U.S. subprime RMBS and related products, including ABS CDOs, which are not included in the figures above. The exposure from these positions is actively managed and hedged, although the effectiveness of the hedging products used may vary with material changes in market conditions.

Direct Exposure to Monolines

In its Securities and Banking business, the Company has exposure to various monoline bond insurers listed in the table below ("Monolines") from hedges on certain investments and from trading positions. The hedges are composed of credit default swaps and other hedge instruments. The Company recorded an additional $2.4 billion in credit market value adjustments during the second quarter of 2008 on the market value exposures to the Monolines as a result of widening credit spreads and decline in the value of that hedged exposure.

The following table summarizes the market value of the Company's direct exposures to and the corresponding notional amounts of transactions with the various Monolines as well as the aggregate credit market value adjustment associated with these exposures as of June 30, 2008 and March 31, 2008 in Securities and Banking:

	June 30, 2008		
In millions of dollars	Net Market Value Exposure	Notional Amount of Transactions	Net Market Value Exposure March 31, 2008
Direct Subprime ABS CDO Super Senior:			
A	$ 3,658	$ 5,401	$ 2,946
FGIC	1,260	1,452	1,031
ACA	519	725	531
Radian			

	June 30, 2008		
Subtotal Direct Subprime ABS CDO Super Senior	**$ 5,437**	**$ 7,578**	**$ 4,508**
Trading Assets Subprime:			
A	$ 1,210	$ 1,399	$ 1,207
Trading Assets Subprime	**$ 1,210**	**$ 1,399**	**$ 1,207**
Trading Assets Non Subprime:			
MBIA	$ 1,103	$ 5,273	$ 1,386
FSA	94	1,136	
ACA	122	1,586	122
Assured	51	500	47
Radian	19	150	13
CIFG			9
SCA			1
A	2	1,400	(7)
Trading Assets Non Subprime	**$ 1,391**	**$ 10,045**	**$ 1,571**
Subtotal Trading Assets	**$ 2,601**	**$ 11,444**	**$ 2,778**
Credit Market Value Adjustment	**$ (4,890)**		$ (2,461)
Total Net Market Value Direct Exposure	**$ 3,148**		$ 4,825

As of June 30, 2008 and March 31, 2008, the Company had $9.8 billion notional amount of hedges against its Direct Subprime ABS CDO Super Senior positions. Of that $9.8 billion, $7.6 billion was purchased from Monolines and is included in the notional amount of transactions in the table above. The market value of the hedges provided by the

Monolines against our Direct Subprime ABS CDO Super Senior positions was $5.4 billion as of June 30, 2008 and $4.5 billion as of March 31, 2008.

In addition, there was $2.6 billion and $2.8 billion of market value exposure to Monolines related to our trading assets as of June 30, 2008 and March 31, 2008, respectively. Trading assets include trading positions, both long and short, in U.S. subprime residential mortgage-backed securities (RMBS) and related products, including ABS CDOs. There was $1.4 billion in notional amount of transactions related to subprime trading positions with a market value exposure of $1.2 billion as of June 30, 2008 and March 31, 2008. The notional amount of transactions related to the remaining non-subprime trading assets as of June 30, 2008 was $10.0 billion with a corresponding market value exposure of $1.4 billion. The $10.0 billion notional amount of transactions comprised $2.8 billion primarily in interest rate swaps with a corresponding market value exposure of $14 million. The remaining notional amount of $7.3 billion was in the form of credit default swaps and total return swaps with a market value exposure of $1.4 billion.

The corresponding notional amount of transactions related to the remaining non-subprime trading assets at March 31, 2008 was $14.3 billion with a net market value exposure of $1.6 billion. The $14.3 billion notional amount of transactions comprised $6.1 billion primarily in interest rate swaps with a market value exposure of $40 million. The remaining notional amount of $8.2 billion was in the form of credit default swaps and total return swaps with a market value of $1.5 billion.

The market value exposure, net of payable and receivable positions, represents the market value of the contract as of June 30, 2008 excluding the credit market value adjustment. The notional amount of the transactions, including both long and short positions, is used as a reference value to calculate payments. The credit market value adjustment is a downward adjustment to the market value exposure to a counterparty to reflect the counterparty's creditworthiness in respect of the obligations in question.

Credit market value adjustments are based on credit spreads and on estimates of the terms and timing of the payment obligations of the Monolines. Timing in turn depends on estimates of the performance of the transactions to which the Company's exposure relates, estimates of whether and when liquidation of such transactions may occur and other factors, each considered in the context of the terms of the monolines' obligations. For a further discussion of the use of estimates by the Company, see the Company's 2007 Annual Report on Form 10-K.

The Company has purchased mortgage insurance from various monoline mortgage insurers on first mortgage loans. The notional amount of this insurance protection was approximately $400 million as of June 30, 2008 and approximately $600 million as of March 31, 2008 with nominal pending claims against this notional amount.

In addition, Citigroup has indirect exposure to Monolines in various other parts of its businesses. For example, corporate or municipal bonds in the trading business may be insured by the Monolines. In this case, Citigroup is not a party to the insurance contract. The previous table does not capture this type of indirect exposure to the Monolines.

Subsequent to June 30, 2008, the Company settled a portion of its exposure to A. The settlement reduced the notional amount of A subprime trading asset exposure by $1.4 billion and the associated market value exposure, which excludes the credit market value adjustment, by $1.2 billion. The transaction was settled for a gain relative to the June 30, 2008 net market value exposure, which includes the credit market value adjustment related to this position.

Exposure to Commercial Real Estate

The Company, through its business activities and as a capital markets participant, incurs exposures that are directly or indirectly tied to the global commercial real estate market. These exposures are represented primarily by the following three categories:

(1) Assets held at fair value: approximately $12.1 billion of securities, loans and other items linked to commercial real estate that are carried at fair value as Trading assets, approximately $4.7 billion of commercial real estate loans and loan commitments classified as held-for-sale and measured at the lower of cost or market (LOCOM) and approximately $2.3 billion of securities backed by commercial real estate carried at fair value as available-for-sale Investments. Changes in fair value for these Trading assets and held-for-sale loans and loan commitments are reported in current earnings, while changes in fair value for these available-for-sale Investments are reported in OCI with other-than-temporary impairments reported in current earnings.

The majority of these exposures are classified as Level 3 in the fair value hierarchy. In recent months, weakening activity in the trading markets for some of these instruments resulted in reduced liquidity, thereby decreasing the observable inputs for such valuations and could have an adverse impact on how these instruments are valued in the future if such conditions persist.

(2) Loans and commitments: approximately $20.7 billion of commercial real estate loan exposures, all of which are recorded at cost, less loan loss reserves. The impact from changes in credit is reflected in the calculation of the allowance for credit losses and in net credit losses.

(3) Equity and other investments: Approximately $5.3 billion of equity and other investments such as limited partner fund investments.

Exposure to Alt-A Mortgage Securities. See "Events in 2008" on page 7 for a description of incremental write-downs on Alt-A mortgage securities in Securities and Banking.

CITIGROUP DERIVATIVES

Notionals(1)

	Trading derivatives(2)		Asset/liability management hedges(3)	
In millions of dollars	**June 30, 2008**	**December 31, 2007**	**June 30, 2008**	**December 31, 2007**
Interest rate contracts				
Swaps	**$ 18,050,548**	$ 16,433,117	**$ 681,498**	$ 521,783
Futures and forwards	**2,444,170**	1,811,599	**159,509**	176,146
Written options	**3,655,932**	3,479,071	**17,956**	16,741
Purchased options	**3,848,206**	3,639,075	**109,575**	167,080
Total interest rate contract notionals	**$ 27,998,856**	$ 25,362,862	**$ 968,538**	$ 881,750
Foreign exchange contracts				
Swaps	**$ 1,025,051**	$ 1,062,267	**$ 68,982**	$ 75,622
Futures and forwards	**2,797,766**	2,795,180	**39,783**	46,732
Written options	**625,963**	653,535	**12,092**	292
Purchased options	**634,554**	644,744	**1,239**	686
Total foreign exchange contract notionals	**$ 5,083,334**	$ 5,155,726	**$ 122,096**	$ 123,332
Equity contracts				
Swaps	**$ 149,554**	$ 140,256	**$**	$
Futures and forwards	**30,948**	29,233		
Written options	**823,406**	625,157		
Purchased options	**760,583**	567,030		
Total equity contract notionals	**$ 1,764,491**	$ 1,361,676	**$**	$
Commodity and other contracts				
Swaps	**$ 54,493**	$ 29,415	**$**	$
Futures and forwards	**124,876**	66,860		
Written options	**31,334**	27,087		
Purchased options	**35,101**	30,168		
Total commodity and other contract notionals	**$ 245,804**	$ 153,530	**$**	$
Credit derivatives(4)				
Citigroup as the Guarantor:				
Credit default swaps	**$ 1,722,137**	$ 1,755,440	**$**	$
Total return swaps	**3,836**	12,121		
Credit default options	**70**	276		
Citigroup as the Beneficiary:				
Credit default swaps	**$ 1,843,483**	$ 1,890,611	**$**	$
Total return swaps	**30,935**	15,895		
Credit default options	**177**	450		
Total credit derivatives	**$ 3,600,638**	$ 3,674,793	**$**	$
Total derivative notionals	**$ 38,693,123**	$ 35,708,587	**$ 1,090,634**	$ 1,005,082

[Table continues on the following page.]

Mark-to-Market (MTM) Receivables/Payables

In millions of dollars	Derivatives receivables MTM		Derivatives payables MTM	
	June 30, 2008	**December 31, 2007**	**June 30, 2008**	**December 31, 2007**
Trading Derivatives(2)				
Interest rate contracts	**$ 323,577**	$ 269,400	**$ 318,188**	$ 257,329
Foreign exchange contracts	**93,368**	77,942	**83,797**	71,991
Equity contracts	**32,109**	27,934	**65,106**	66,916
Commodity and other contracts	**33,843**	8,540	**32,761**	8,887
Credit derivatives:				
Citigroup as the Guarantor	**5,137**	4,967	**123,818**	73,103
Citigroup as the Beneficiary	**138,129**	78,426	**4,885**	11,191
Total	**$ 626,163**	$ 467,209	**$ 628,555**	$ 489,417
Less: Netting agreements, cash collateral and market value adjustments	**(522,077)**	(390,328)	**(512,062)**	(385,876)
Net Receivables/Payables	**$ 104,086**	$ 76,881	**$ 116,493**	$ 103,541
Asset/Liability Management Hedges(3)				
Interest rate contracts	**$ 3,625**	$ 8,529	**$ 4,667**	$ 7,176
Foreign exchange contracts	**1,808**	1,634	**929**	972
Total	**$ 5,433**	$ 10,163	**$ 5,596**	$ 8,148

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

(2) Trading derivatives include proprietary positions, as well as certain hedging derivatives instruments that 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.

(4) Credit Derivatives are arrangements designed to allow one party (the "protection buyer") to transfer the credit risk of a "reference borrower" or "reference asset" to another party (the "protection seller"). These arrangements allow a protection seller to assume the credit risk associated with a reference borrower or reference asset. The Company has entered into credit derivatives positions for purposes such as risk management, yield enhancement, reduction of credit concentrations, and diversification of overall risk.

The market value adjustments applied by the Company consist of the following items:

Counterparty credit-risk adjustments are applied to derivatives such as over-the-counter instruments, where the base valuation uses market parameters based on the LIBOR interest rate curves. Not all counterparties have the same credit rating as that implied by the relevant LIBOR curve and so it is necessary to take into account the actual credit rating of a counterparty in order to arrive at the true fair value of such an item. Furthermore, the counterparty credit-risk adjustment takes into account the effect of credit-risk mitigants such as pledged collateral and to what extent there is a legal right of offset with a counterparty.

Bilateral or "own" credit risk adjustments are applied to reflect the Company's own credit risk when valuing derivative instruments measured at fair value, in accordance with the requirements of SFAS 157. The methodology is consistent with that applied in generating counterparty credit risk adjustments, but incorporates the Company's own credit risk as observed in the credit default swap market. As for counterparty credit risk, own credit-risk adjustments include the impact of credit-risk mitigants.

Liquidity adjustments are applied to items in Level 2 or Level 3 of the fair-value hierarchy (see note 17 on page 110 for more details) to ensure that the fair value reflects the price at which the entire position could be liquidated. The liquidity reserve is based on the bid/offer spread for an instrument, amended to the extent that the size and nature of the position would result in its being liquidated outside that bid/offer spread.

Credit Derivatives

The Company makes markets in and trades a range of credit derivatives, both on behalf of clients as well as for its own account. Through these contracts, the Company either purchases or writes protection on either a single-name or portfolio basis. The Company uses credit derivatives to help mitigate credit risk in its corporate loan portfolio and other cash positions, to take proprietary trading positions, and to facilitate client transactions.

Credit derivatives generally require that the seller of credit protection make payments to the buyer upon the occurrence of predefined events (settlement triggers). These settlement triggers are defined by the form of the derivative and the referenced credit and are generally limited to the market standard of failure to pay on indebtedness and bankruptcy of the reference credit and, in a more limited range of transactions, debt restructuring. Credit derivative transactions referring to emerging market reference credits will also typically include additional settlement triggers to cover the acceleration of indebtedness and the risk of repudiation or a payment moratorium. In certain transactions on a portfolio of referenced credits or asset-backed securities, the seller of protection may not be required to make payment until a specified amount of losses has occurred with respect to the portfolio and/or may only be required to pay for losses up to a specified amount.

The following tables summarize the key characteristics of the Company's credit derivative portfolio by activity, counterparty and derivative form as of June 30, 2008 and December 31, 2007:

June 30, 2008:

	Market values		Notionals	
In millions of dollars	Receivable	Payable	Beneficiary	Guarantor
Credit portfolio	$ 1,112	$ 90	$ 91,318	$
Dealer/client	142,154	128,613	1,783,277	1,726,043
Total	$ 143,266	$ 128,703	$ 1,874,595	$ 1,726,043
Bank	$ 59,240	$ 62,853	$ 1,013,600	$ 973,336
Broker-dealer	44,551	43,175	627,817	579,700
Monoline	8,098	74	15,777	494
Non-financial	250	508	4,070	6,950
Insurance and other financial institutions	31,127	22,093	213,331	165,563
Total	$ 143,266	$ 128,703	$ 1,874,595	$ 1,726,043
Credit default swaps and options	$ 143,005	$ 128,077	$ 1,843,660	$ 1,722,207
Total return swaps and other	261	626	30,935	3,836
Total	$ 143,266	$ 128,703	$ 1,874,595	$ 1,726,043

December 31, 2007(1):

	Market values		Notionals	
In millions of dollars	Receivable	Payable	Beneficiary	Guarantor
Credit portfolio	$ 626	$ 129	$ 91,228	$
Dealer/client	82,767	84,165	1,815,728	1,767,837
Total	$ 83,393	$ 84,294	$ 1,906,956	$ 1,767,837
Bank	$ 28,571	$ 34,425	$ 1,035,217	$ 970,831
Broker-dealer	28,183	31,519	633,745	585,549
Monoline	5,044	88	15,064	1,243
Non-financial	220	331	3,682	4,253
Insurance and other financial institutions	21,375	17,931	219,248	205,961
Total	$ 83,393	$ 84,294	$ 1,906,956	$ 1,767,837
Credit default swaps and options	$ 82,752	$ 83,015	$ 1,891,061	$ 1,755,716
Total return swaps and other	641	1,279	15,895	12,121
Total	$ 83,393	$ 84,294	$ 1,906,956	$ 1,767,837

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

The market values shown are prior to the application of any netting agreements, cash collateral, and market or credit value adjustments.

The Company actively participates in trading a variety of credit derivatives products as both an active two-way market-maker for clients and to manage credit risk. During 2007, Citigroup and the industry experienced a material increase in trading volumes. The volatility and liquidity challenges in the credit markets during the third and fourth quarters drove derivatives trading volumes as credit derivatives became the instrument of choice for managing credit risk. The majority of this activity was transacted with other financial intermediaries, including both banks and broker-dealers. During the full year 2007, the total notional amount of protection purchased and sold increased $906 billion and $824 billion, respectively, and by various market participants. The total market value increase of $69 billion for each protection purchased and sold was primarily due to an increase in volume growth of $63 billion and $62 billion, and market spread changes of $6 billion and $7 billion for protection purchased and sold, respectively.

During the first six months of 2008, the total notional amount of protection purchased and sold decreased $32 billion and $42 billion, respectively as volume continued to grow. The corresponding market value increased $60 billion for protection purchased and $44 billion for protection sold. These market value increases were primarily due to changes in market spreads.

The Company generally has a mismatch between the total notional amounts of protection purchased and sold, and it may hold the reference assets directly rather than entering into offsetting credit derivative contracts as and when desired. The open risk exposures from credit derivative contracts are largely matched after certain cash positions in reference assets are considered and after notional amounts are adjusted, either to a duration-based equivalent basis, or to reflect the level of subordination in tranched structures.

The Company actively monitors its counterparty credit risk in credit derivative contracts. Approximately 83% and 77% of the receivables as of June 30, 2008 and December 31, 2007, respectively, are from counterparties with which the Company maintains collateral agreements. A majority of the Company's top 15 counterparties (by receivable balance owed to the

Company) are banks, financial institutions or other dealers. Contracts with these counterparties do not include ratings-based termination events. However, counterparty rating downgrades may have an incremental effect by lowering the threshold at which the Company may call for additional collateral. A number of the remaining significant counterparties are Monolines. See page 31 for a discussion of the Company's exposure to monolines. The master agreements with these Monolines are generally unsecured. As with all derivative contracts, the Company considers counterparty credit risk in the valuation of its positions and recognizes credit valuation adjustments as appropriate. During the second quarter of 2008, the Company recorded an additional $2.430 billion in credit market value adjustments on market value exposures to the Monolines as a result of widening credit spreads and an increase in the expected exposure to the Monolines.

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" section beginning on page 47. 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.

Interest Rate Exposure (IRE)

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

	June 30, 2008		**March 31, 2008**		**June 30, 2007**	
In millions of dollars	**Increase**	**Decrease**	**Increase**	**Decrease**	**Increase**	**Decrease**
U.S. dollar						
Instantaneous change	**$ (1,236)**	**$ 1,170**	$ (1,423)	$ 1,162	$ (572)	$ 553
Gradual change	**$ (756)**	**$ 633**	$ (781)	$ 666	$ (309)	$ 329
Mexican peso						
Instantaneous change	**$ (24)**	**$ 24**	$ (20)	$ 20	$ (29)	$ 29
Gradual change	**$ (19)**	**$ 19**	$ 4	$ (4)	$ (14)	$ 14
Euro						
Instantaneous change	**$ (71)**	**$ 71**	$ (51)	$ 51	$ (97)	$ 97
Gradual change	**$ (51)**	**$ 51**	$ (39)	$ 39	$ (43)	$ 43
Japanese yen						
Instantaneous change	**$ 131**	**NM**	$ 65	NM	$ (9)	NM
Gradual change	**$ 73**	**NM**	$ 43	NM	$ (5)	NM
Pound sterling						
Instantaneous change	**$ 13**	**$ (13)**	$ (17)	$ 17	$ (19)	$ 19
Gradual change	**$ 15**	**$ (15)**	$ (4)	$ 4	$ 3	$ (3)

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 March 31, 2008 primarily reflect movements in customer-related asset and liability mix, the expected impact of market rates on customer behavior, 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 *(in millions of dollars)*	$ 21	$ (617)	$ (1,200)	$ 1,135	$ 484	$ (123)

Value at Risk (VAR)

For Citigroup's major trading centers, the aggregate pretax VAR in the trading portfolios was $255 million, $393 million, and $153 million at June 30, 2008, March 31, 2008, and June 30, 2007, respectively. Daily exposures averaged $292 million during the second quarter of 2008 and ranged from $249 million to $373 million.

The following table summarizes VAR to Citigroup in the trading portfolios at June 30, 2008, March 31, 2008, and June 30, 2007, 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	June 30, 2008(1)	Second Quarter 2008 Average(1)	March 31, 2008(1)	First Quarter 2008 Average(1)	June 30, 2007	Second Quarter 2007 Average
Interest rate	**$ 288**	**$ 301**	$ 281	$ 283	$ 117	$ 102
Foreign exchange	**47**	**49**	77	45	32	31
Equity	**95**	**79**	235	125	100	87
Commodity	**45**	**51**	53	47	31	35
Covariance adjustment	**(220)**	**(188)**	(253)	(159)	(127)	(117)
Total All market risk factors, including general and specific risk	**$ 255**	**$ 292**	$ 393	$ 341	$ 153	$ 138
Specific risk only component	**$ 15**	**$ 7**	$ 39	$ 37	$ 8	$ 11
Total General market factors only	**$ 240**	**$ 285**	$ 354	$ 304	$ 145	$ 127

(1) The Sub-Prime Group (SPG) exposures became fully integrated into VAR during the first quarter of 2008. As a result, June 30, 2008 and second quarter 2008 average VAR increased by approximately $95 million and $135 million, respectively. March 31, 2008 and first quarter 2008 average VAR increased by approximately $108 million and $166 million, respectively.

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 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:

	June 30, 2008		March 31, 2008		June 30, 2007	
In millions of dollars	Low	High	Low	High	Low	High
Interest rate	**$ 268**	**$ 339**	$ 278	$ 293	$ 88	$ 128
Foreign exchange	**33**	**81**	23	77	27	35
Equity	**63**	**181**	58	235	64	112
Commodity	**40**	**60**	36	58	24	49

June 30, 2008	March 31, 2008	June 30, 2007

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 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 the activities of a business are identified and the effectiveness of the key controls over those risks are evaluated and monitored. RCSA processes facilitate Citigroup's adherence to internal control over financial reporting, 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.

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.

Measurement and Basel II

To support advanced capital modeling and management, the businesses are required to capture relevant operational risk information. 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

Information security and the protection of confidential and sensitive customer data are a priority of Citigroup. The Company has implemented an Information Security Program that complies with the Gramm-Leach-Bliley Act and other regulatory guidance. The Information Security Program is reviewed and enhanced periodically to address emerging threats to customers' information.

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.

FFIEC CROSS-BORDER RISK

The table below shows all countries where total Federal Financial Institutions Examination Council (FFIEC) cross-border outstandings exceed 0.75% of total Citigroup assets:

	June 30, 2008								December 31, 2007	
	Cross-Border Claims on Third Parties									
In Billions of U.S. dollars	Banks	Public	Private	Total	Trading and Short-Term Claims	Investments in and Funding of Local Franchises	Total Cross-Border Outstandings	Commitments	Total Cross-Border Outstandings	Commitments
India	$ 0.7	$ 0.1	$ 9.3	$ 10.1	$ 7.2	$ 20.9	$ 31.0	$ 1.3	$ 39.0	$ 1.7
United Kingdom	11.0	0.1	15.5	26.6	19.8		26.6	437.9	24.7	366.0
Germany	8.6	7.9	9.4	25.9	24.0		25.9	33.7	29.3	46.4
Netherlands	7.9	0.7	14.7	23.3	17.5		23.3	13.7	23.1	20.2
South Korea	1.9	1.3	3.5	6.7	6.5	16.2	22.9	17.4	21.9	22.0
France	8.2	2.4	13.0	23.6	20.9	0.1	23.7	78.6	24.3	107.8
Spain	3.5	0.8	11.0	15.3	14.0	4.9	20.2	11.0	21.3	7.4
Italy	1.0	6.8	5.7	13.5	13.0	4.2	17.7	6.1	18.8	5.1

INTEREST REVENUE/EXPENSE AND YIELDS

Average Rates Interest Revenue, Interest Expense, and Net Interest Margin

In millions of dollars	2nd Qtr. 2008	1st Qtr. 2008	2nd Qtr. 2007	Change 2Q08 vs. 2Q07
Interest Revenue(1)	**$ 27,902**	$ 29,702	$ 30,369	(8)%
Interest Expense(2)	**13,597**	16,303	18,971	(28)
Net Interest Revenue(1)(2)	**$ 14,305**	$ 13,399	$ 11,398	26%
Interest Revenue Average Rate	**6.21%**	6.29%	6.43%	(22) bps
Interest Expense Average Rate	**3.30%**	3.76%	4.42%	(112) bps
Net Interest Margin (NIM)	**3.18%**	2.84%	2.41%	77 bps
Interest Rate Benchmarks:				
Federal Funds Rate End of Period	**2.00%**	2.25%	5.25%	(325) bps
2 Year U.S. Treasury Note Average Rate	**2.42%**	2.03%	4.80%	(238) bps
10 Year U.S. Treasury Note Average Rate	**3.88%**	3.67%	4.85%	(97) bps
10 Year vs. 2 Year Spread	**146 bps**	164 bps	5 bps	

(1) Excludes taxable equivalent adjustment (based on the U.S. Federal statutory tax rate of 35%) of $65 million, $48 million, and $45 million for the second quarter of 2008, the first quarter of 2008, and the second quarter of 2007, respectively.

(2) Excludes expenses associated with hybrid financial instruments and beneficial interest in consolidated VIEs. These obligations are classified as Long-Term Debt and accounted for at fair value with changes recorded in Principal Transactions. In addition, the majority of the funding provided by Treasury to CitiCapital operations is excluded from this line.

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

During the second quarter of 2008, the significantly lower cost of funding more than offset the lower asset yields, resulting in higher NIM. On the assets side, the average yield was negatively impacted by the decline in the rates for Fed Funds Sold as well as lower yields of the Consumer loan credit card receivables portfolio.

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

In millions of dollars	Average Volume 2nd Qtr. 2008	Average Volume 1st Qtr. 2008	Average Volume 2nd Qtr. 2007	Interest Revenue 2nd Qtr. 2008	Interest Revenue 1st Qtr. 2008	Interest Revenue 2nd Qtr. 2007	% Average Rate 2nd Qtr. 2008	% Average Rate 1st Qtr. 2008	% Average Rate 2nd Qtr. 2007
Assets									
Deposits with banks(4)	**$ 67,099**	$ 65,460	$ 55,580	**$ 805**	$ 805	$ 792	**4.83%**	4.95%	5.72%
Federal funds sold and securities borrowed or purchased under agreements to resell(5)									
In U.S. offices	**$ 182,672**	$ 177,420	$ 185,143	**$ 1,326**	$ 1,746	$ 3,002	**2.92%**	3.96%	6.50%
In offices outside the U.S.(4)	**59,182**	104,895	135,668	**1,051**	1,426	1,660	**7.14**	5.47	4.91
Total	**$ 241,854**	$ 282,315	$ 320,811	**$ 2,377**	$ 3,172	$ 4,662	**3.95%**	4.52%	5.83%
Trading account assets(6)(7)									
In U.S. offices	**$ 241,068**	$ 254,155	$ 264,112	**$ 3,249**	$ 3,634	$ 3,111	**5.42%**	5.75%	4.72%
In offices outside the U.S.(4)	**169,278**	180,714	180,361	**1,395**	1,165	1,274	**3.31**	2.59	2.83
Total	**$ 410,346**	$ 434,869	$ 444,473	**$ 4,644**	$ 4,799	$ 4,385	**4.55%**	4.44%	3.96%
Investments(1)									
In U.S. offices									
Taxable	**$ 110,977**	$ 104,474	$ 149,303	**$ 1,105**	$ 1,179	$ 1,860	**4.00%**	4.54%	5.00%
Exempt from U.S. income tax	**13,089**	13,031	18,971	**138**	159	273	**4.24**	4.91	5.77
In offices outside the U.S.(4)	**99,067**	100,866	113,068	**1,313**	1,361	1,444	**5.33**	5.43	5.12
Total	**$ 223,133**	$ 218,371	$ 281,342	**$ 2,556**	$ 2,699	$ 3,577	**4.61%**	4.97%	5.10%
Loans (net of unearned income)(8)									
Consumer loans									
In U.S. offices	**$ 379,970**	$ 385,485	$ 358,086	**$ 7,269**	$ 7,528	$ 7,462	**7.69%**	7.85%	8.36%
In offices outside the U.S.(4)	**202,499**	198,145	169,447	**5,429**	5,308	4,593	**10.78**	10.77	10.87
Total consumer loans	**$ 582,469**	$ 583,630	$ 527,533	**$ 12,698**	$ 12,836	$ 12,055	**8.77%**	8.85%	9.17%
Corporate loans									
In U.S. offices	**$ 42,377**	$ 43,523	$ 31,075	**$ 464**	$ 648	$ 553	**4.40%**	5.99%	7.14%
In offices outside the U.S.(4)	**146,885**	153,034	152,545	**3,269**	3,409	3,361	**8.95%**	8.96	8.84
Total corporate loans	**$ 189,262**	$ 196,557	$ 183,620	**$ 3,733**	$ 4,057	$ 3,914	**7.93%**	8.30%	8.55%
Total loans	**$ 771,731**	$ 780,187	$ 711,153	**$ 16,431**	$ 16,893	$ 15,969	**8.56%**	8.71%	9.01%
Other interest-earning Assets	**$ 94,129**	$ 119,148	$ 82,459	**$ 1,089**	$ 1,334	$ 984	**4.65%**	4.50%	4.79%
Total interest-earning Assets	**$ 1,808,292**	$ 1,900,350	$ 1,895,818	**$ 27,902**	$ 29,702	$ 30,369	**6.21%**	6.29%	6.43%
Non-interest-earning assets(6)	**374,623**	408,470	246,748						
Total Assets from discontinued operations	**$ 12,946**	$ 16,548	$ 16,543						
Total assets	**$ 2,195,861**	$ 2,325,368	$ 2,159,109						

(1) Interest revenue excludes the taxable equivalent adjustments (based on the U.S. federal statutory tax rate of 35%) of $65 million, $48 million, and $45 million for the second quarter of 2008, the first quarter of 2008, and the second quarter of 2007, respectively.

(2) Interest rates and amounts include the effects of risk management activities associated with the respective asset and liability categories. See Note 16 on page 106.

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

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

(5) 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.

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

(7) Interest expense on Trading account liabilities of the ICG 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.

(8) 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)

	Average Volume			Interest Expense			% Average Rate		
In millions of dollars	2nd Qtr. 2008	1st Qtr. 2008	2nd Qtr. 2007	2nd Qtr. 2008	1st Qtr. 2008	2nd Qtr. 2007	2nd Qtr. 2008	1st Qtr. 2008	2nd Qtr. 2007
Liabilities									
Deposits									
In U. S. offices									
Savings deposits(4)	**$ 163,923**	$ 164,945	$ 147,517	**$ 683**	$ 1,040	$ 1,178	**1.68%**	2.54%	3.20%
Other time deposits	**57,911**	64,792	53,597	**614**	777	773	**4.26**	4.82	5.78
In offices outside the U.S.(5)	**503,372**	521,160	485,871	**3,898**	4,483	4,988	**3.11**	3.46	4.12
Total	**$ 725,206**	$ 750,897	$ 686,985	**$ 5,195**	$ 6,300	$ 6,939	**2.88%**	3.37%	4.05%
Federal funds purchased and securities loaned or sold under agreements to repurchase(6)									
In U.S. offices	**$ 195,879**	$ 209,878	$ 233,021	**$ 1,299**	$ 2,035	$ 3,600	**2.67%**	3.90%	6.20%
In offices outside the U.S.(5)	**87,468**	120,066	152,984	**1,665**	1,868	2,312	**7.66**	6.26	6.06
Total	**$ 283,347**	$ 329,944	$ 386,005	**$ 2,964**	$ 3,903	$ 5,912	**4.21%**	4.76%	6.14%
Trading account liabilities(7)(8)									
In U.S. offices	**$ 29,764**	$ 37,713	$ 58,139	**$ 413**	$ 270	$ 312	**5.58%**	2.88%	2.15%
In offices outside the U.S.(5)	**46,184**	53,432	62,949	**43**	63	68	**0.37**	0.47	0.43
Total	**$ 75,948**	$ 91,145	$ 121,088	**$ 456**	$ 333	$ 380	**2.41%**	1.47%	1.26%
Short-term borrowings									
In U.S. offices	**$ 152,356**	$ 167,619	$ 170,962	**$ 814**	$ 1,152	$ 1,612	**2.15%**	2.76%	3.78%
In offices outside the U.S.(5)	**68,978**	66,827	66,077	**251**	298	325	**1.46**	1.79	1.97
Total	**$ 221,334**	$ 234,446	$ 237,039	**$ 1,065**	$ 1,450	$ 1,937	**1.94%**	2.49%	3.28%
Long-term debt(9)									
In U.S. offices	**$ 315,686**	$ 299,347	$ 255,813	**$ 3,454**	$ 3,831	$ 3,381	**4.40%**	5.15%	5.30%
In offices outside the U.S.(5)	**38,091**	40,230	35,707	**463**	486	422	**4.89**	4.86	4.74
Total	**$ 353,777**	$ 339,577	$ 291,520	**$ 3,917**	$ 4,317	$ 3,803	**4.45%**	5.11%	5.23%
Total interest-bearing liabilities	**$ 1,659,612**	$ 1,746,009	$ 1,722,637	**$ 13,597**	$ 16,303	$ 18,971	**3.30%**	3.76%	4.42%
Demand deposits in U.S. offices	**13,402**	12,960	11,234						
Other non-interest-bearing liabilities(7)	**387,379**	439,101	300,352						

	Average Volume			Interest Expense			% Average Rate		
Total liabilities from discontinued operations	**458**	343	386						
Total liabilities	**$ 2,060,851**	$ 2,198,413	$ 2,034,609						
Total stockholders' equity	**$ 135,010**	$ 126,955	$ 124,500						
Total liabilities and stockholders' equity	**$ 2,195,861**	$ 2,325,368	$ 2,159,109						
Net interest revenue as a percentage of average interest-earning assets(10)									
In U.S. offices	**$ 1,036,000**	$ 1,064,593	$ 1,074,722	**$ 6,631**	$ 6,132	$ 5,192	**2.57%**	2.32%	1.94%
In offices outside the U.S.(5)	**772,292**	835,757	821,096	**7,674**	7,267	6,206	**4.00%**	3.50%	3.03%
Total	**$ 1,808,292**	$ 1,900,350	$ 1,895,818	**$ 14,305**	$ 13,399	$ 11,398	**3.18%**	2.84%	2.41%

(1) Interest revenue excludes the taxable equivalent adjustments (based on the U.S. federal statutory tax rate of 35%) of $65 million, $48 million, and $45 million for the second quarter of 2008, the first quarter of 2008, and the second quarter of 2007, respectively.

(2) Interest rates and amounts include the effects of risk management activities associated with the respective asset and liability categories. See Note 16 on page 106.

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

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

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

(6) 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.

(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 the Institutional Clients Group 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) Excludes hybrid financial instruments and beneficial interests in consolidated VIEs that are classified as long-term debt as these obligations are accounted for at fair value with changes recorded in Principal Transactions. In addition, the majority of the funding provided by Corporate Treasury to CitiCapital operations is excluded from this line.

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

Reclassified to conform to the current period's presentation.

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

In millions of dollars	Average Volume Six Months 2008	Average Volume Sixth Months 2007	Interest Revenue Six Months 2008	Interest Revenue Sixth Months 2007	% Average Rate Six Months 2008	% Average Rate Sixth Months 2007
Assets						
Deposits with banks(5)	**$ 66,280**	$ 50,443	**$ 1,610**	$ 1,501	**4.88%**	6.00%
Federal funds sold and securities borrowed or purchased under agreements to resell(6)						
In U.S. offices	**$ 180,046**	$ 184,606	**$ 3,072**	$ 5,881	**3.43%**	6.42%
In offices outside the U.S.(5)	**82,039**	122,447	**2,477**	3,070	**6.07**	5.06
Total	**$ 262,085**	$ 307,053	**$ 5,549**	$ 8,951	**4.26%**	5.88%
Trading account assets(7)(8)						
In U.S. offices	**$ 247,612**	$ 250,545	**$ 6,883**	$ 5,933	**5.59%**	4.78%
In offices outside the U.S.(5)	**174,996**	156,817	**2,560**	2,382	**2.94**	3.06
Total	**$ 422,608**	$ 407,362	**$ 9,443**	$ 8,315	**4.49%**	4.12%
Investments(1)						
In U.S. offices						
Taxable	**$ 107,726**	$ 154,838	**$ 2,284**	$ 3,860	**4.26%**	5.03%
Exempt from U.S. income tax	**13,060**	17,891	**297**	463	**4.57**	5.22
In offices outside the U.S.(5)	**99,966**	110,073	**2,674**	2,794	**5.38**	5.12
Total	**$ 220,752**	$ 282,802	**$ 5,255**	$ 7,117	**4.79%**	5.07%
Loans (net of unearned income)(9)						
Consumer loans						
In U.S. offices	**$ 382,728**	$ 353,845	**$ 14,797**	$ 14,690	**7.77%**	8.37%
In offices outside the U.S.(5)	**200,322**	159,749	**10,737**	8,596	**10.78**	10.85
Total consumer loans	**$ 583,050**	$ 513,594	**$ 25,534**	$ 23,286	**8.81%**	9.14%
Corporate loans						
In U.S. offices	**$ 42,950**	$ 29,880	**$ 1,112**	$ 1,056	**5.21%**	7.13%
In offices outside the U.S.(5)	**149,960**	144,324	**6,678**	6,267	**8.96**	8.76
Total corporate loans	**$ 192,910**	$ 174,204	**$ 7,790**	$ 7,323	**8.12%**	8.48%
Total loans	**$ 775,960**	$ 687,798	**$ 33,324**	$ 30,609	**8.64%**	8.97%
Other interest-earning assets	**$ 106,639**	$ 75,419	**$ 2,423**	$ 1,748	**4.57%**	4.67%
Total interest-earning assets	**$ 1,854,324**	$ 1,810,877	**$ 57,604**	$ 58,241	**6.25%**	6.49%
Non-interest-earning assets(7)	**391,547**	224,080				
Total assets from discontinued operations	**14,747**	16,982				

	Average Volume		Interest Revenue	% Average Rate
Total assets	**$ 2,260,618**	$ 2,051,939		

(1) Interest revenue excludes the taxable equivalent adjustments (based on the U.S. federal statutory tax rate of 35%) of $113 million and $60 million for the first six months of 2008 and 2007, respectively.

(2) Interest rates and amounts include the effects of risk management activities associated with the respective asset and liability categories. See Note 16 on page 106.

(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 80.

(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 the Institutional Clients Group 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)

	Average Volume		Interest Expense		% Average Rate	
In millions of dollars	**Six Months 2008**	**Sixth Months 2007**	**Six Months 2008**	**Sixth Months 2007**	**Six Months 2008**	**Sixth Months 2007**
Liabilities						
Deposits						
In U. S. offices						
Savings deposits(5)	**$ 164,434**	$ 146,388	**$ 1,723**	$ 2,348	**2.11%**	3.23%
Other time deposits	**61,352**	54,272	**1,391**	1,580	**4.56**	5.87
In offices outside the U.S.(6)	**512,266**	466,972	**8,381**	9,569	**3.29**	4.13
Total	**$ 738,052**	$ 667,632	**$ 11,495**	$ 13,497	**3.13%**	4.08%
Federal funds purchased and securities loaned or sold under agreements to repurchase(7)						
In U.S. offices	**$ 202,879**	$ 235,377	**$ 3,334**	$ 7,141	**3.30%**	6.12%
In offices outside the U.S.(6)	**103,767**	140,812	**3,533**	4,254	**6.85**	6.09
Total	**$ 306,646**	$ 376,189	**$ 6,867**	$ 11,395	**4.50%**	6.11%
Trading account liabilities(8)(9)						
In U.S. offices	**$ 33,739**	$ 50,229	**$ 683**	$ 547	**4.07%**	2.20%
In offices outside the U.S.(6)	**49,808**	54,145	**106**	140	**0.43**	0.52
Total	**$ 83,547**	$ 104,374	**$ 789**	$ 687	**1.90%**	1.33%
Short-term borrowings						
In U.S. offices	**$ 159,988**	$ 157,253	**$ 1,966**	$ 2,874	**2.47%**	3.69%
In offices outside the U.S.(6)	**67,902**	53,456	**549**	527	**1.63**	1.99
Total	**$ 227,890**	$ 210,709	**$ 2,515**	$ 3,401	**2.22%**	3.25%
Long-term debt(10)						
In U.S. offices	**$ 307,517**	$ 248,056	**$ 7,285**	$ 6,570	**4.76%**	5.34%
In offices outside the U.S.**(6)**	**39,160**	30,519	**949**	765	**4.87**	5.05
Total	**$ 346,677**	$ 278,575	**$ 8,234**	$ 7,335	**4.78%**	5.31%
Total interest-bearing liabilities	**$ 1,702,812**	$ 1,637,479	**$ 29,900**	$ 36,315	**3.53%**	4.47%
Demand deposits in U.S. offices	**13,181**	11,196				
Other non-interest bearing liabilities(8)	**413,240**	280,840				
Total liabilities from discontinued operations	**402**	373				
Total liabilities	**$ 2,129,635**	$ 1,929,888				
Total stockholders' equity(11)	**$ 130,983**	$ 122,051				

	Average Volume		Interest Expense		% Average Rate	
Total liabilities and stockholders' equity	**$ 2,260,618**	$ 2,051,939				
Net interest revenue as a percentage of average interest-earning assets(12)						
In U.S. offices	**$ 1,050,297**	$ 1,055,521	**$ 12,763**	$ 10,275	**2.44%**	1.96%
In offices outside the U.S.(6)	**804,027**	755,356	**14,941**	11,651	**3.74**	3.11
Total	**$ 1,854,324**	$ 1,810,877	**$ 27,704**	$ 21,926	**3.00%**	2.44%

(1) Interest revenue the taxable equivalent adjustments (based on the U.S. federal statutory tax rate of 35%) of $113 million and $60 million for the first six months of 2008 and 2007, respectively.

(2) Interest rates and amounts include the effects of risk management activities associated with the respective asset and liability categories. See Note 16 on page 106.

(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 80.

(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 the Institutional Clients Group 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) Excludes hybrid financial instruments and beneficial interests in consolidated VIEs that are classified as long-term debt as these obligations are accounted for at fair value with changes recorded in Principal Transactions. In addition, the majority of the funding provided by Corporate Treasury to CitiCapital is excluded from this line.

(11) Includes stockholders' equity from discontinued operations.

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

Reclassified to conform to the current period's presentation.

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

In millions of dollars	2nd Qtr. 2008 vs. 1st Qtr. 2008 Increase (Decrease) Due to Change in: Average Volume	Average Rate	Net Change	2nd Qtr. 2008 vs. 2nd Qtr. 2007 Increase (Decrease) Due to Change in: Average Volume	Average Rate	Net Change
Deposits with banks(3)	**$ 20**	**$ (20)**	**$ 0**	$ 149	$ (136)	$ 13
Federal funds sold and securities borrowed or purchased under agreements to resell						
In U.S. offices	**$ 50**	**$ (470)**	**$ (420)**	$ (40)	$ (1,636)	$ (1,676)
In offices outside the U.S.(3)	**(733)**	**358**	**(375)**	(1,170)	561	(609)
Total	**$ (683)**	**$ (112)**	**$ (795)**	$ (1,210)	$ (1,075)	$ (2,285)
Trading account assets(4)						
In U.S. offices	**$ (182)**	**$ (203)**	**$ (385)**	$ (286)	$ 424	$ 138
In offices outside the U.S.(3)	**(78)**	**308**	**230**	(82)	203	121
Total	**$ (260)**	**$ 105**	**$ (155)**	$ (368)	$ 627	$ 259
Investments(1)						
In U.S. offices	**$ 72**	**$ (167)**	**$ (95)**	$ (495)	$ (395)	$ (890)
In offices outside the U.S.(3)	**(24)**	**(24)**	**(48)**	(184)	53	(131)
Total	**$ 48**	**$ (191)**	**$ (143)**	$ (679)	$ (342)	$ (1,021)
Loans consumer						
In U.S. offices	**$ (107)**	**$ (152)**	**$ (259)**	$ 440	$ (633)	$ (193)
In offices outside the U.S.(3)	**117**	**4**	**121**	887	(51)	836
Total	**$ 10**	**$ (148)**	**$ (138)**	$ 1,327	$ (684)	$ 643
Loans corporate						
In U.S. offices	**$ (17)**	**$ (167)**	**$ (184)**	$ 164	$ (253)	$ (89)
In offices outside the U.S.(3)	**(135)**	**(5)**	**(140)**	(126)	34	(92)
Total	**$ (152)**	**$ (172)**	**$ (324)**	$ 38	$ (219)	$ (181)
Total loans	**$ (142)**	**$ (320)**	**$ (462)**	$ 1,369	$ (903)	$ 462
Other interest-earning assets	**$ (288)**	**$ 43**	**$ (245)**	$ 136	$ (31)	$ 105
Total interest revenue	**$ (1,305)**	**$ (495)**	**$ (1,800)**	$ (607)	$ (1,860)	$ (2,467)

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

(4) Interest expense on Trading account liabilities of ICG 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)

	2nd Qtr. 2008 vs. 1st Qtr. 2008			2nd Qtr. 2008 vs. 2nd Qtr. 2007		
	Increase (Decrease) Due to Change in:			Increase (Decrease) Due to Change in:		
In millions of dollars	Average Volume	Average Rate	Net Change	Average Volume	Average Rate	Net Change
Deposits						
In U.S. offices	**$ (61)**	**$ (459)**	**$ (520)**	$ 185	$ (839)	$ (654)
In offices outside the U.S.(3)	**(149)**	**(436)**	**(585)**	174	(1,264)	(1,090)
Total	**$ (210)**	**$ (895)**	**$ (1,105)**	$ 359	$ (2,103)	$ (1,744)
Federal funds purchased and securities loaned or sold under agreements to repurchase						
In U.S. offices	**$ (128)**	**$ (608)**	**$ (736)**	$ (502)	$ (1,799)	$ (2,301)
In offices outside the U.S.(3)	**(569)**	**366**	**(203)**	(1,151)	504	(647)
Total	**$ (697)**	**$ (242)**	**$ (939)**	$ (1,653)	$ (1,295)	$ (2,948)
Trading account liabilities(4)						
In U.S. offices	**$ (67)**	**$ 210**	**$ 143**	$ (209)	$ 310	$ 101
In offices outside the U.S.(3)	**(8)**	**(12)**	**(20)**	(17)	(8)	(25)
Total	**$ (75)**	**$ 198**	**$ 123**	$ (226)	$ 302	$ 76
Short-term borrowings						
In U.S. offices	**$ (98)**	**$ (240)**	**$ (336)**	$ (160)	$ (638)	$ (798)
In offices outside the U.S.(3)	**10**	**(57)**	**(47)**	14	(88)	(74)
Total	**$ (88)**	**$ (297)**	**$ (385)**	$ (146)	$ (726)	$ (872)
Long-term debt						
In U.S. offices	**$ 201**	**$ (578)**	**$ (377)**	$ 713	$ (640)	$ 73
In offices outside the U.S.(3)	**(26)**	**3**	**(23)**	29	12	41
Total	**$ 175**	**$ (575)**	**$ (400)**	$ 742	$ (628)	$ 114
Total interest expense	**$ (895)**	**$ (1,811)**	**$ (2,706)**	$ (924)	$ (4,450)	$ (5,374)
Net interest revenue	**$ (410)**	**$ 1,316**	**$ 906**	$ 317	$ 2,590	$ 2,907

(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)

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

(4) Interest expense on Trading account liabilities of ICG 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 REVENUE, INTEREST EXPENSE, AND NET INTEREST REVENUE(1)(2)(3)

	Six Months 2008 vs. Six Months 2007		
	Increase (Decrease) Due to Change in:		
In millions of dollars	Average Volume	Average Rate	Net Change(2)
Deposits at interest with banks(4)	$ 417	$ (308)	$ 109
Federal funds sold and securities borrowed or purchased under agreements to resell			
In U.S. offices	$ (142)	$ (2,667)	$ (2,809)
In offices outside the U.S.(4)	(1,141)	548	(593)
Total	$ (1,283)	$ (2,119)	$ (3,402)
Trading account assets(5)			
In U.S. offices	$ (70)	$ 1,020	$ 950
In offices outside the U.S.(4)	268	(90)	178
Total	$ 198	$ 930	$ 1,128
Investments(1)			
In U.S. offices	$ (1,172)	$ (570)	$ (1,742)
In offices outside the U.S.(4)	(265)	145	(120)
Total	$ (1,437)	$ (425)	$ (1,862)
Loans consumer			
In U.S. offices	$ 1,154	$ (1,047)	$ 107
In offices outside the U.S.(4)	2,175	(34)	2,141
Total	$ 3,329	$ (1,081)	$ 2,248
Loans corporate			
In U.S. offices	$ 385	$ (329)	$ 56
In offices outside the U.S.(4)	249	162	411
Total	$ 634	$ (167)	$ 467
Total loans	$ 3,963	$ (1,248)	$ 2,715
Other interest-earning assets	$ 710	$ (35)	$ 675
Total interest revenue	$ 2,568	$ (3,205)	$ (637)
Deposits			
In U.S. offices	$ 449	$ (1,263)	$ (814)
In offices outside the U.S.(4)	867	(2,055)	(1,188)
Total	$ 1,316	$ (3,318)	$ (2,002)

	Six Months 2008 vs. Six Months 2007		
Federal funds purchased and securities loaned or sold under agreements to repurchase			
In U.S. offices	**$ (881)**	**$ (2,926)**	**$ (3,807)**
In offices outside the U.S.(4)	**(1,215)**	**494**	**(721)**
Total	**$ (2,096)**	**$ (2,432)**	**$ (4,528)**
Trading account liabilities(5)			
In U.S. offices	**$ (222)**	**$ 358**	**$ 136**
In offices outside the U.S.(4)	**(11)**	**(23)**	**(34)**
Total	**$ (233)**	**$ 335**	**$ 102**
Short-term borrowings			
In U.S. offices	**$ 49**	**$ (957)**	**$ (908)**
In offices outside the U.S.(4)	**127**	**(105)**	**22**
Total	**$ 176**	**$ (1,062)**	**$ (886)**
Long-term debt			
In U.S. offices	**$ 1,460**	**$ (745)**	**$ 715**
In offices outside the U.S.(4)	**210**	**(26)**	**184**
Total	**$ 1,670**	**$ (771)**	**$ 899**
Total interest expense	**$ 833**	**$ (7,248)**	**$ (6,415)**
Net interest revenue	**$ 1,735**	**$ 4,043**	**$ 5,778**

(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 80.

(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 the Institutional Clients Group 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

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 at June 30, 2008 and December 31, 2007.

Citigroup Regulatory Capital Ratios(1)(2)

	June 30, 2008(3)	December 31, 2007
Tier 1 Capital	**8.74%**	7.12%
Total Capital (Tier 1 and Tier 2)	**12.29**	10.70
Leverage(4)	**5.04**	4.03

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

(2) The impact of including Citigroup's own credit rating in valuing liabilities for which the fair value option has been selected is excluded from Tier 1 Capital.

(3) Includes net deferred tax assets that did not qualify for inclusion in Tier 1 Capital based on the capital guidelines of $6.2 billion at June 30, 2008.

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

Components of Capital Under Regulatory Guidelines

In millions of dollars	Jun. 30, 2008	Dec. 31,(1) 2007
Tier 1 Capital		
Common stockholders' equity(2)	**$ 108,981**	$ 113,447
Qualifying perpetual preferred stock	**27,424**	
Qualifying mandatorily redeemable securities of subsidiary trusts	**23,658**	23,594
Minority interest	**1,656**	4,077
Less: Net unrealized gains/(losses) on securities available-for-sale(3)	**(3,244)**	471
Less: Accumulated net losses on cash flow hedges, net of tax	**(3,923)**	(3,163)
Less: Pension liability adjustment, net of tax(4)	**(1,221)**	(1,057)
Less: Cumulative effect included in fair value of financial liabilities attributable to credit worthiness, net of tax(5)	**1,233**	1,352
Less: Restricted Core Capital Elements(6)		1,364
Less: Disallowed Deferred Tax Assets(7)	**6,208**	
Less: Intangible assets:		
Goodwill	**42,386**	41,053
Other disallowed intangible assets	**11,910**	10,511
Other	**(1,455)**	(1,361)
Total Tier 1 Capital	**$ 106,915**	$ 89,226
Tier 2 Capital		
Allowance for credit losses(8)	**$ 15,457**	$ 15,778
Qualifying debt(9)	**27,253**	26,690
Unrealized marketable equity securities gains(3)	**716**	1,063
Restricted Core Capital Elements(6)		1,364
Total Tier 2 Capital	**$ 43,426**	$ 44,895
Total Capital (Tier 1 and Tier 2)	**$ 150,341**	$ 134,121
Risk-Adjusted Assets(10)	**$ 1,223,313**	$ 1,253,321

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

(2) Reflects prior period adjustment to opening retained earnings as presented in the consolidated statement of changes in stockholders' equity on page 73.

(3) Tier 1 Capital excludes unrealized gains and losses on debt securities available-for-sale in accordance with regulatory risk-based capital guidelines. Institutions are required to deduct from Tier 1 Capital net unrealized holding gains on available-for-sale equity securities with readily determinable fair values, net of tax. 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.

(4) The FRB granted industry-wide interim capital relief for the impact of adopting SFAS 158.

(5) The impact of including Citigroup's own credit rating in valuing liabilities for which the fair value option has been selected is excluded from Tier 1 Capital.

(6)

Represents the excess of allowable restricted core capital in Tier 1 Capital. Restricted core capital is limited to 25% of all core capital elements, net of goodwill.

(7) Represents net deferred tax assets that did not qualify for inclusion in Tier 1 capital based on the capital guidelines at June 30, 2008.

(8) Can include up to 1.25% of risk-adjusted assets. Any excess allowance is deducted from risk-adjusted assets.

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

(10) Includes risk-weighted credit equivalent amounts, net of applicable bilateral netting agreements, of $109.0 billion for interest rate, commodity and equity derivative contracts and foreign-exchange contracts as of June 30, 2008, compared with $91.3 billion as of December 31, 2007. Market-risk-equivalent assets included in risk-adjusted assets amounted to $102.6 billion at June 30, 2008 and $109.0 billion at December 31, 2007, respectively. Risk-adjusted assets also include the effect of other off-balance-sheet exposures, such as unused loan commitments and letters of credit, and reflect deductions for certain intangible assets and any excess allowance for credit losses.

Common stockholders' equity decreased approximately $4.4 billion to $109.0 billion, representing 5.2% of total assets as of June 30, 2008 from $113.4 billion and 5.2% at December 31, 2007.

During the first six months of 2008, the Company completed the following common stock and preferred stock issuances:

- $12.5 billion of Convertible Preferred Stock in a Private Offering
- Approximately $3.2 billion of Convertible Preferred Stock in a Public Offering
- Approximately $11.7 billion of Straight Preferred Stock in Public Offerings
- Approximately $4.9 billion of Common Stock in a Public Offering

Common Equity

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

In billions of dollars		
Common Equity, December 31, 2007	$	113.4
Net income (loss)		(7.6)
Employee benefit plans and other activities		1.2
Dividends		(3.9)
Issuance of common stock		4.9
Issuance of shares for Nikko Cordial acquisition		4.4
Net change in Accumulated other comprehensive income (loss), net of tax		(3.4)
Common Equity, June 30, 2008	$	109.0

As of June 30, 2008, $6.7 billion remained under authorized repurchase programs after the repurchase of $0.7 billion in shares during 2007. As a result of developments in the latter half of 2007 and the first half of 2008, including write-downs, it is anticipated that the Company will not resume its share repurchase program in the near future.

Capital Resources of Citigroup's 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 June 30, 2008, 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 following table:

Citibank, N.A. Components of Capital and Ratios Under Regulatory Guidelines(1)(2)

In billions of dollars		**June 30, 2008(3)**		**December 31, 2007**
Tier 1 Capital	**$**	**79.9**	$	82.0
Total Capital (Tier 1 and Tier 2)		**119.7**		121.6
Tier 1 Capital Ratio		**8.92%**		8.98%
Total Capital (Tier 1 and Tier 2) Ratio		**13.36**		13.33
Leverage Ratio(4)		**6.42**		6.65

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

(2) The impact of including Citigroup's own credit rating in valuing liabilities for which the fair value option has been selected is excluded from Tier 1 Capital.

(3) Includes net deferred tax assets that did not qualify for inclusion in Tier 1 Capital based on the capital guidelines of $1.4 billion at June 30, 2008.

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

Citibank, N.A. had a net loss of $1.8 billion for the first six months of 2008.

Citibank, N.A. did not issue any additional subordinated notes during the first six months of 2008. For the full year 2007, Citibank, N.A. issued an additional $5.2 billion of subordinated notes to Citicorp Holdings Inc. that qualify for inclusion in Citibank, N.A.'s Tier 2 Capital. Total subordinated notes issued to Citicorp Holdings Inc. that were outstanding at June 30, 2008 and December 31, 2007, and included in Citibank, N.A.'s Tier 2 Capital, amounted to $28.2 billion.

The following table presents the estimated sensitivity of Citigroup's and Citibank, N.A.'s Capital Ratios to changes of $100 million of Tier 1 or Total Capital (numerator) or changes of $1 billion in risk-adjusted assets or adjusted average assets (denominator). This information is provided solely for the purpose of analyzing the impact that a change in the Company's financial position or results of operations has on these ratios. These sensitivities only consider a single change to either a component of Capital, risk-adjusted assets or adjusted average assets. Accordingly, an event that affects more than one factor may have a larger basis point impact than what is reflected in this table.

	Tier 1 Capital Ratio		Total Capital Ratio		Leverage Ratio	
	Impact of $100 million change in Tier 1 Capital	Impact of $1 billion change in risk-adjusted assets	Impact of $100 million change in Total Capital	Impact of $1 billion change in risk-adjusted assets	Impact of $100 million change in Tier 1 Capital	Impact of $1 billion changer in adjusted average assets
Citigroup	0.8 bps	0.7 bps	0.8 bps	1.0 bps	0.5 bps	0.2 bps
Citibank, N.A.	1.1 bps	1.0 bps	1.1 bps	1.5 bps	0.8 bps	0.5 bps

Broker-Dealer Subsidiaries

At June 30, 2008, Citigroup Global Markets Inc., an indirect wholly owned subsidiary of Citigroup Global Market Holdings Inc. (CGMHI), had net capital, computed in accordance with the Net Capital Rule, of $7.3 billion, which exceeded the minimum requirement by $5.5 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 June 30, 2008.

Regulatory Capital Standards Developments

Citigroup 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, 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 December 7, 2007, the U.S. banking regulators published the rules for large banks to comply with Basel II in the U.S. These rules require Citigroup, as a large and internationally active bank, to comply with the most advanced Basel II approaches for calculating credit and operational risk capital requirements. The U.S. implementation timetable consists of a parallel calculation period under the current regulatory capital regime (Basel I) and Basel II, starting any time between April 1, 2008, and April 1, 2010 followed by a three-year transition period, typically starting 12 months after the beginning of parallel reporting. The U.S. regulators have reserved the right to change how Basel II is applied in the U.S. following a review at the end of the second year of the transitional period, and to retain the existing prompt corrective action and leverage capital requirements applicable to banking organizations in the U.S. The Company is currently reviewing its timetable for adoption. The regulators have not determined any regulatory response to changes of accounting treatment regarding Qualifying Special Purpose Entities (QSPEs) or variable interest entities.

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.

During the second half of 2007 and the first six months of 2008, the Company took a series of actions to reduce potential funding risks related to short-term market dislocations. The amount of commercial paper outstanding was reduced and the weighted-average maturity was extended, the Parent Company liquidity portfolio (a portfolio of cash and highly liquid securities) and broker-dealer "cash box" (unencumbered cash deposits) were increased substantially, and the amount of unsecured overnight bank borrowings was reduced. As of June 30, 2008, the Parent Company liquidity portfolio and broker-dealer "cash box" totaled $64.8 billion as compared with $24.2 billion at December 31, 2007 and $11.4 billion at June 30, 2007.

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 June 30, 2008, Citigroup's subsidiary depository institutions could declare dividends to their parent companies, without regulatory approval, of approximately $6.9 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 June 30, 2008, its subsidiary depository institutions could distribute dividends to Citigroup of the entire $6.9 billion.

At June 30, 2008, long-term debt and commercial paper outstanding for Citigroup Parent Company, CGMHI, Citigroup Funding Inc. (CFI) and Citigroup's Subsidiaries were as follows:

In billions of dollars	Citigroup Parent company	CGMHI(1)	Citigroup Funding Inc.(1)	Other Citigroup Subsidiaries(2)
Long-term debt	$ 185.5	$ 21.2	$ 45.3	$ 165.9
Commercial paper	$	$	$ 32.1	$ 1.9

(1) Citigroup Inc. guarantees all of CFI's debt and CGMHI's publicly issued securities.

(2) At June 30, 2008, approximately $84.5 billion relates to collateralized advances from the Federal Home Loan Bank and $28.3 billion related to the consolidation of the ICG Structured Investment Vehicles.

See Note 12 to the Consolidated Financial Statements on page 90 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 table below indicates the current ratings for Citigroup.

On April 18, 2008, Fitch Ratings lowered Citigroup Inc.'s and Citibank, N.A.'s senior debt rating to "AA-" from "AA". In doing so, Fitch removed the rating from "Watch Negative" and applied a "Negative Outlook". Also on April 18, 2008, Moody's Investors Service placed the ratings of Citigroup Inc. and its subsidiaries on "Negative Outlook", and Standard & Poor's changed the outlook on Citigroup and its subsidiaries ratings to "CreditWatch Negative" from "Negative Outlook".

On June 2, 2008, Standard & Poor's removed the "CreditWatch with negative implications" designation from Citigroup Inc.'s and Citibank, N.A.'s senior debt ratings and changed the outlook on the ratings to "Negative".

As a result of the Citigroup guarantee, changes in ratings and ratings outlooks for Citigroup Funding Inc. are the same as those of Citigroup Inc. noted above.

Citigroup's Debt Ratings as of June 30, 2008

	Citigroup Inc.		Citigroup Funding Inc.		Citibank, N.A.	
	Senior Debt	Commercial paper	Senior debt	Commercial paper	Long-term	Short-term
Fitch Ratings	AA-	F1+	AA-	F1+	AA-	F1+
Moody's Investors Service	Aa3	P-1	Aa3	P-1	Aa1	P-1
Standard & Poor's	AA-	A-1+	AA-	A-1+	AA	A-1+

LIQUIDITY

Citigroup's liquidity management is structured to optimize the free flow of funds through the Company's legal and regulatory structure. Principal constraints relate to legal and regulatory limitations, sovereign risk and tax considerations. Consistent with these constraints, Citigroup's primary objectives for liquidity management are established by entity and in aggregate across three main operating entities as follows:

- Parent Holding Company
- Broker Dealer Entities
- Bank Entities

Within this construct, there is a funding framework for the Company's activities. The primary benchmark for the Parent and Broker Dealer Entities is that on a combined basis, Citigroup maintains sufficient liquidity to meet all maturing unsecured debt obligations due within a one-year time horizon without accessing the unsecured markets. The resulting "short-term ratio" is monitored on a daily basis.

OFF-BALANCE SHEET ARRANGEMENTS

Overview

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

Uses of 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 SPEs issuing debt and equity instruments, certificates, commercial paper, and other notes of indebtedness, which are recorded on the balance sheet of the SPE and not reflected on the transferring company's balance sheet, assuming applicable accounting requirements are satisfied. 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, liquidity put option or asset purchase agreement. 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 provider of certain credit enhancements as well as the counterparty to any related derivative contracts.

SPEs may be Qualifying SPEs (QSPEs) or Variable Interest Entities (VIEs) or neither.

Qualifying SPEs

QSPEs are a special class of SPEs defined in FASB Statement No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities" (SFAS 140). These SPEs have significant limitations on the types of assets and derivative instruments they may own and the types and extent of activities and decision-making they may engage in. Generally, QSPEs are passive entities designed to purchase assets and pass through the cash flows from those assets to the investors in the QSPE. QSPEs may not actively manage their assets through discretionary sales and are generally limited to making decisions inherent in servicing activities and issuance of liabilities. QSPEs are generally exempt from consolidation by the transferor of assets to the QSPE and any investor or counterparty.

Variable Interest Entities

VIEs are entities defined in FASB Interpretation No. 46, "Consolidation of Variable Interest Entities (revised December 2003)" (FIN 46-R), and are entities that have either a total equity investment at risk that is insufficient to permit the entity to finance its activities without additional subordinated financial support or whose equity investors lack the characteristics of a controlling financial interest (i.e., ability to make significant decisions through voting rights, right to receive the expected residual returns of the entity, and obligation to absorb the expected losses of the entity). Investors that finance the VIE through debt or equity interests, or other counterparties that provide other forms of support, such as guarantees, subordinated fee arrangements, or certain types of derivative contracts, are variable interest holders in the entity. The variable interest holder, if any, that will absorb a majority of the entity's expected losses, receive a majority of the entity's expected residual returns, or both, is deemed to be the primary beneficiary and must consolidate the VIE. Consolidation under FIN 46-R is based on *expected* losses and residual returns, which consider various scenarios on a probability-weighted basis. Consolidation of a VIE is, therefore, determined based primarily on variability generated in scenarios that are considered most likely to occur, rather than based on scenarios that are considered more remote. Certain variable interests may absorb significant amounts of losses or residual returns contractually, but if those scenarios are considered very unlikely to occur, they may not lead to consolidation of the VIE.

All of these facts and circumstances are taken into consideration when determining whether the Company has variable interests that would deem it the primary beneficiary and, therefore, require consolidation of the related VIE or otherwise rise to the level where disclosure would provide useful information to the users of the Company's financial statements. In some cases, it is qualitatively clear based on the extent of the Company's involvement or the seniority of its investments that the Company is not the primary beneficiary of the VIE. In other cases, a more detailed and quantitative analysis is required to make such a determination.

The Company generally considers the following types of involvement to be significant:

Assisting in the structuring of a transaction and retaining any amount of debt financing (e.g., loans, notes, bonds, or other debt instruments) or an equity investment (e.g., common shares, partnership interests, or warrants);

Writing a "liquidity put" or other liquidity facility to support the issuance of short-term notes;

Writing credit protection (e.g., guarantees, letters of credit, credit default swaps or total return swaps where the Company *receives* the total return or risk on the assets held by the VIE); or

Certain transactions where the Company is the investment manager and receives variable fees for services.

Thus, the Company's definition of "significant" involvement generally includes all variable interests held by the Company, even those where the likelihood of loss or the notional amount of exposure to any single legal entity is small. Involvement with a VIE as described above, regardless of the seniority or perceived risk of the Company's involvement, is included as significant.

In various other transactions the Company may act as a derivative counterparty (for example, interest rate swap, cross-currency swap, or purchaser of credit protection under a credit default swap or total return swap where the Company *pays* the total return on certain assets to the SPE); may act as underwriter or placement agent; may provide administrative, trustee, or other services; or may make a market in debt securities or other instruments issued by VIEs. The Company generally considers such involvement, by itself, "not significant" under FIN 46-R.

Citigroup's total involvement with SPEs, including QSPEs, consolidated VIEs and significant unconsolidated VIEs as of June 30, 2008 and December 31, 2007 is presented below:

	June 30, 2008			
In millions of dollars of SPE assets	Total involvement with SPEs	QSPE assets	Consolidated VIE assets	Significant unconsolidated VIE assets(1)
Consumer Banking				
Credit card securitizations	$ 122,192	$ 122,192	$	$
Mortgage loan securitizations	578,261	578,198	63	
Other	17,932	16,287	1,645	
Total	$ 718,385	$ 716,677	$ 1,708	$
Institutional Clients Group				
Citi-administered asset-backed commercial paper conduits (ABCP)	$ 70,472	$	$	$ 70,472
Third-party commercial paper conduits	26,455			26,455
Collateralized debt obligations (CDOs)	43,803		17,735	26,068
Collateralized loan obligations (CLOs)	23,080		39	23,041
Mortgage loan securitizations	96,903	96,903		
Asset-based financing	122,217		4,252	117,965
Municipal securities tender option bond trusts (TOBs)	41,034	9,237	15,645	16,152
Municipal investments	15,678		907	14,771
Client intermediation	15,181		4,385	10,796
Structured investment vehicles	34,796		34,796	
Investment funds	16,210		4,913	11,297
Other	32,378	5,528	12,547	14,303
Total	$ 538,207	$ 111,668	$ 95,219	$ 331,320

	June 30, 2008			
Global Wealth Management				
Investment Funds	**$ 537**	**$**	**$ 496**	**$ 41**
Corporate/Other				
Trust preferred securities	**$ 23,819**	**$**	**$**	**$ 23,819**
Citigroup Total	**$ 1,280,948**	**$ 828,345**	**$ 97,423**	**$ 355,180**

(1) A significant unconsolidated VIE is an entity where the Company has any variable interest, considered to be significant as discussed above, regardless of the likelihood of loss or the notional amount of exposure.

In millions of dollars of SPE assets	December 31, 2007(1) Total involvement with SPEs	QSPE assets	Consolidated VIE assets	Significant unconsolidated VIE assets(2)
Consumer Banking				
Credit card securitizations	$ 125,109	$ 125,109	$	$
Mortgage loan securitizations	516,865	516,802	63	
Leasing	35		35	
Other	16,267	14,882	1,385	
Total	$ 658,276	$ 656,793	$ 1,483	$
Institutional Clients Group				
Citi-administered asset-backed commercial paper conduits (ABCP)	$ 72,558	$	$	$ 72,558
Third-party commercial paper conduits	27,021			27,021
Collateralized debt obligations (CDOs)	74,106		22,312	51,794
Collateralized loan obligations (CLOs)	23,227		1,353	21,874
Mortgage loan securitizations	92,263	92,263		
Asset-based financing	96,072		4,468	91,604
Municipal securities tender option bond trusts (TOBs)	50,129	10,556	17,003	22,570
Municipal investments	13,715		53	13,662
Client intermediation	12,383		2,790	9,593
Structured investment vehicles	58,543		58,543	
Investment funds	11,422		140	11,282
Other	37,895	14,526	12,809	10,560
Total	$ 569,334	$ 117,345	$ 119,471	$ 332,518
Global Wealth Management				
Investment Funds	$ 656	$	$ 604	$ 52
Corporate/Other				
Trust preferred securities	$ 23,756	$	$	$ 23,756
Citigroup Total	$ 1,252,022	$ 774,138	$ 121,558	$ 356,326

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

(2) A significant unconsolidated VIE is an entity where the Company has any variable interest considered to be significant as discussed above, regardless of the likelihood of loss, or the notional amount of exposure.

These tables do not include:

- Certain venture capital investments made by some of the Company's private equity subsidiaries as the Company accounts for these investments in accordance with the Investment Company Audit Guide.
- Certain limited partnerships where the Company is the general partner and the limited partners have the right to replace the general partner or liquidate the funds.

- Certain investment funds for which the Company provides investment management services and personal estate trusts for which the Company provides administrative, trustee and/or investment management services.

- VIEs and QSPEs structured by third parties where the Company holds securities in trading inventory. These investments are made on arm's-length terms, are typically held for relatively short periods of time and are not considered to represent significant involvement in the VIE.

- VIE structures in which the Company transferred assets to the VIE that did not qualify as a sale, and where the Company did not have any other involvement that is deemed to be a variable interest with the VIE that was deemed significant. These transfers are accounted for as secured borrowings by the Company.

The significant variances between the balances reported in the June 30, 2008 and December 31, 2007 tables are primarily due to:

- An increase in Consumer Banking mortgage QSPE assets of $61 billion from new loan securitizations.

- A decrease of significant unconsolidated CDOs of $26 billion resulting from the consolidation of certain CDOs as discussed on page 58, liquidations of other certain CDOs, and asset sales.

- An increase of significant unconsolidated asset based financings of $26 billion due to higher levels of assets supporting the Company's financing positions, increased business activity, and the senior debt securities retained in the Company's April 17, 2008 sale of a corporate loan portfolio. The latter is further discussed on page 66.

- A decrease in significant unconsolidated TOBs of $6 billion which reflects the liquidations of customer and unconsolidated proprietary TOB trusts.

- A decrease in consolidated assets of structured investment vehicles of $24 billion due to the execution of their asset reduction plan as described on page 105.

- An increase in consolidated assets of investment funds of $5 billion due to the consolidation of Falcon multi-strategy fixed income funds and the ASTA/MAT municipal funds as further discussed on page 64.

Primary Uses of SPEs by Consumer Banking

Securitization of Credit Card Receivables

Credit card receivables are securitized through trusts, which are established to purchase the receivables. 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. The Company relies on securitizations to fund a significant portion of its managed *N.A.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 June 30, 2008 and December 31, 2007:

In billions of dollars	June 30, 2008	December 31, 2007
Principal amount of credit card receivables in trusts	**$ 122.2**	$ 125.1
Ownership interests in principal amount of trust credit card receivables:		
Sold to investors via trust-issued securities	**$ 103.7**	$ 102.3
Retained by Citigroup as trust-issued securities	**6.0**	4.5
Retained by Citigroup via non-certificated interests recorded as consumer loans	**12.5**	18.3
Total ownership interests in principal amount of trust credit card receivables	**$ 122.2**	$ 125.1
Other amounts recorded on the balance sheet related to interests retained in the trusts:		
Amounts receivable from trusts	**$ 4.0**	$ 4.4
Amounts payable to trusts	**1.6**	1.6
Residual interest retained in trust cash flows	**3.1**	2.7

In the second quarters of 2008 and 2007, the Company recorded net gains (losses) from securitization of credit card receivables of ($176) million and $243 million, and $45 million and $578 million during the first six months of 2008 and 2007, respectively. Net gains (losses) 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
- mark-to-market changes for the portion of the residual interest classified as trading assets

Securitization of Originated Mortgage and Other Consumer Loans

The Company's Consumer business provides a wide range of mortgage and other consumer loan products to its customers. Once originated, the Company often securitizes these loans (primarily mortgage and student loans). 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 and student 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. However, the Company's Consumer business generally retains the servicing rights.

The Company recognized gains related to the securitization of these mortgage and other consumer loan products of $95 million and $125 million in the second quarters of 2008 and 2007, respectively, and $98 million and $156 million in the first six months of 2008 and 2007, respectively.

Primary Uses of SPEs by Institutional Clients Group

Citi-administered Asset-backed Commercial Paper Conduits

The Company is active in the asset-backed commercial paper conduit business as administrator of several multi-seller commercial paper conduits, and also as a service provider to single-seller and other commercial paper conduits sponsored by third parties.

The multi-seller commercial paper conduits are designed to provide the Company's customers access to low-cost funding in the commercial paper markets. The conduits purchase assets from or provide financing facilities to customers and are funded by issuing commercial paper to third-party investors. The conduits generally do not purchase assets originated by the Company. The funding of the conduit is facilitated by the liquidity support and credit enhancements provided by the Company and by certain third parties. As administrator to the conduits, the Company is responsible for selecting and structuring of assets purchased or financed by the conduits, making decisions regarding the funding of the conduits, including determining the tenor and other features of the commercial paper issued, monitoring the quality and performance of the conduits' assets, and facilitating the operations and cash flows of the conduits.

In return, the Company earns structuring fees from clients for individual transactions and earns an administration fee from the conduit, which is equal to the income from client program and liquidity fees of the conduit after payment of interest costs and other fees. This administration fee is fairly stable, since most risks and rewards of the underlying assets are passed back to the customers and, once the asset pricing is negotiated, most ongoing income, costs and fees are relatively stable as a percentage of the conduit's size.

The conduits administered by the Company do not generally invest in liquid securities that are formally rated by third parties. The assets are privately negotiated and structured transactions that are designed to be held by the conduit, rather than actively traded and sold. The yield earned by the conduit on each asset is generally tied to the rate on the commercial paper issued by the conduit, thus passing interest rate risk to the client. Each asset purchased by the conduit is structured with transaction-specific credit enhancement features provided by the third-party seller, including over-collateralization, cash and excess spread collateral accounts, direct recourse or third-party guarantees. Credit enhancements are sized based on historic asset performance to achieve an internal risk rating that, on average, approximates an AA or A rating.

Substantially all of the funding of the conduits is in the form of commercial paper, with a weighted average life generally ranging from 35-45 days. As of June 30, 2008 and December 31, 2007, the weighted average life of the commercial paper issued was approximately 39 days and 30 days, respectively. In addition, the conduits have issued Subordinate Loss Notes and equity with a notional amount of approximately $81 million and $77 million as of June 30, 2008 and December 31, 2007, respectively, with varying remaining tenors ranging from one to seven years.

The primary credit enhancement provided to the conduit investors is in the form of transaction-specific credit enhancement described above. In addition, there are two additional forms of credit enhancement that protect the commercial paper investors from defaulting assets. First, the Subordinate Loss Notes issued by each conduit absorb any credit losses up to their full notional amount. It is expected that the Subordinate Loss Notes issued by each conduit are sufficient to absorb a majority of the expected losses from each conduit, thereby making the single investor in the Subordinate Loss Note the primary beneficiary under FIN 46-R. Second, each conduit has obtained either a letter of credit from the Company or a surety bond from a monoline insurer that will reimburse the conduit for any losses up to a specified amount, which is generally 8-10% of the conduit's assets. Where surety bonds are obtained, the Company, in turn, provides the surety bond provider a reimbursement guarantee up to a stated amount for aggregate losses incurred by any of the conduits covered by the surety bond. The total of the letters of credit and the reimbursement guarantee provided by the Company is approximately $2.0 billion and is considered in the Company's maximum exposure to loss. The net result across all multi-seller conduits administered by the Company is that, in the event of defaulted assets in excess of the transaction-specific credit enhancement described above, any losses in each conduit are allocated in the following order:

- Subordinate Loss Note holders
- the Company
- the monoline insurer, if any (up to the 8%-10% cap), and
- the commercial paper investors.

The Company, along with third parties, also provides the conduits with two forms of liquidity facilities that are used to provide funding to the conduits in the event of a market disruption, among other events. Each asset of the conduit is supported by a transaction-specific liquidity facility in the form of an asset purchase agreement (APA). Under the APA, the Company has agreed to purchase non-defaulted eligible receivables from the conduit at par. Any assets purchased under the APA are subject to increased pricing. The APA is not designed to provide credit support to the conduit, as it generally does not permit the purchase of defaulted or impaired assets and generally reprices the assets purchased to consider any potential increased credit risk. The APA covers all assets in the conduits and is considered in the Company's maximum exposure to loss. In addition, the Company provides the conduits with program-wide liquidity in the form of short-term lending commitments. Under these commitments, the Company has agreed to lend to the conduits in the event of a short-term disruption in the commercial paper market, subject to specified conditions. The total notional exposure under the program-wide liquidity agreement is $11.3 billion and is considered in the Company's maximum exposure to loss. The Company receives fees for providing both types of liquidity agreements, and considers these fees to be on fair market terms.

Finally, the Company is one of several named dealers in the commercial paper issued by the conduits and earns a market-based fee for providing such services. Along with third-party dealers, the Company makes a market in the commercial paper and may from time to time fund commercial paper pending sale to a third party. On specific dates with less liquidity in the market, the Company may hold in inventory commercial paper issued by conduits administered by the Company, as well as conduits administered by third parties. The amount of commercial paper issued by its administered conduits held in inventory fluctuates based on market conditions and activity. As of June 30, 2008 and December 31, 2007, the Company owned less than $100 million and $10 million, respectively, of commercial paper issued by its administered conduits.

FIN 46-R requires that the Company quantitatively analyze the expected variability of the Conduit to determine whether the Company is the primary beneficiary of the conduit. The Company performs this analysis on a quarterly basis, and has concluded that the Company is not the primary beneficiary of the conduits as defined in FIN 46-R and, therefore, does not consolidate the conduits it administers. In conducting this analysis, the Company considers three primary sources of variability in the conduit: credit risk, interest rate risk and fee variability.

The Company models the credit risk of the conduit's assets using a Credit Value at Risk (C-VaR) model. The C-VaR model considers changes in credit spreads (both within a rating class as well as due to rating upgrades and downgrades), name-specific changes in credit spreads, credit defaults and recovery rates and diversification effects of pools of financial assets. The model incorporates data from independent rating agencies as well as the Company's own proprietary information regarding spread changes, ratings transitions and losses given default. Using this credit data, a Monte Carlo simulation is performed to develop a distribution of credit risk for the portfolio of assets owned by each conduit, which is then applied on a probability-weighted basis to determine expected losses due to credit risk. In addition, the Company continuously monitors the specific credit characteristics of the conduit's assets and the current credit environment to confirm that the C-VaR model used continues to incorporate the Company's best information regarding the expected credit risk of the conduit's assets.

The Company also analyzes the variability in the fees that it earns from the conduit using monthly actual historical cash flow data to determine average fee and standard deviation measures for each conduit. Because any unhedged interest rate and foreign currency risk not contractually passed on to customers is absorbed by the fees earned by the Company, the fee variability analysis incorporates those risks.

The fee variability and credit risk variability are then combined into a single distribution of the conduit's overall returns. This return distribution is updated and analyzed on at least a quarterly basis to ensure that the amount of the Subordinate Loss Notes issued to third parties is sufficient to absorb greater than 50% of the total expected variability in the conduit's returns. The expected variability absorbed by the

Subordinate Loss Note investors is therefore measured to be greater than the expected variability absorbed by the Company through its liquidity arrangements and other fees earned, the surety bond providers, and the investors in commercial paper and medium-term notes. While the notional amounts of the Subordinate Loss Notes are quantitatively small compared to the size of the conduits, this is reflective of the fact that most of the substantive risks of the conduits are absorbed by the enhancements provided by the sellers and other third parties that provide transaction- level credit enhancement. Because FIN 46-R requires these risks and related enhancements to be excluded from the analysis, the remaining risks and expected variability are quantitatively small. The calculation of variability under FIN46-R focuses primarily on *expected* variability, rather than the risks associated with extreme outcomes (for example, large levels of default) that are expected to occur very infrequently. So while the Subordinate Loss Notes are sized appropriately compared to expected losses as measured in FIN 46-R, they do not provide significant protection against extreme or unusual credit losses.

The following tables describe the important characteristics of assets owned by the administered multi-seller conduits as of June 30, 2008 and December 31, 2007:

	Weighted average life	Credit rating distribution			
		AAA	AA	A	BBB
June 30, 2008	3.7 years	32%	55%	8%	5%
December 31, 2007	2.5 years	30%	59%	9%	2%

Asset Class	% of Total Portfolio June 30, 2008	December 31, 2007
Student loans	22%	21%
Trade receivables	15%	16%
Credit cards and consumer loans	11%	13%
Portfolio finance	15%	11%
Commercial loans and corporate credit	9%	10%
Export finance	9%	9%
Auto	7%	8%
Residential mortgage	5%	7%
Other	7%	5%
Total	100%	100%

Third-party Conduits

The Company also provides liquidity facilities to single- and multi-seller conduits sponsored by third parties. These conduits are independently owned and managed and invest in a variety of asset classes, depending on the nature of the conduit. The facilities provided by the Company typically represent a small portion of the total liquidity facilities obtained by each conduit, and are collateralized by the assets of each conduit. The notional amount of these facilities was approximately $1.5 billion and $2.2 billion as of June 30, 2008 and December 31, 2007, respectively. The conduits received $3 million of funding as of June 30, 2006, compared to zero as of December 31, 2007.

Collateralized Debt Obligations

A collateralized debt obligation (CDO) is an SPE that purchases a pool of assets consisting of asset-backed securities and synthetic exposures through derivatives on asset-backed securities and issues multiple tranches of equity and notes to investors. A third-party manager is typically retained by the CDO to select the pool of assets and manage those assets over the term of the CDO. The Company earns fees for warehousing assets prior to the creation of a CDO, structuring CDOs, and placing debt securities with investors. In addition, the Company has retained interests in many of the CDOs it has structured and makes a market in those issued notes.

A cash CDO, or arbitrage CDO, is a CDO designed to take advantage of the difference between the yield on a portfolio of selected assets, typically residential mortgage-backed securities, and the cost of funding the CDO through the sale of notes to investors. "Cash flow" CDOs are vehicles in which the CDO passes on cash flows from a pool of assets, while "market value" CDOs pay to investors the market value of the pool of assets owned by the CDO at maturity. Both types of CDOs are typically managed by a third-party asset manager. In these transactions, all of the equity and notes issued by the CDO are funded, as the cash is needed to purchase the debt securities. In a typical cash CDO, a third-party investment manager selects a portfolio of assets, which the Company funds through a "warehouse" financing arrangement prior to the creation of the CDO. The Company then sells the debt securities to the CDO in exchange for cash raised through the issuance of notes. The Company's involvement in cash CDOs after issuance is typically limited to investing in a portion of the notes or loans issued by the CDO, making a market in those securities, and acting as derivative counterparty for interest rate or foreign currency swaps used in the structuring of the CDO.

A synthetic CDO is similar to a cash CDO, except that the CDO obtains exposure to all or a portion of the referenced assets synthetically through derivative instruments, such as credit default swaps. Because the CDO does not need to raise cash sufficient to purchase the entire referenced portfolio, a substantial portion of the senior tranches of risk is typically passed on to CDO investors in the form of unfunded liabilities or derivative instruments. Thus, the CDO writes credit protection on selected referenced debt securities to the Company or third parties, and the risk is then passed on to the CDO investors in the form of funded notes or purchased credit protection through derivative instruments. Any cash raised from investors is invested in a portfolio of collateral securities or investment contracts. The collateral is then used to support the CDO's obligations on the credit default swaps written to counterparties. The Company's involvement in synthetic CDOs after issuance generally includes purchasing credit protection through credit default swaps with the CDO, owning a portion of the capital structure of the CDO in the form of both unfunded derivative positions (primarily super senior exposures discussed below) and funded notes, entering into interest rate swap and total return swap transactions with the CDO, lending to the CDO, and making a market in those funded notes.

The following table describes credit ratings of assets of unconsolidated CDOs with which the Company had significant involvement as of June 30, 2008 and December 31, 2007:

		Credit rating distribution				
	Weighted average life	**A or higher**	**BBB**	**BB/B**	**CCC**	**Unrated**
June 30, 2008	4.1 years	20%	14%	14%	40%	12%
December 31, 2007	5.1 years	40%	20%	12%	25%	3%

Asset-Backed Commercial Paper CDOs (ABCP CDOs)

During the second half of 2007, the market interest rates on commercial paper issued by certain CDO structures increased significantly. To pre-empt the formal exercise of liquidity puts provided by the Company to its CDO structures, the Company purchased all of the outstanding commercial paper issued by these entities, which totaled approximately $25 billion. Because of these purchases, which are deemed to be FIN 46-R reconsideration events, and because the value of the CDOs' commercial paper and subordinated tranches were deteriorating as the underlying collateral of the CDOs (primarily residential mortgage-backed securities) was being downgraded, the Company concluded that it was the primary beneficiary of these entities and began consolidating them in the fourth quarter of 2007.

Upon consolidation, the Company reflected the underlying assets of the CDOs on its balance sheet in Trading account assets at fair value, eliminated the commercial paper assets previously recognized, and recognized the subordinate CDO liabilities (owned by third parties) at fair value. This resulted in a balance sheet gross-up of approximately $400 million as of December 31, 2007 compared to the prior accounting treatment as unconsolidated VIEs.

During the second quarter of 2008 and the fourth quarter of 2007, the Company recognized pretax losses of $2.0 billion and $4.3 billion, respectively, for changes in the fair value of the consolidated CPCDOs' assets.

CDO Super Senior Exposure

In addition to asset-backed commercial paper positions in consolidated CDOs, the Company has retained significant portions of the "super senior" positions issued by certain CDOs. These positions are referred to as "super senior," because they represent the most senior positions in the CDO and, at the time of structuring, were senior to tranches rated AAA by independent rating agencies. However, since inception of these transactions, the subordinate positions have diminished significantly in value and in rating. There have been substantial reductions in value of these super senior positions since the fourth quarter of 2007.

At inception of the transactions, the super senior tranches were well protected from the expected losses of these CDOs. Subsequent declines in value of the subordinate tranches and the super senior tranches in the fourth quarter of 2007 indicated that the super senior tranches now are exposed to a significant portion of the expected losses of the CDOs, based on current market assumptions. The Company evaluates these transactions for consolidation when reconsideration events occur, as defined in FIN 46-R. The Company continues to monitor its involvement in these transactions and, if the Company were to acquire additional interests in these vehicles or if the CDOs' contractual arrangements were to be changed to reallocate expected losses or residual returns among the various interest holders, the Company may be required to consolidate the CDOs. For cash CDOs, the net result of such consolidation would generally be to gross up the Company's balance sheet by the current fair value of the subordinate securities held by third parties, which amounts are not considered material. For synthetic CDOs, the net result of such consolidation may reduce the Company's balance sheet by eliminating what would be intercompany derivative receivables and payables in consolidation.

During the second quarter, the Company purchased additional interests in certain CDO transactions. These purchases were determined to be reconsideration events as defined in FIN46-R, and as a result it was determined that the Company is required to consolidate certain CDO's as it has become the primary beneficiary. The impact of the consolidation was deemed to be immaterial.

The consolidation of these entities reduced the disclosed total assets of significant unconsolidated VIEs reflected above by $15.6 billion (representing the original cost basis or total notional of the VIE's asset positions), and reduced the Company's disclosed maximum exposure to significant unconsolidated VIEs by $2.0 billion. Upon consolidating these VIEs, the Company eliminates previously recognized assets and liabilities (including derivative payables and receivables with the VIEs), and recognizes the underlying third party assets and liabilities of the VIEs at current fair value. The current fair value of the assets owned by these CDO VIEs is approximately $2.9 billion. The consolidation of the CDOs results in a net reduction of assets on the Company's consolidated balance sheet of approximately $1.6 billion.

Collateralized Loan Obligations

A collateralized loan obligation (CLO) is substantially similar to the CDO transactions described above, except that the assets owned by the SPE (either cash instruments or synthetic exposures through derivative instruments) are corporate loans and to a lesser extent corporate bonds, rather than asset-backed debt securities.

The following table describes credit ratings of assets of unconsolidated CLOs with which the Company had significant involvement as of June 30, 2008 and December 31, 2007, respectively:

		Credit rating distribution				
	Weighted average life	A or Higher	BBB	BB/B	CCC	Unrated
June 30, 2008	3.2 years	4%	5%	81%	0%	10%
December 31, 2007	5.0 years	7%	11%	56%	0%	26%

Mortgage Loan Securitizations

CMB is active in structuring and underwriting residential and commercial mortgage-backed securitizations. In these transactions, the Company or its customer transfers loans into a bankruptcy-remote SPE. These SPEs are designed to be QSPEs as described above. The Company may hold residual interests and other securities issued by the SPEs until they can be sold to independent investors and makes a market in those securities on an ongoing basis. These securities are held as trading assets on the balance sheet, are managed as part of the Company's trading activities, and are marked to market with changes in value recognized in earnings. The Company sometimes retains servicing rights for certain entities. The table on page 53 and 54 shows the assets for mortgage QSPEs in which ICG acted as principal in transferring mortgages to the QSPE.

Asset-Based Financing

The Company provides loans and other forms of financing to VIEs that hold assets. Those loans are subject to the same credit approvals as all other loans originated or purchased by the Company, and related loan loss reserves are reported as part of the Company's Allowance for loan losses. Financings in the form of debt securities or derivatives are, in most circumstances, reported in Trading account assets and accounted for at fair value through earnings.

The primary types of asset-based financing, total assets of the unconsolidated VIEs with significant involvement, and the Company's maximum exposure to loss at June 30, 2008 and December 31, 2007 are shown below. For the Company to realize that maximum loss, the VIE (borrower) would have to default with no recovery from the assets held by the VIE.

In billions of dollars	**June 30, 2008**		**December 31, 2007**	
Type	**Total assets**	**Maximum exposure**	**Total assets**	**Maximum exposure**
Commercial and other real estate	$ 48.3	$ 13.3	$ 34.3	$ 16.0
Hedge funds and equities	43.9	14.0	36.0	13.1
Asset purchasing vehicles/SIVs	4.5	1.1	10.2	2.5
Airplanes, ships and other assets	11.0	3.4	11.1	2.7
Corporate loans	10.3	8.7		

In billions of dollars	June 30, 2008		December 31, 2007	
Total	$ 118.0	$ 40.5	$ 91.6	$ 34.3

The amounts disclosed as corporate loan assets and exposure relate to the senior financing the Company provided to the purchaser of a portfolio of corporate loans, including highly leveraged loans. The Company has purchased credit protection on the senior financing via total return swaps with the third parties who also own the subordinate interests in the loans. The credit risk in the total return swap is protected through margin agreements that provide for both initial margin as well as additional margin at specified triggers.

The Company's involvement in the asset purchasing vehicles and Structured Investment Vehicles (SIV's) sponsored and managed by third parties is primarily in the form of providing backstop liquidity. Those vehicles finance a majority of their asset purchases with commercial paper and short-term notes. Certain of the assets owned by the vehicles have suffered significant declines in fair value, leading to an inability to re-issue maturing commercial paper and short-term notes. Citigroup has been required to provide loans to those vehicles to replace maturing commercial paper and short-term notes, in accordance with the original terms of the backstop liquidity facilities.

The asset quality of the third-party asset purchasing vehicle and SIVs to which the Company had provided backstop liquidity as of June 30, 2008 and December 31, 2007 consisted of the following:

	Credit rating distribution				
	A or Higher	BBB	BB/B	CCC	Unrated
June 30, 2008	90%	3%	7%	0%	0%
December 31, 2007	96%	1%	3%	0%	0%

Municipal Securities Tender Option Bond (TOB) Trusts

The Company sponsors TOB trusts that hold fixed- and floating-rate, tax-exempt securities issued by state and local municipalities. The trusts are single-issuer trusts whose assets are purchased from the Company and from the secondary market. The trusts issue long-term senior floating-rate notes ("Floaters") and junior residual securities ("Residuals"). The Floaters have a long-term rating based on the long-term rating of the underlying municipal bond and a short-term rating based on that of the liquidity provider to the trust. The Residuals are generally rated based on the long-term rating of the underlying municipal bond and entitle the holder to the residual cash flows from the issuing trust.

The Company sponsors three kinds of TOB trusts: customer TOB trusts, proprietary TOB trusts, and QSPE TOB trusts.

Customer TOB trusts are trusts through which customers finance investments in municipal securities and are not consolidated by the Company. Proprietary and QSPE TOB trusts, on the other hand, provide the Company with the ability to finance its own investments in municipal securities.

Proprietary TOB trusts are generally consolidated, in which case the financing (the Floaters) is recognized on the Company's balance sheet as a liability. However, certain proprietary TOB trusts are not consolidated by the Company, where the Residuals are held by hedge funds that are consolidated and managed by the Company. The assets and the associated liabilities of these TOB trusts are not consolidated by the hedge funds (and, thus, are not consolidated by the Company) under the application of the AICPA Investment Company Audit Guide, which precludes consolidation of owned investments. The Company consolidates the hedge funds because the Company holds controlling financial interests in the hedge funds. Certain of the Company's equity investments in the hedge funds are hedged with derivatives transactions executed by the Company with third parties referencing the returns of the hedge funds.

QSPE TOB trusts provide the Company with the same exposure as proprietary TOB trusts and are not consolidated by the Company.

The total assets and other characteristics of the three categories of TOB trusts as of June 30, 2008 and December 31, 2007 are as follows:

June 30, 2008

TOB trust type		Total assets *(in billions)*	Weighted average life	Credit rating distribution AAA/Aaa	AA/Aa1-AA-/Aa3	Less than AA-/Aa3
Customer TOB Trusts (Not consolidated)	$	9.5	12.2 years	48%	33%	19%
Proprietary TOB Trusts (Consolidated and Non-consolidated)	$	22.2	20.2 years	54%	45%	1%
QSPE TOB Trusts (Not consolidated)	$	9.2	3.0 years	58%	40%	2%

December 31, 2007

TOB trust type		Total assets *(in billions)*	Weighted average life	Credit rating distribution AAA/Aaa	AA/Aa1-AA-/Aa3	Less than AA-/Aa3
Customer TOB Trusts (Not consolidated)	$	17.6	8.4 years	84%	16%	
Proprietary TOB Trusts (Consolidated and Non-consolidated)	$	22.0	18.1 years	67%	33%	
QSPE TOB Trusts (Not consolidated)	$	10.6	3.0 years	80%	20%	

Credit rating distribution is based on the external rating of the municipal bonds within the TOB trusts, including any credit enhancement provided by monoline insurance companies or the Company in the primary or secondary markets, as discussed below. The total assets for proprietary TOB Trusts (Consolidated and Non-consolidated) include $6.6 billion and $5.0 billion of assets as of June 30, 2008 and December 31, 2007, respectively, where the Residuals are held by hedge funds that are consolidated and managed by the Company.

The TOB trusts fund the purchase of their assets by issuing Floaters along with Residuals, which are frequently less than 1% of a trust's total funding. The tenor of the Floaters matches the maturity of the TOB trust and is equal to or shorter than the tenor of the municipal bond held by the trust, and the Floaters bear interest rates that are typically reset weekly to a new market rate (based on the SIFMA index). Floater holders have an option to tender the Floaters they hold back to the trust periodically. Customer TOB trusts issue the Floaters and Residuals to third parties. Proprietary and QSPE TOB trusts issue the Floaters to third parties, and the Residuals are held by the Company.

Approximately $3.6 billion as of June 30, 2008 and $5.7 billion as of December 31, 2007 of the municipal bonds owned by TOB trusts have an additional credit guarantee provided by the Company. In all other cases, the assets are either unenhanced or are insured with a monoline insurance provider in the primary market or in the secondary market. While the trusts have not encountered any adverse credit events as defined in the underlying trust agreements, certain monoline insurance companies have experienced downgrades. In these cases, the Company has proactively managed the TOB programs by applying additional secondary market insurance on the assets or proceeding with orderly unwinds of the trusts.

The Company, in its capacity as remarketing agent, facilitates the sale of the Floaters to third parties at inception of the trust and facilitates the reset of the Floater coupon and tenders of Floaters. If Floaters are tendered and the Company (in its role as remarketing agent) is unable to find a new investor within a specified period of time, it can declare a failed remarketing (in which case the trust is unwound) or may choose to buy the Floaters into its own inventory and may continue to try to sell it to a third-party investor. While the levels of the Company's inventory of Floaters fluctuates, the Company held approximately $1.1 billion and $0.9 billion of Floater inventory related to the TOB programs as of June 30, 2008 and December 31, 2007, respectively.

If a trust is unwound early due to an event other than a credit event on the underlying municipal bond, the underlying municipal bond is sold in the secondary market. If there is an accompanying shortfall in the trust's cash flows to fund the redemption of the Floaters after the sale of the underlying municipal bond, the trust draws on a liquidity agreement in an amount equal to the shortfall. Liquidity agreements are generally provided to the trust directly by the Company. For customer TOBs where the Residual is less than 25% of the trust's capital structure, the Company has a reimbursement agreement with the Residual holder under which the Residual holder reimburses the Company for any payment made under the liquidity arrangement. Through this reimbursement agreement, the Residual holder remains economically exposed to fluctuations in value of the municipal bond. These reimbursement agreements are actively margined based on changes in value of the underlying municipal bond to mitigate the Company's counterparty credit risk. In cases where a third party provides liquidity to a proprietary or QSPE TOB trust, a similar reimbursement arrangement is made whereby the Company (or a consolidated subsidiary of the Company) as Residual holder absorbs any losses incurred by the liquidity provider. As of June 30, 2008 and December 31, 2007, liquidity agreements provided with respect to customer TOB trusts totaled $8.5 billion and $14.4 billion, offset by reimbursement agreements in place with a notional amount of $7.1 billion and $11.5 billion, respectively. The remaining exposure relates to TOB transactions where the Residual owned by the customer is at least 25% of the bond value at the inception of the transaction. In addition, the Company has provided liquidity arrangements with a notional amount of $11.2 billion as of June 30, 2008, and $11.4 billion as of December 31, 2007, to QSPE TOB trusts and other non-consolidated proprietary TOB trusts described above.

The Company considers the customer and proprietary TOB trusts (excluding QSPE TOB trusts) to be variable interest entities within the scope of FIN 46-R. Because third-party investors hold the Residual and Floater interests in the customer TOB trusts, the Company's involvement and variable interests include only its role as remarketing agent and liquidity provider. On the basis of the variability absorbed by the customer through the reimbursement arrangement or significant residual investment, the Company does not consolidate the Customer TOB trusts. The Company's variable interests in the Proprietary TOB trusts include the Residual as well as the remarketing and liquidity agreements with the trusts. On the basis of the variability absorbed through these contracts (primarily the Residual), the Company generally consolidates the Proprietary TOB trusts. Finally, certain proprietary TOB trusts and QSPE TOB trusts are not consolidated by application of specific accounting literature. For the nonconsolidated proprietary TOB trusts and QSPE TOB trusts, the Company recognizes only its residual investment on its balance sheet at fair value and the third-party financing raised by the trusts is off-balance sheet.

Municipal Investments

Municipal investment transactions represent partnerships that finance the construction and rehabilitation of low-income affordable rental housing. The Company generally invests in these partnerships as a limited partner and earns a return primarily through the receipt of tax credits earned from the affordable housing investments made by the partnership.

Client Intermediation

Client intermediation transactions represent a range of transactions designed to provide investors with specified returns based on the returns of an underlying security, referenced asset or index. These transactions include credit-linked notes and equity-linked notes. In these transactions, the SPE typically obtains exposure to the underlying security, referenced asset or index through a derivative instrument such as a total return swap or a credit default swap. In turn, the SPE issues notes to investors that pay a return based on the specified underlying security, referenced asset or index. The SPE invests the proceeds in a financial asset or a guaranteed insurance contract (GIC) that serves as collateral for the derivative contract over the term of the transaction. The Company's involvement in these transactions includes being the counterparty to the SPE's derivative instruments and investing in a portion of the notes issued by the SPE. In certain transactions, the investor's maximum risk of loss is limited and the Company absorbs risk of loss above a specified level.

The Company's maximum risk of loss in these transactions is defined as the amount invested in notes issued by the SPE and the notional amount of any risk of loss absorbed by the Company through a separate instrument issued by the SPE. The derivative instrument held by the Company may generate a receivable from the SPE (for example, where the Company purchases credit protection from the SPE in connection with the SPE's issuance of a credit-linked note), which is collateralized by the assets owned by the SPE. These derivative instruments are not considered to be variable interests under FIN 46-R and any associated receivables are not included in the calculation of maximum exposure to the SPE.

Mutual Fund Deferred Sales Commission (DSC) Securitizations

Mutual Fund Deferred Sales Commission (DSC) receivables are assets purchased from distributors of mutual funds that are backed by distribution fees and contingent deferred sales charges (CDSC) generated by the distribution of certain shares to mutual fund investors. These share investors pay no upfront load, but the shareholder agrees to pay, in addition to the management fee imposed by the mutual fund, the distribution fee over a period of time and the CDSC (a penalty for early redemption to recover lost distribution fees). Asset managers use the proceeds from the sale of DSC receivables to cover sales commissions owed to brokers associated with the shares sold.

The Company purchases these receivables from mutual fund distributors and sells a diversified pool of receivables to a trust. The trust in turn issues two tranches of securities:

- Senior term notes (generally 92-94%) via private placement to third-party investors. These notes are structured to have at least a single "A" rating standard. The senior notes receive all cash distributions until fully repaid, which is generally approximately 5-6 years;
- A residual certificate in the trust (generally 6-8%) to the Company. This residual certificate is fully subordinated to the senior notes, and receives no cash flows until the senior notes are fully paid.

Structured Investment Vehicles

Structured Investment Vehicles (SIVs) are SPEs that issue junior notes and senior debt (medium-term notes and short-term commercial paper) to fund the purchase of high quality assets. The junior notes are subject to the "first loss" risk of the SIVs. The SIVs provide a variable return to the junior note investors based on the net spread between the cost to issue the senior debt and the return realized by the high quality assets. The Company acts as investment manager for the SIVs and, prior to December 13, 2007, was not contractually obligated to provide liquidity facilities or guarantees to the SIVs.

In response to the ratings review of the outstanding senior debt of the SIVs, for a possible downgrade announced by two ratings agencies and the continued reduction of liquidity in the SIV-related asset-backed commercial paper and medium-term note markets, on December 13, 2007, Citigroup announced its commitment to provide support facilities that would support the SIVs' senior debt ratings. As a result of this commitment, Citigroup became the SIVs' primary beneficiary and began consolidating these entities.

On February 12, 2008, Citigroup finalized the terms of the support facilities, which take the form of a commitment to provide mezzanine capital to the SIVs in the event the market value of their junior notes approaches zero. The facilities rank senior to the junior notes but junior to the commercial paper and medium-term notes. The facilities are on arm's-length terms. Interest will be paid on the drawn amount of the facilities and a commitment fee will be paid on the unused portion. The termination date of the facilities is January 15, 2011, cancelable at any time at the discretion of the SIVs.

The impact of this consolidation on Citigroup's Consolidated Balance Sheet as of June 30, 2008 and December 31, 2007 is as follows:

In billions of dollars	**June 30, 2008**	December 31, 2007
Assets		
Cash and due from banks	**$ 7.3**	$ 11.8
Trading account assets	**27.2**	46.4
Other assets	**0.3**	0.3
Total assets	**$ 34.8**	$ 58.5
Liabilities		
Short-term borrowings	**$ 1.9**	$ 11.7
Long-term borrowings	**32.6**	45.9
Other liabilities	**0.3**	0.9
Total liabilities	**$ 34.8**	$ 58.5

Balances include intercompany assets of $1 billion and intercompany liabilities of $6 billion as of June 30, 2008 and intercompany assets of $1 billion and intercompany liabilities of $7 billion as of December 31, 2007, respectively, which are eliminated in consolidation. In addition, Long-term borrowings include the current portion of medium-term notes with an original maturity of greater than 364 days.

The following tables summarize the seven Citigroup-advised SIVs as of June 30, 2008 and December 31, 2007 as well as the aggregate asset mix and credit quality of the SIV assets.

In billions of dollars	**June 30, 2008**			**December 31, 2007**		
SIV	**Assets**	**Short-term borrowings**	**Long-term borrowings**	**Assets**	**Short-term borrowings**	**Long-term borrowings**
Beta	**$ 10.7**	**$**	**$ 10.7**	$ 14.8	$ 0.4	$ 14.2
Centauri	**9.8**		**9.8**	14.9	0.8	13.8
Dorada	**5.6**	**0.8**	**4.8**	8.4	1.0	7.2
Five	**4.7**	**0.2**	**4.5**	8.7	2.6	6.0
Sedna	**2.7**		**2.6**	9.1	5.5	3.6
Zela	**1.0**	**0.8**	**0.1**	1.9	1.1	0.7
Vetra	**0.3**	**0.1**	**0.1**	0.7	0.3	0.4
Total	**$ 34.8**	**$ 1.9**	**$ 32.6**	$ 58.5	$ 11.7	$ 45.9

	June 30, 2008				**December 31, 2007**			
		Average Credit Quality(1)(2)				**Average Credit Quality(1)(2)**		
	Average Asset Mix	**Aaa**	**Aa**	**A/Baa/B(3)**	**Average Asset Mix**	**Aaa**	**Aa**	**A**
Financial Institutions Debt	**57%**	**5%**	**45%**	**7%**	59%	12%	43%	4%
Sovereign Debt					1%	1%		
Structured Finance								
MBS Non-U.S. residential	**11%**	**11%**			12%	12%		
CBOs, CLOs, CDOs	**6%**	**6%**			6%	6%		
MBS U.S. residential	**8%**	**8%**			7%	7%		
CMBS	**4%**	**4%**			4%	4%		
Student loans	**7%**	**7%**			6%	6%		
Credit cards	**6%**	**6%**			5%	5%		
Other	**1%**			**1%**				
Total Structured Finance	**43%**	**42%**	**%**	**1%**	40%	40%		
Total	**100%**	**47%**	**45%**	**8%**	100%	53%	43%	4%

(1) Credit ratings based on Moody's ratings as of June 30, 2008 and December 31, 2007.

(2) The SIVs have no direct exposure to U.S. subprime assets and have approximately $46 million and $50 million of indirect exposure to subprime assets through CDOs, which are Aaa rated and carry credit enhancements as of June 30, 2008 and December 31, 2007.

(3) At June 30, 2008 the breakout of ratings of financial institutions debt was; A-6%, Baa-<1% and B-<1%. At June 30, 2008 the other structured finance category was 0% A rated and 1% Baa rated.

Investment Funds

The Company is the investment manager for certain investment funds that invest in various asset classes including private equity, hedge funds, real estate, fixed income and infrastructure. The Company earns a management fee which is a percentage of capital under management, and may earn performance fees. In addition, for some of these funds, the Company has an ownership interest in the investment funds.

The Company has also established a number of investment funds as opportunities for qualified employees to invest in private equity investments. The Company acts as investment manager to these funds and may provide employees with financing on both a recourse and non-recourse basis for a portion of the employees' investment commitments.

Certain Fixed Income Funds Managed By Institutional Clients Group

Falcon multi-strategy fixed income funds

On February 20, 2008, the Company entered into a $500 million credit facility with the Falcon multi-strategy fixed income funds (the "Falcon funds") managed by Institutional Clients Group. As a result of providing this facility, the Company became the primary beneficiary of the Falcon funds and consolidated the assets and liabilities in its Consolidated Balance Sheet. At June 30, 2008, the total assets of the Falcon funds were approximately $3 billion.

ASTA/MAT municipal funds

On March 3, 2008, the Company made an equity investment of $661 million (under a $1 billion commitment) which provides for gain sharing with unaffiliated investors, in the Municipal Opportunity Funds (MOFs). The MOFs are funds managed by Institutional Clients Group that make leveraged investments in tax-exempt municipal bonds and accept investments through feeder funds known as ASTA and MAT. As a result of the Company's equity commitment, the Company became the primary beneficiary of the MOFs and consolidated the assets and liabilities in its Consolidated Balance Sheet. At June 30, 2008, the total assets of the MOFs were approximately $2 billion.

Primary Uses of SPEs by Corporate/Other

Trust Preferred Securities

The Company has raised financing through the issuance of trust preferred securities. In these transactions, the Company forms a statutory business trust and owns all of the voting equity shares of the trust. The trust issues preferred equity securities to third-party investors and invests the gross proceeds in junior subordinated deferrable interest debentures issued by the Company. These trusts have no assets, operations, revenues or cash flows other than those related to the issuance, administration, and repayment of the preferred equity securities held by third-party investors. These trusts' obligations are fully and unconditionally guaranteed by the Company.

Because the sole asset of the trust is a receivable from the Company, the Company is not permitted to consolidate the trusts under FIN 46-R, even though the Company owns all of the voting equity shares of the trust, has fully guaranteed the trusts' obligations, and has the right to redeem the preferred securities in certain circumstances. The Company recognizes the subordinated debentures on its balance sheet as long-term liabilities.

See Note 12 on page 90 for additional information about the Company's involvement with trust preferred securities. See Note 15 on page 95 for additional information regarding the Company's off-balance-sheet arrangements with respect to securitizations and SPEs.

Elimination of QSPEs and Changes in the FIN 46(R) Consolidation Model

In April of 2008, the FASB voted to eliminate Qualifying Special Purpose Entities (QSPEs) from the guidance in SFAS 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishment of Liabilities." While the revised standard has not been finalized and the Board's proposals will be subject to a public comment period, this change may have a significant impact on Citigroup's consolidated financial statements as the Company may lose sales treatment for assets previously sold to a QSPE, as well as for future sales. This proposed revision could be effective January 2010. As of June 30, 2008, the total assets of QSPEs to which Citigroup, acting as principal, has transferred assets and received sales treatment were $828 billion.

In connection with the proposed changes to SFAS 140, the FASB also is proposing three key changes to the consolidation model in FIN 46(R). First, the Board will now include former QSPEs in the scope of FIN 46(R). In addition, the FASB supports amending FIN 46(R) to change the method of analyzing which party to a variable interest entity (VIE) should consolidate the VIE to a primarily qualitative determination of power combined with benefits and losses instead of today's risks and rewards model. Finally, the proposed amendment is expected to require all VIEs and their primary beneficiaries to be reevaluated quarterly. The previous rules required reconsideration only when specified reconsideration events occurred. As of June 30, 2008, the total assets of significant unconsolidated VIEs with which Citigroup is involved were approximately $355 billion.

The Company will be evaluating the impact of these changes on Citigroup's consolidated financial statements once the actual guidelines are completed.

Credit Commitments and Lines of Credit

The table below summarizes Citigroup's credit commitments as of June 30, 2008 and December 31, 2007:

In millions of dollars	U.S.	Outside of U.S.	June 30, 2008	December 31, 2007
Financial standby letters of credit and foreign office guarantees	$ 56,751	$ 27,661	$ 84,412	$ 87,066
Performance standby letters of credit and foreign office guarantees	6,017	11,613	17,630	18,055
Commercial and similar letters of credit	2,067	8,342	10,409	9,175
One- to four-family residential mortgages	1,678	623	2,301	4,587
Revolving open-end loans secured by one- to four-family residential properties	27,318	3,349	30,667	35,187
Commercial real estate, construction and land development	2,827	796	3,623	4,834
Credit card lines(1)	965,675	164,337	1,130,012	1,103,535
Commercial and other consumer loan commitments(2)	283,954	145,729	429,683	473,631
Total	$ 1,346,287	$ 362,450	$ 1,708,737	$ 1,736,070

(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 $237 billion and $259 billion with original maturity of less than one year at June 30, 2008 and December 31, 2007, respectively.

See Note 18 to the Consolidated Financial Statements on page 127 for additional information on credit commitments and lines of credit.

Highly Leveraged Financing Commitments

Included in the line item "Commercial and other consumer loan commitments" in the table above are highly leveraged financing commitments, which are agreements that provide funding to a borrower with higher levels of debt (measured by the ratio of debt capital to equity capital of the borrower) than is generally the case for other companies. Highly leveraged financing is commonly employed in corporate acquisitions, management buy-outs and similar transactions.

As a result, debt service (that is, principal and interest payments) absorbs a significant portion of the cash flows generated by the borrower's business. Consequently, the risk that the borrower may not be able to meet its debt obligations is greater. Due to this risk, the interest rates and fees charged for this type of financing are generally higher than other types of financing.

Prior to funding, highly leveraged financing commitments are assessed for impairment in accordance with SFAS 5 and losses are recorded when they are probable and reasonably estimable. For the portion of loan commitments that relate to loans that will be held for investment, loss estimates are made based on the borrower's ability to repay the facility according to its contractual terms. For the portion of loan commitments that relate to loans that will be held for sale, loss estimates are made in reference to current conditions in the resale market (both interest rate risk and credit risk are considered in the estimate). Loan origination, commitment, underwriting, and other fees are netted against any recorded losses.

Citigroup generally manages the risk associated with highly leveraged financings it generally has entered into by seeking to sell a majority of its exposures to the market prior to or shortly after funding. In certain cases, all or a portion of a highly leveraged financing to be retained is hedged with credit derivatives or other hedging instruments. Thus, when a highly leveraged financing is funded, Citigroup records the resulting loan as follows:

- The portion that Citigroup will seek to sell is recorded as a loan held-for-sale in Other Assets on the Consolidated Balance Sheet, and measured at the lower-of-cost-or-market (LOCOM)

- The portion that will be retained is recorded as a loan held-for-investment in Loans and measured at amortized cost less impairment.

Due to the dislocation of the credit markets and the reduced market interest in higher risk/higher yield instruments since the latter half of 2007, liquidity in the market for highly leveraged financings has been limited.

Citigroup's exposures for highly leveraged financings totaled $24 billion at June 30, 2008 ($11 billion funded, recorded as loans-held-for-sale in other assets and carried at LOCOM, and $13 billion in unfunded commitments). This compares to total commitments of $43 billion ($22 billion funded and $21 billion unfunded) at December 31, 2007. During the second quarter of 2008, the Company recorded an incremental net $428 million pretax write down on its highly leveraged financing commitments as a result of the reduction in liquidity in the market for such instruments. This brings the cumulative write-downs for the first half of 2008 to $3.5 billion pretax.

On April 17, 2008, the Company completed the transfer of approximately $12 billion of loans to third parties, of which $8.5 billion relates to the highly leveraged loans and commitments. In these transactions, the third parties purchased subordinate interests backed by the transferred loans. These subordinate interests absorb first loss on the transferred loans and provide the third parties with control of the loans. The Company retained senior debt securities backed by the transferred loans, and purchased protection on these retained senior positions via total return swaps. The credit risk in the total return swap is protected through margin arrangements that provide for both initial margin as well as additional margin at specified triggers. These transactions were accounted for as sales of the transferred loans. The loans were removed from the balance sheet and the retained securities are classified as available-for-sale securities on the Company's consolidated balance sheet. Due to the initial cash margin received and ongoing margin requirements on the total return swaps, and the substantive subordinate investments made by third parties, the Company believes that the transactions substantially mitigate the Company's risk related to these transferred loans.

FAIR VALUATION

For a discussion of fair value of assets and liabilities, see Note 17 to the Consolidated Financial Statements on page 110.

CONTROLS AND PROCEDURES

Disclosure

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 June 30, 2008 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

There were no changes in the Company's internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) during the fiscal quarter ended June 30, 2008 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 2007 Annual Report on Form 10-K section entitled "Risk Factors": economic conditions; credit, market and liquidity risk; competition; country risk; operational risk; fiscal and monetary policies; reputational and legal risk; and certain regulatory considerations. Risks and uncertainties disclosed in this 10-Q include, but are not limited to:

- the effectiveness of the hedging products used in connection with Securities & Banking's trading positions in U.S. subprime RMBS and related products, including ABS CDOs, in the event of material changes in market conditions; and

- the impact the elimination of QSPEs from the guidance on SFAS 140 may have on the Company's consolidated financial statements.

Citigroup Inc.

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CONSOLIDATED FINANCIAL STATEMENTS

CITIGROUP INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF INCOME (Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
In millions of dollars, except per share amounts	**2008**	**2007(1)**	**2008**	**2007(1)**
Revenues				
Interest revenue	**$ 27,902**	$ 30,369	**$ 57,604**	$ 58,241
Interest expense	**13,597**	18,971	**29,900**	36,315
Net interest revenue	**$ 14,305**	$ 11,398	**$ 27,704**	$ 21,926
Commissions and fees	**$ 6,134**	$ 6,628	**$ 7,802**	$ 12,227
Principal transactions	**(5,586)**	2,629	**(12,247)**	5,797
Administration and other fiduciary fees	**2,304**	2,241	**4,621**	4,190
Realized gains (losses) from sales of investments	**(139)**	119	**(258)**	592
Insurance premiums	**985**	845	**1,968**	1,683
Other revenue	**649**	2,470	**2,082**	5,099
Total non-interest revenues	**$ 4,347**	$ 14,932	**$ 3,968**	$ 29,588
Total revenues, net of interest expense	**$ 18,652**	$ 26,330	**$ 31,672**	$ 51,514
Provision for credit losses and for benefits and claims				
Provision for loan losses	**$ 7,070**	$ 2,513	**$ 12,771**	$ 5,202
Policyholder benefits and claims	**260**	197	**535**	458
Provision for unfunded lending commitments	**(143)**		**(143)**	
Total provision for credit losses and for benefits and claims	**$ 7,187**	$ 2,710	**$ 13,163**	$ 5,660
Operating expenses				
Compensation and benefits	**$ 9,185**	$ 8,896	**$ 18,245**	$ 17,567
Premises and equipment	**1,844**	1,603	**3,632**	3,132
Technology/communication	**1,258**	1,143	**2,484**	2,122
Advertising and marketing	**686**	767	**1,365**	1,384
Restructuring	**(44)**	63	**(29)**	1,440
Other operating	**3,014**	2,219	**6,317**	4,419
Total operating expenses	**$ 15,943**	$ 14,691	**$ 32,014**	$ 30,064
Income (loss) from continuing operations before income taxes and minority interest	**$ (4,478)**	$ 8,929	**$ (13,505)**	$ 15,790
Provision (benefits) for income taxes	**(2,337)**	2,663	**(6,220)**	4,509
Minority interest, net of income taxes	**76**	123	**55**	170
Income (loss) from continuing operations	**$ (2,217)**	$ 6,143	**$ (7,340)**	$ 11,111
Discontinued operations				
Income from discontinued operations	**$ 43**	$ 129	**$ 47**	$ 189
Loss on sale	**(517)**		**(517)**	
Provision (benefits) for income taxes	**(196)**	46	**(204)**	62

	Three Months Ended June 30,		Six Months Ended June 30,	
Income (loss) from discontinued operations, net	**$ (278)**	$ 83	**$ (266)**	$ 127
Net Income (loss)	**$ (2,495)**	$ 6,226	**$ (7,606)**	$ 11,238
Basic earnings per share(2)(3)				
Income (loss) from continuing operations	**$ (0.49)**	$ 1.25	**$ (1.50)**	$ 2.27
Income (loss) from discontinued operations	**(0.05)**	0.02	**(0.05)**	0.03
Net Income (loss)	**$ (0.54)**	$ 1.27	**$ (1.55)**	$ 2.29
Weighted average common shares outstanding	**5,287.4**	4,898.3	**5,186.5**	4,887.7
Diluted earnings per share(2)(3)				
Income (loss) from continuing operations	**$ (0.49)**	$ 1.23	**$ (1.50)**	$ 2.22
Income (loss) from discontinued operations	**(0.05)**	0.02	**(0.05)**	0.03
Net Income (loss)	**$ (0.54)**	$ 1.24	**$ (1.55)**	$ 2.25
Adjusted weighted average common shares outstanding	**5,800.0**	4,992.9	**5,695.6**	4,980.4

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

(2) Diluted shares used in the diluted EPS calculation represent basic shares for the 2008 periods due to the net loss. Using actual diluted shares would result in anti-dilution.

(3) 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 Statement

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CITIGROUP INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

In millions of dollars, except shares	June 30, 2008	December 31, 2007(1)
	(Unaudited)	
Assets		
Cash and due from banks (including segregated cash and other deposits)	$ 44,824	$ 38,206
Deposits at interest with banks	67,945	69,366
Federal funds sold and securities borrowed or purchased under agreements to resell (including $69,730 and $84,305 as of June 30, 2008 and December 31, 2007, respectively, at fair value)	220,169	274,066
Brokerage receivables	62,492	57,359
Trading account assets (including $136,811 and $157,221 pledged to creditors as of June 30, 2008 and December 31, 2007, respectively)	505,439	538,984
Investments (including $22,614 and $21,449 pledged to creditors as of June 30, 2008 and December 31, 2007, respectively)	232,528	215,008
Loans, net of unearned income		
Consumer (including $26 as of June 30, 2008 at fair value)	571,238	592,307
Corporate (including $2,993 and $3,727 as of June 30, 2008 and December 31, 2007, respectively, at fair value)	175,552	185,686
Loans, net of unearned income	$ 746,790	$ 777,993
Allowance for loan losses	(20,777)	(16,117)
Total loans, net	$ 726,013	$ 761,876
Goodwill	42,386	41,053
Intangible assets (including $8,934 and $8,380 at June 30, 2008 and December 31, 2007, respectively, at fair value)	24,542	22,687
Other assets (including $9,368 and $9,802 as of June 30, 2008 and December 31, 2007 respectively, at fair value)	161,101	168,875
Assets of discontinued operations held for sale	12,946	
Total assets	$ 2,100,385	$ 2,187,480
Liabilities		
Non-interest-bearing deposits in U.S. offices	$ 49,636	$ 40,859
Interest-bearing deposits in U.S. offices (including $1,537 and $1,337 as of June 30, 2008 and December 31, 2007, respectively, at fair value)	210,916	225,198
Non-interest-bearing deposits in offices outside the U.S.	46,765	43,335
Interest-bearing deposits in offices outside the U.S. (including $2,204 and $2,261 as of June 30, 2008 and December 31, 2007, respectively, at fair value)	496,325	516,838
Total deposits	$ 803,642	$ 826,230
Federal funds purchased and securities loaned or sold under agreements to repurchase (including $154,238 and $199,854 as of June 30, 2008 and December 31, 2007, respectively, at fair value)	246,107	304,243
Brokerage payables	96,432	84,951
Trading account liabilities	189,468	182,082
Short-term borrowings (including $7,928 and $13,487 as of June 30, 2008 and December 31, 2007, respectively, at fair value)	114,445	146,488
Long-term debt (including $60,810 and $79,312 as of June 30, 2008 and December 31, 2007, respectively, at fair value)	417,928	427,112
Other liabilities (including $2,156 and $1,568 as of June 30, 2008 and December 31, 2007, respectively, at fair value)	95,502	102,927
Liabilities of discontinued operations held for sale	456	
Total liabilities	$ 1,963,980	$ 2,074,033

In millions of dollars, except shares		June 30, 2008		December 31, 2007(1)
Stockholders' equity				
Preferred stock ($1.00 par value; authorized shares: 30 million), at aggregate liquidation value	**$**	**27,424**	$	
Common stock ($.01 par value; authorized shares: 15 billion), issued shares **5,671,743,807 at June 30, 2008** and 5,477,416,086 at December 31, 2007		**57**		55
Additional paid-in capital		**16,594**		18,007
Retained earnings		**110,290**		121,769
Treasury stock, at cost: **June 30, 2008 226,350,499 shares** and December 31, 2007 482,834,568 shares		**(9,911)**		(21,724)
Accumulated other comprehensive income (loss)		**(8,049)**		(4,660)
Total stockholders' equity	**$**	**136,405**	$	113,447
Total liabilities and stockholders' equity	**$**	**2,100,385**		