CITIGROUP INC
Form 10-Q
August 04, 2006

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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, 2006

OR

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

For the transition period from to
Commission file number 1-9924

Citigroup Inc.

(Exact name of registrant as specified in its charter)

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

399 Park Avenue, New York, New York 10043
(Address of principal executive offices) (Zip Code)

(212) 559-1000
(Registrant's telephone number, including area code)

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

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

Large accelerated filer ý Accelerated filer o Non-accelerated filer o

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

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

Common stock outstanding as of June 30, 2006: 4,943,944,972

Available on the Web at www.citigroup.com

Citigroup Inc.

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Part I Financial Information

THE COMPANY

Citigroup Inc. (Citigroup, or the Company) is a diversified global financial services holding company whose businesses provide a broad range of financial services to consumer and corporate clients. Citigroup has some 200 million client 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 2005 Annual Report on Form 10-K.

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 "SEC Filings." The Securities and Exchange Commission (SEC) Web site contains reports, proxy and information statements, and other information regarding the Company at *www.sec.gov*.

Citigroup is managed along the following segment and product lines:

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

(1) Disclosure includes Canada and Puerto Rico.

CITIGROUP INC. AND SUBSIDIARIES

SUMMARY OF SELECTED FINANCIAL DATA

In millions of dollars, except per share amounts	Three Months Ended June 30, 2006	Three Months Ended June 30, 2005(1)	% Change	Six Months Ended June 30, 2006	Six Months Ended June 30, 2005(1)	% Change
Revenues, net of interest expense	**$ 22,182**	$ 20,169	10%	**$ 44,365**	$ 41,365	7%
Operating expenses	**12,769**	10,972	16	**26,127**	22,376	17
Provisions for credit losses and for benefits and claims	**1,817**	2,032	(11)	**3,490**	4,062	(14)
Income from continuing operations before taxes and minority interest	**$ 7,596**	$ 7,165	6%	**$ 14,748**	$ 14,927	(1)%
Income taxes	**2,303**	2,179	6	**3,840**	4,663	(18)
Minority interest, net of taxes	**31**	255	(88)	**91**	418	(78)
Income from continuing operations	**$ 5,262**	$ 4,731	11%	**$ 10,817**	$ 9,846	10%
Income from discontinued operations, net of taxes(2)	**3**	342	(99)	**87**	668	(87)
Net Income	**$ 5,265**	$ 5,073	4	**$ 10,904**	$ 10,514	4%
Earnings per share						
Basic earnings per share:						
Income from continuing operations	**$ 1.07**	$ 0.92	16%	**$ 2.20**	$ 1.91	15%
Net income	**1.07**	0.99	8	**2.21**	2.04	8
Diluted earnings per share:						
Income from continuing operations	**1.05**	0.91	15	**2.16**	1.88	15
Net income	**1.05**	0.97	8	**2.17**	2.01	8
Dividends declared per common share	**$ 0.49**	$ 0.44	11	**$ 0.98**	$ 0.88	11
At June 30,						
Total assets	**$ 1,626,551**	$ 1,547,789	5%			
Total deposits	**645,805**	571,920	13			
Long-term debt	**239,557**	211,346	13			
Common stockholders' equity	**114,428**	111,912	2			
Total stockholders' equity	**115,428**	113,037	2			
Ratios:						
Return on common stockholders' equity(3)	**18.6%**	18.4%		**19.5%**	19.3%	
Return on total stockholders' equity(3)	**18.4%**	18.2%		**19.3%**	19.1%	
Return on risk capital(4)	**38%**	36%		**39%**	38%	
Return on invested capital(4)	**19%**	18%		**20%**	19%	
Tier 1 capital	**8.51%**	8.71%		**8.51%**	8.71%	
Total capital	**11.68%**	11.87%		**11.68%**	11.87%	
Leverage(5)	**5.19%**	5.19%		**5.19%**	5.19%	
Common stockholders' equity to assets	**7.04%**	7.23%				
Total stockholders' equity to assets	**7.10%**	7.30%				
Dividends declared ratio(6)	**46.7%**	45.4%		**45.2%**	43.8%	
Ratio of earnings to fixed charges and preferred stock dividends	**1.55x**	1.81x		**1.56x**	1.91x	

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

(2)

Discontinued operations for the three months and six months ended June 30, 2006 and 2005 includes the operations described in the Company's June 24, 2005 announced agreement for the sale of substantially all of its Asset Management business to Legg Mason. The majority of the transaction closed on December 1, 2005. Discontinued operations also includes the operations described in the Company's January 31, 2005 announced agreement for the sale of its Travelers Life & Annuity business, substantially all of its international insurance business, and its Argentine pension business to MetLife, Inc. This transaction closed on July 1, 2005. See further discussion regarding discontinued operations in Note 3 to the Consolidated Financial Statements on page 89.

(3)

The return on average common stockholders' equity and return on average total stockholders' equity are calculated using net income after deducting preferred stock dividends.

(4)

Risk capital is a measure of risk levels and the tradeoff of risk and return. It is defined as the amount of capital required to absorb potential unexpected economic losses resulting from extremely severe events over a one-year time period. Return on risk capital is calculated as annualized income from continuing operations divided by average risk capital. Invested capital is defined as risk capital plus goodwill and intangible assets excluding mortgage servicing rights, which are a component of risk capital. Return on invested capital is calculated using income adjusted to exclude a net internal charge Citigroup levies on the goodwill and intangible assets of each business offset by each business' share of the rebate of the goodwill and intangible asset charge. Return on risk capital and return on invested capital are non-GAAP performance measures; because they are measures of risk with no basis in GAAP, there is no comparable GAAP measure to which they can be reconciled. Management uses return on risk capital to assess businesses' operational performance and to allocate Citigroup's balance sheet and risk capital capacity. Return on invested capital is used to assess returns on potential acquisitions and to compare long-term performance of businesses with differing proportions of organic and acquired growth. See page 49 for a further discussion of Risk Capital.

(5)

Tier 1 capital divided by adjusted average assets.

(6)

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

**MANAGEMENT'S DISCUSSION
AND ANALYSIS**

MANAGEMENT SUMMARY

Income from continuing operations of $5.262 billion in the 2006 second quarter was up 11% from the 2005 second quarter.

During the 2006 second quarter, we continued executing on our strategic initiatives, opening a record 270 new Citibank and CitiFinancial branches (196 in International and 74 in the U.S.).

Customer volumes were strong, with average loans up 13%, average deposits up 15% and average interest-earning assets up 15% from year-ago levels.

Citibank Direct, our Internet bank launched at the end of the first quarter, has raised more than $4.2 billion in deposits, of which approximately two-thirds is new money to the Company.

During the quarter, we completed the full integration of Brazil's Credicard into our international cards business, affirming us as a premier credit card company in Brazil.

* Excludes Japan Automated Loan Machines (ALMs).

Revenues increased 10% from the 2005 second quarter, reaching $22.2 billion. Our international operations recorded revenue growth of 17% in the 2006 second quarter, with International Consumer up 12% and International CIB up 23%. Global CIB revenues increased 31%, reflecting strong performance in both *Transaction Services* and *Capital Markets and Banking*.

Net interest revenue was approximately flat to last year as pressure on net interest margins continued. Net interest margin in the 2006 second quarter was 2.72%, down 40 basis points from the 2005 second quarter and down 14 basis points from the 2006 first quarter. The majority of the decline from the 2006 first quarter was driven by trading activities (see discussion of net interest margin on page 64). Non-interest revenue increased 19%, continuing to benefit from higher customer volume across the businesses.

Operating expenses increased 16% from the 2005 second quarter; this was comprised of 12 percentage points due to organic business growth and acquisitions, 2 points due to investment spending, and 2 points due to SFAS 123(R) accruals.

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

* Excludes Corporate/Other.

* Excludes Alternate Investments and Corporate/Other.

The global credit environment remained favorable; this, as well as significantly lower consumer bankruptcy filings and an asset mix shift, drove a $234 million decrease in credit costs compared to year-ago levels. The Global Consumer loss rate was 1.48%, a 20 basis point decline from the 2005 second quarter, in part reflecting significantly lower bankruptcy filings. Corporate cash-basis loans declined 3% from March 31, 2006 to $799 million.

The effective tax rate on continuing operations was 30.3%, comparable to the 2005 second quarter.

Our equity capital base and trust preferred securities grew to $122.0 billion at June 30, 2006. Stockholders' equity increased by $1.0 billion during the quarter to $115.4 billion. We distributed $2.5 billion in dividends to shareholders and repurchased $2.0 billion of common stock during the quarter.

Return on common equity was 18.6% for the quarter. Citigroup maintained its "well-capitalized" position with a Tier 1 Capital Ratio of 8.51% at June 30, 2006.

EVENTS IN 2006 and 2005

MasterCard Initial Public Offering

In June 2006, MasterCard conducted a series of transactions consisting of: (*i*) an IPO of new Class A stock, (*ii*) an exchange of its old Class A stock held by its member banks for shares of its new Class B and Class M stocks, and (*iii*) a partial redemption of the new Class B stock held by the member banks. Citigroup, as one of MasterCard's member banks, received 4,946,587 shares of Class B stock, 48 shares of Class M stock, and $123 million in cash as a result of these transactions. An after-tax gain of $78 million ($123 million pretax) was recognized in the 2006 second quarter related to the cash redemption of shares.

Sale of Upstate New York Branches

On June 30, 2006, Citigroup sold the Upstate New York Financial Center Network consisting of 21 branches in Rochester, N.Y. and Buffalo, N.Y. to M&T Bank (referred to hereinafter as the "Sale of New York Branches"). Citigroup received a premium on deposit balances of approximately $1 billion. An after-tax gain of $92 million ($163 million pretax) was recognized in the 2006 second quarter.

Consolidation of Brazil's Credicard

In April 2006, Citigroup and Banco Itau dissolved their joint venture in Credicard, a Brazil consumer credit card business. In accordance with the dissolution agreement, Banco Itau received half of Credicard's assets and customer accounts in exchange for its 50% ownership, leaving Citigroup as the sole owner of Credicard.

Beginning April 30, 2006, Credicard's financial statements were consolidated with Citigroup. $75 million in purchased credit card relationship intangibles and $270 million in goodwill were recognized in connection with the acquisition. Previously, Citigroup reported its interest in Credicard using the equity method of consolidation. Accordingly, our net investment was included in Other assets.

Acquisition of Federated Credit Card Portfolio and Credit Card Agreement With Federated Department Stores

In June 2005, Citigroup announced a long-term agreement with Federated Department Stores, Inc. (Federated) under which the companies will partner to manage approximately $6.2 billion of Federated's credit card receivables, including existing and new accounts, executed in three phases.

For the first phase, which closed in October 2005, Citigroup acquired Federated's receivables under management, totaling approximately $3.3 billion. For the second phase, which closed in May 2006, additional Federated receivables totaling approximately $1.9 billion were transferred to Citigroup from the previous provider. For the final phase, in the 2006 third quarter, Citigroup expects to acquire the approximately $1.0 billion credit card receivable portfolio of The May Department Stores Company (May), which recently merged with Federated.

Citigroup is paying a premium of approximately 11.5% to acquire these portfolios. The multi-year agreement also provides Federated the ability to participate in the portfolio performance, based on credit sales and certain other performance metrics.

The Federated and May credit card portfolios comprise a total of approximately 17 million active accounts.

Certain of the above statements are forward-looking statements within the meaning of the Private Securities Litigation Reform Act. See "Forward-Looking Statements" on page 81.

Adoption of the Accounting for Share-Based Payments

On January 1, 2006, the Company adopted Statement of Financial Accounting Standards (SFAS) 123 (revised 2004), "Share-Based Payment" (SFAS 123(R)), which replaces the existing SFAS 123 and supersedes Accounting Principles Board (APB) 25. SFAS 123(R) requires companies to measure and record compensation expense for stock options and other share-based payments based on the instruments' fair value, reduced by expected forfeitures.

In adopting this standard, the Company conformed to recent accounting guidance that restricted stock awards issued to retirement-eligible employees who meet certain age and service requirements must be either expensed on the grant date or accrued over a service period prior to the grant date. The impact to the 2006 first quarter results was a charge of $520 million after-tax ($846 million pretax). This charge consisted of $398 million after-tax ($648 million pretax) for the immediate expensing of awards granted to retirement-eligible employees in January 2006, and $122 million after-tax ($198 million pretax) for the quarterly accrual of the estimated awards that will be granted through January 2007.

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

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

In the 2006 second quarter, the accrual for estimated January 2007 awards was $104 million after-tax ($168 million pretax). The Company has changed the plan's retirement eligibility for the January 2007 management awards, which impacted the amount of the accrual in the 2006 second quarter.

Additional information can be found in Notes 1 and 8 to the Consolidated Financial Statements on pages 87 and 95, respectively. The Company will continue to accrue for the estimated awards that will be granted through January 2007 in each quarter of 2006.

Settlement of IRS Tax Audit

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

The following table summarizes the 2006 first quarter tax benefit by segment of the resolution of the Federal Tax Audit:

In millions of dollars	2006 First Quarter	
Global Consumer	$	290
Corporate and Investment Banking		176
Global Wealth Management		13
Alternative Investments		58
Corporate/Other		61
Continuing Operations	$	598
Discontinued Operations		59
Total	$	657

Sale of Asset Management Business

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

Concurrently, Citigroup sold Legg Mason's Capital Markets business to Stifel Financial Corp. (The transactions described in these two paragraphs are referred to as the "Sale of the Asset Management Business.")

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

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

Additional information can be found in Note 3 to the Consolidated Financial Statements on page 89.

Sale of Travelers Life & Annuity

On July 1, 2005, the Company completed the sale of Citigroup's Travelers Life & Annuity and substantially all of Citigroup's international insurance businesses to MetLife, Inc. (MetLife). The businesses sold were the primary vehicles through which Citigroup engaged in the Life Insurance and Annuities business.

Citigroup received $1.0 billion in MetLife equity securities and $10.830 billion in cash, which resulted in an after-tax gain of approximately $2.120 billion ($3.386 billion pretax). On July 3, 2006, Citigroup completed the sale of its MetLife shares, resulting in a $133 million pretax gain, which will be recorded in the 2006 third quarter.

On July 31, 2006, the final settlement with MetLife was completed, resulting in an additional after-tax gain of $75 million ($115 million pretax), which will be recognized in the 2006 third quarter as part of discontinued operations.

The transaction encompassed Travelers Life & Annuity's U.S. businesses and its international operations, other than Citigroup's life insurance business in Mexico (which is now included within *International Retail Banking*). (The transaction described in the preceding three paragraphs is referred to as the "Sale of the Life Insurance and Annuities Business").

Additional information can be found in Note 3 to the Consolidated Financial Statements on page 89.

Credit Reserves

During the three months ended June 30, 2006, the Company recorded a net release/utilization of its credit reserves of $210 million, consisting of a net release/utilization of $328 million in Global Consumer, and a net build of $118 million in CIB.

The net release/utilization in Global Consumer was primarily due to lower bankruptcy filings and a continued overall improvement in the consumer portfolio. Partially offsetting the releases were builds in Taiwan, related to recent credit trends in credit cards, and *Mexico*.

The net build of $118 million in CIB was primarily composed of $120 million in *Capital Markets and Banking,* which included a $138 million reserve increase for unfunded lending commitments. The net build reflected growth in loans and unfunded commitments and an update to historical data used for certain loan loss estimates.

For the six months ended June 30, 2006, the Company recorded a net release/utilization of $364 million, consisting of a net release/utilization of $515 million in Global Consumer and a net build of $151 million in the CIB.

Credit Reserve Builds (Releases/Utilization)(1)

	Three Months Ended June 30,		Six Months Ended June 30,	
In millions of dollars	**2006**	**2005**	**2006**	**2005**
By Product:				
U.S. Cards	**$ (160)**	$	**$ (232)**	$
U.S. Retail Distribution	**(31)**		**(86)**	(17)
U.S. Consumer Lending	**(75)**	1	**(106)**	
U.S. Commercial Business	**(8)**	(6)	**(46)**	(18)
International Cards	**26**	18	**120**	13
International Consumer Finance	**17**	1	**1**	1
International Retail Banking	**(105)**	19	**(182)**	10
Smith Barney	**(1)**	4		4
Private Bank	**9**	1	**17**	(10)
Consumer Other			**(1)**	(1)
Total Consumer	**$ (328)**	$ 38	**$ (515)**	$ (18)
Capital Markets and Banking	**120**	(1)	**149**	(33)
Transaction Services	**(2)**	5	**2**	4
Total CIB	**$ 118**	$ 4	**$ 151**	$ (29)
Total Citigroup	**$ (210)**	$ 42	**$ (364)**	$ (47)
By Region:				
U.S.	**$ (163)**	$ 65	**$ (313)**	$ 36
Mexico	**40**	(79)	**45**	(95)
EMEA	**(27)**	120	**(42)**	127
Japan	**(33)**		**(24)**	
Asia	**(46)**	(28)	**(50)**	(46)

	Three Months Ended June 30,		Six Months Ended June 30,	
Latin America	**19**	(36)	**20**	(69)
Total Citigroup	**$ (210)**	$ 42	**$ (364)**	$ (47)

(1)
Releases include SFAS 114 releases and utilizations.

Allowance for Credit Losses

In millions of dollars	June 30, 2006	December 31, 2005	June 30, 2005
Allowance for loan losses	**$ 9,144**	$ 9,782	$ 10,418
Allowance for unfunded lending commitments	**1,050**	850	700
Total allowance for loan losses and unfunded lending commitments	**$ 10,194**	$ 10,632	$ 11,118

Repositioning Charges

The Company recorded a $272 million after-tax $(435 million pretax) charge during the 2005 first quarter for repositioning costs. The repositioning charges were predominantly severance-related costs recorded in CIB $(151 million after-tax) and in Global Consumer $(95 million after-tax). These repositioning actions were consistent with the Company's objectives of controlling expenses while continuing to invest in growth opportunities.

Resolution of Glendale Litigation

During the 2005 first quarter, the Company recorded a $72 million after-tax gain $(114 million pretax) following the resolution of *Glendale Federal Bank v. United States*, an action brought by Glendale Federal Bank, a predecessor to Citibank (West), FSB, against the United States government.

Acquisition of First American Bank

On March 31, 2005, Citigroup completed its acquisition of First American Bank in Texas (FAB). The transaction established Citigroup's retail branch presence in Texas, giving Citigroup 106 branches, $4.2 billion in assets and approximately 120,000 new customers in the state at the time of the transaction's closing. The results of FAB are included in the Consolidated Financial Statements from March 2005 forward.

Divestiture of the Manufactured Housing Loan Portfolio

On May 1, 2005, Citigroup completed the sale of its manufactured housing loan portfolio, consisting of $1.4 billion in loans, to 21st Mortgage Corp. The Company recognized a $109 million after-tax loss $(157 million pretax) in the 2005 first quarter related to the divestiture.

Divestiture of CitiCapital's Transportation Finance Business

On January 31, 2005, the Company completed the sale of CitiCapital's Transportation Finance Business based in Dallas and Toronto to GE Commercial Finance for total cash consideration of approximately $4.6 billion. The sale resulted in an after-tax gain of $111 million $(157 million pretax).

SEGMENT, PRODUCT AND REGIONAL NET INCOME

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

Citigroup Net Income Segment and Product View

In millions of dollars	Three Months Ended June 30, 2006	Three Months Ended June 30, 2005(1)	% Change	Six Months Ended June 30, 2006	Six Months Ended June 30, 2005(1)	% Change
Global Consumer						
U.S. Cards	**$ 878**	$ 735	19%	**$ 1,804**	$ 1,513	19%
U.S. Retail Distribution	**568**	478	19	**1,083**	1,042	4
U.S. Consumer Lending	**470**	507	(7)	**907**	993	(9)
U.S. Commercial Business	**138**	134	3	**264**	386	(32)
Total U.S. Consumer(2)	**$ 2,054**	$ 1,854	11%	**$ 4,058**	$ 3,934	3%
International Cards	**$ 328**	$ 331	(1)%	**$ 619**	$ 633	(2)%
International Consumer Finance	**173**	177	(2)	**341**	316	8
International Retail Banking	**714**	593	20	**1,391**	1,091	27
Total International Consumer	**$ 1,215**	$ 1,101	10%	**$ 2,351**	$ 2,040	15%
Other	**$ (92)**	$ (58)	(59)%	**$ (159)**	$ (234)	32%
Total Global Consumer	**$ 3,177**	$ 2,897	10%	**$ 6,250**	$ 5,740	9%
Corporate and Investment Banking						
Capital Markets and Banking	**$ 1,412**	$ 1,043	35%	**$ 3,030**	$ 2,482	22%
Transaction Services	**340**	288	18	**663**	533	24
Other	**(29)**	41	NM	**(41)**	36	NM
Total Corporate and Investment Banking	**$ 1,723**	$ 1,372	26%	**$ 3,652**	$ 3,051	20%
Global Wealth Management						
Smith Barney	**$ 238**	$ 239		**$ 406**	$ 436	(7)%
Private Bank	**109**	83	31	**228**	205	11
Total Global Wealth Management	**$ 347**	$ 322	8%	**$ 634**	$ 641	(1)%
Alternative Investments	**$ 257**	$ 385	(33)%	**$ 610**	$ 747	(18)%
Corporate/Other	**(242)**	(245)	1	**(329)**	(333)	1
Income from Continuing Operations	**$ 5,262**	$ 4,731	11%	**$ 10,817**	$ 9,846	10%

	Three Months Ended June 30,			Six Months Ended June 30,		
Income from Discontinued Operations(3)	**3**	342	(99)	**87**	668	(87)
Total Net Income	**$ 5,265**	$ 5,073	4%	**$ 10,904**	$ 10,514	4%

(1) Reclassified to conform to the current period's presentation. See Note 4 to the Consolidated Financial Statements on page 92 for assets by segment.

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

(3) See Note 3 to the Consolidated Financial Statements on page 89.

NM Not meaningful

Citigroup Net Income Regional View

In millions of dollars	Three Months Ended June 30, 2006	Three Months Ended June 30, 2005(1)	% Change	Six Months Ended June 30, 2006	Six Months Ended June 30, 2005(1)	% Change
U.S.(2)						
Global Consumer	**$ 1,962**	$ 1,796	9%	**$ 3,899**	$ 3,700	5%
Corporate and Investment Banking	**747**	462	62	**1,262**	1,355	(7)
Global Wealth Management	**290**	315	(8)	**518**	588	(12)
Total U.S.	**$ 2,999**	$ 2,573	17%	**$ 5,679**	$ 5,643	1%
Mexico						
Global Consumer	**$ 375**	$ 368	2%	**$ 733**	$ 645	14%
Corporate and Investment Banking	**88**	76	16	**166**	159	4
Global Wealth Management	**10**	10		**18**	23	(22)
Total *Mexico*	**$ 473**	$ 454	4%	**$ 917**	$ 827	11%
Latin America						
Global Consumer	**$ 88**	$ 80	10%	**$ 146**	$ 134	9%
Corporate and Investment Banking	**138**	195	(29)	**340**	340	
Global Wealth Management	**2**	8	NM	**5**	15	(67)
Total *Latin America*	**$ 228**	$ 283	(19)%	**$ 491**	$ 489	
EMEA						
Global Consumer	**$ 215**	$ 124	73%	**$ 400**	$ 246	63%
Corporate and Investment Banking	**342**	336	2	**977**	524	86
Global Wealth Management	**5**	3	67	**8**	2	NM
Total *EMEA*	**$ 562**	$ 463	21%	**$ 1,385**	$ 772	79%
Japan						
Global Consumer	**$ 178**	$ 188	(5)%	**$ 366**	$ 363	1%
Corporate and Investment Banking	**72**	54	33	**157**	102	54
Global Wealth Management		(45)	100		(53)	100
Total *Japan*	**$ 250**	$ 197	27%	**$ 523**	$ 412	27%
Asia						
Global Consumer	**$ 359**	$ 341	5%	**$ 706**	$ 652	8%
Corporate and Investment Banking	**336**	249	35	**750**	571	31
Global Wealth Management	**40**	31	29	**85**	66	29
Total *Asia*	**$ 735**	$ 621	18%	**$ 1,541**	$ 1,289	20%

	Three Months Ended June 30,			Six Months Ended June 30,		
Alternative Investments	**$ 257**	$ 385	(33)%	**$ 610**	$ 747	(18)%
Corporate/Other	**(242)**	(245)	1	**(329)**	(333)	1
Income from Continuing Operations	**$ 5,262**	$ 4,731	11%	**$ 10,817**	$ 9,846	10%
Income from Discontinued Operations(3)	**3**	342	(99)	**87**	668	(87)
Total Net Income	**$ 5,265**	$ 5,073	4%	**$ 10,904**	$ 10,514	4%
Total International	**$ 2,248**	$ 2,018	11%	**$ 4,857**	$ 3,789	28%

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

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

(3) See Note 3 to the Consolidated Financial Statements on page 89.

NM Not meaningful.

SELECTED REVENUE AND EXPENSE ITEMS

Selected Revenue Items

Net interest revenue of $9.8 billion for the 2006 second quarter increased $11 million from the 2005 second quarter, as higher customer deposit and loan balances were offset by spread compression.

Total commissions, asset management and administrative fees, and other fee revenues for the second quarter of 2006 of $7.0 billion increased by $1.6 billion, or 29%, compared to the 2005 second quarter. This was attributable to the mark-to-market of the Consumer Lending's servicing assets, as well as increased investment banking fees, volumes, and assets under custody in CIB.

Principal transactions revenue of $1.7 billion increased $859 million from the second quarter of 2005. Realized gains from sales of investments were down $153 million, or 34%, to $302 million in the 2006 second quarter primarily due to the absence of the gain on the sale of the shares of St. Paul Travelers during the prior-year quarter. Other revenue of $2.5 billion declined $283 million, or 10%, from the 2005 second quarter, and included $123 million from the MasterCard IPO.

Operating Expenses

Total operating expenses were $12.8 billion for the 2006 second quarter, up $1.8 billion, or 16%, from the comparable 2005 period. The increase was primarily in compensation and benefits due to higher headcount and an increase in incentive compensation in CIB, primarily Capital Markets and Banking, as well as increased costs of branch expansion and higher business volumes in Global Consumer.

Global Consumer reported an 11% increase in total expenses from the 2005 second quarter. *U.S. Consumer* increased $193 million, or 6%, on increased business volumes and investments in new branches. *International Consumer* expenses increased $381 million, or 16%, versus the second quarter of 2005, primarily due to investment in branch expansion, and the integration of Credicard.

CIB expenses increased 23% from the 2005 second quarter, primarily due to an increase in incentive compensation on a revenue increase of 31%.

Global Wealth Management expenses increased 24% as compared to the prior year's three-month period, primarily related to costs associated with the Legg Mason integration and higher compensation costs. Alternative Investments expenses increased 25% from the 2005 second quarter.

Provisions for Credit Losses and for Benefits and Claims

The provision for credit losses decreased $234 million, or 13%, from the 2005 second quarter to $1.6 billion. Policyholder benefits and claims in the 2006 second quarter increased $19 million, or 9%, from the 2005 second quarter.

Global Consumer provisions for loan losses and for benefits and claims of $1.6 billion in the 2006 second quarter were down $398 million, or 19%, from the 2005 second quarter. The declines were mainly due to lower bankruptcy filings and a continued favorable credit environment that drove lower net credit loss ratios. Total net credit losses were $1.754 billion, and the related loss ratio was 1.48%, in the 2006 second quarter, as compared to $1.797 billion and 1.68% in the 2005 second quarter. The consumer loan delinquency ratio (90 days or more past due) declined to 1.22% at June 30, 2006 from 1.70% at June 30, 2005. See page 54 for a reconciliation of total consumer credit information.

The CIB provision for credit losses in the 2006 second quarter was up $187 million from the 2005 second quarter. CIB's reserve for credit losses was increased by $150 million for unfunded lending commitments in the 2006 second quarter due to higher exposures and an update to historical data used for certain loss estimates.

Corporate cash-basis loans at June 30, 2006 and 2005 were $799 million and $1.6 billion, respectively, while the corporate Other Real Estate Owned (OREO) portfolio totaled $171 million and $133 million, respectively. The decline in corporate cash-basis loans from June 30, 2005, was related to improvements in the overall credit environment and write-offs, as well as sales of loans and paydowns in the portfolio.

Income Taxes

The Company's effective tax rate on continuing operations was 30.3% in the 2006 second quarter, compared to 30.4% in the 2005 second quarter. The 2005 second quarter included a $65 million tax benefit related to the resolution of an interest calculation for a prior appeals settlement.

Regulatory Capital

Total capital (Tier 1 and Tier 2) was $112.6 billion and $106.4 billion, or 11.68% and 12.02% of net risk-adjusted assets at June 30, 2006 and December 31, 2005, respectively. Tier 1 capital was $82.0 billion, or 8.51% of net risk-adjusted assets, at June 30, 2006, compared to $77.8 billion, or 8.79%, at December 31, 2005.

ACCOUNTING CHANGES AND FUTURE APPLICATION OF ACCOUNTING STANDARDS

See Note 1 to the Consolidated Financial Statements on page 87 for a discussion of Accounting Changes and the Future Application of Accounting Standards.

SIGNIFICANT ACCOUNTING POLICIES

The Company's accounting policies are fundamental to understanding management's discussion and analysis of results of operations and financial condition. The Company has identified five policies as being significant because they require management to make subjective and/or complex judgments about matters that are inherently uncertain. These policies relate to Valuations of Financial Instruments, Allowance for Credit Losses, Securitizations, Income Taxes and Legal Reserves. The Company, in consultation with the Audit and Risk Management Committee of the Board of Directors, has reviewed and approved these significant accounting policies, which are further described in the Company's 2005 Annual Report on Form 10-K.

The net income line in the following business segment and operating unit discussions excludes discontinued operations. Income from discontinued operations is included within the Corporate/Other business segment. See Notes 3 and 4 to the Consolidated Financial Statements on pages 89 and 92, respectively.

Certain prior period amounts have been reclassified to conform to the current period's presentation.

GLOBAL CONSUMER

*Excludes Other Consumer loss of $92 million.

*Excludes Other Consumer loss of $92 million.

Citigroup's Global Consumer Group provides a wide array of banking, lending, insurance and investment services through a network of 7,670 branches, approximately 18,000 ATMs, approximately 800 Automated Lending Machines (ALMs), the Internet, telephone and mail, and the Primerica Financial Services salesforce. Global Consumer serves more than 200 million customer accounts, providing products and services to meet the financial needs of both individuals and small businesses.

In millions of dollars	Three Months Ended June 30, 2006	Three Months Ended June 30, 2005	% Change 2Q06 vs. 2Q05	Six Months Ended June 30, 2006	Six Months Ended June 30, 2005	% Change YTD06 vs. YTD05
Revenues, net of interest expense	**$ 12,628**	$ 12,007	5%	**$ 24,583**	$ 24,125	2%
Operating expenses	**6,379**	5,753	11	**12,736**	11,599	10
Provisions for loan losses and for benefits and claims	**1,649**	2,047	(19)	**3,317**	4,149	(20)
Income before taxes and minority interest	**$ 4,600**	$ 4,207	9%	**$ 8,530**	$ 8,377	2%
Income taxes	**1,400**	1,295	8	**2,247**	2,609	(14)
Minority interest, net of taxes	**23**	15	53	**33**	28	18
Net income	**$ 3,177**	$ 2,897	10%	**$ 6,250**	$ 5,740	9%
Average assets *(in billions of dollars)*	**$ 582**	$ 528	10%	**$ 572**	$ 527	9%
Return on assets	**2.19%**	2.20%		**2.20%**	2.20%	
Average risk capital(1)	**27,522**	27,345	1%	**$ 27,620**	$ 26,849	3%
Return on risk capital(1)	**46%**	42%		**46%**	43%	
Return on invested capital(1)	**21%**	19%		**21%**	19%	

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

U.S. CONSUMER

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

In millions of dollars	Three Months Ended June 30, 2006	Three Months Ended June 30, 2005	% Change 2Q06 vs. 2Q05	Six Months Ended June 30, 2006	Six Months Ended June 30, 2005	% Change YTD06 vs. YTD05
Revenues, net of interest expense	**$ 7,573**	$ 7,490	1%	**$ 14,833**	$ 15,453	(4)%
Operating expenses	**3,551**	3,358	6	**7,120**	6,695	6
Provisions for loan losses and for benefits and claims	**827**	1,317	(37)	**1,728**	2,746	(37)
Income before taxes and minority interest	**$ 3,195**	$ 2,815	13%	**$ 5,985**	$ 6,012	
Income taxes	**1,121**	945	19	**1,898**	2,049	(7)%
Minority interest, net of taxes	**20**	16	25	**29**	29	
Net income	**$ 2,054**	$ 1,854	11%	**$ 4,058**	$ 3,934	3%
Average assets *(in billions of dollars)*	**$ 395**	$ 353	12%	**$ 388**	$ 351	11%
Return on assets	**2.09%**	2.11%		**2.11%**	2.26%	
Average risk capital(1)	**$ 14,797**	$ 14,004	6%	**$ 14,934**	$ 13,922	7%
Return on risk capital(1)	**56%**	53%		**55%**	57%	
Return on invested capital(1)	**24%**	22%		**24%**	23%	

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

U.S. Cards

U.S. Cards is one of the largest providers of credit cards in North America, with more than 140 million customer accounts in the United States, Canada and Puerto Rico. In addition to MasterCard (including Diners), Visa, and American Express, *U.S. Cards* is the largest provider of credit card services to the oil and gas industry and the leading provider of consumer private-label credit cards and commercial accounts on behalf of merchants such as Sears, The Home Depot, Federated, Dell Computer, Radio Shack, Staples and Zales Corporation.

Revenues are primarily generated from net interest revenue on receivables, interchange fees on purchase sales and other delinquency or services fees.

In millions of dollars	Three Months Ended June 30, 2006	Three Months Ended June 30, 2005	% Change 2Q06 vs. 2Q05	Six Months Ended June 30, 2006	Six Months Ended June 30, 2005	% Change YTD06 vs. YTD05
Revenues, net of interest expense	**$ 3,251**	$ 3,263		**$ 6,485**	$ 6,718	(3)%
Operating expenses	**1,554**	1,503	3%	**3,086**	3,003	3
Provision for loan losses and for benefits and claims	**312**	640	(51)	**707**	1,396	(49)
Income before taxes and minority interest	**$ 1,385**	$ 1,120	24%	**$ 2,692**	$ 2,319	16%
Income taxes and minority interest, net of taxes	**507**	385	32	**888**	806	10
Net income	**$ 878**	$ 735	19%	**$ 1,804**	$ 1,513	19%
Average assets *(in billions of dollars)*	**$ 63**	$ 65	(3)%	**$ 63**	$ 68	(7)%
Return on assets	**5.59%**	4.54%		**5.77%**	4.49%	
Average risk capital(1)	**$ 5,591**	$ 5,855	(5)%	**$ 5,577**	$ 5,747	(3)%
Return on risk capital(1)	**63%**	50%		**65%**	53%	
Return on invested capital(1)	**26%**	21%		**27%**	22%	
Key indicators on a managed basis *(in billions of dollars)*						
Return on managed assets	**2.42%**	2.04%				

			% Change
Purchase sales	**$ 77.9**	$ 69.8	12%
Managed average yield(2)	**13.83%**	13.71%	
Managed net interest margin(2)	**9.89%**	10.74%	

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

(2) As a percentage of average managed loans.

2Q06 vs. 2Q05

Revenues, net of interest expense, were flat as the positive impact of 12% growth in purchase sales, higher securitization revenues, and the addition of the Federated portfolio in the 2005 fourth quarter were offset by continued net interest margin compression and higher rewards program costs. The net interest margin compression was driven by a combination of increased payment rates, higher cost of funds, and the mix of receivable balances. Included in revenues in the 2006 second quarter was a gain from the MasterCard initial public offering of $59 million. In the 2005 second quarter, revenues included gains from other asset sales of $70 million.

Operating expenses increased, primarily reflecting the addition of the Federated portfolio; this was partially offset by a decline in advertising and marketing expenses, largely reflecting the timing of advertising campaigns.

Provision for loan losses and for benefits and claims declined, primarily reflecting a decline in net credit losses due to lower bankruptcies, the favorable credit environment, and a loan loss reserve release of $160 million.

2Q06 YTD vs. 2Q05 YTD

Revenues, net of interest expense, declined as the positive impact of 11% growth in purchase sales and the addition of the Federated portfolio in the 2005 fourth quarter were more than offset by continued net interest margin compression and higher rewards program costs. The net interest margin compression was driven by a combination of increased payment rates, higher cost of funds, and the mix of receivable balances.

Operating expenses increased, primarily reflecting the addition of the Federated portfolio in the 2005 fourth quarter and the adoption of SFAS 123(R) in the 2006 first quarter; this was partially offset by a decline in advertising and marketing expenses, largely reflecting the timing of advertising campaigns.

Provision for loan losses and for benefits and claims declined, primarily reflecting a decline in net credit losses due to lower bankruptcies, the favorable credit environment and a loan loss reserve release of $232 million.

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

U.S. Retail Distribution

U.S. Retail Distribution provides banking, lending, investment and insurance products and services to customers through 892 Citibank branches, 2,361 CitiFinancial branches, the Primerica Financial Services (PFS) salesforce, the Internet, direct mail and telesales. Revenues are primarily derived from net interest revenue on loans and deposits and from fees on banking, insurance and investment products.

In millions of dollars	Three Months Ended June 30, 2006	Three Months Ended June 30, 2005	% Change 2Q06 vs. 2Q05	Six Months Ended June 30, 2006	Six Months Ended June 30, 2005	% Change YTD06 vs. YTD05
Revenues, net of interest expense, by business:						
Citibank branches	**$ 904**	$ 766	18%	**$ 1,641**	$ 1,619	1%
CitiFinancial branches	**1,037**	1,054	(2)	**2,045**	2,107	(3)
Primerica Financial Services	**558**	540	3	**1,109**	1,091	2
Revenues, net of interest expense	**$ 2,499**	$ 2,360	6%	**$ 4,795**	$ 4,817	
Operating expenses	**1,200**	1,107	8	**2,421**	2,192	10%
Provisions for loan losses and for benefits and claims	**425**	523	(19)	**812**	1,014	(20)
Income before taxes	**$ 874**	$ 730	20%	**$ 1,562**	$ 1,611	(3)%
Income taxes	**306**	252	21	**479**	569	(16)
Net income	**$ 568**	$ 478	19%	**$ 1,083**	$ 1,042	4%
Net income by business:						
Citibank branches	**$ 165**	$ 114	45%	**$ 265**	$ 299	(11)%
CitiFinancial branches	**264**	228	16	**529**	473	12
Primerica Financial Services	**139**	136	2	**289**	270	7
Net income	**$ 568**	$ 478	19%	**$ 1,083**	$ 1,042	4%
Average assets *(in billions of dollars)*	**$ 69**	$ 64	8%	**$ 68**	$ 64	6%
Return on assets	**3.30%**	3.00%		**3.21%**	3.28%	

						% Change
Average risk capital(1)	**$ 3,520**	$ 2,983	18%	**$ 3,490**	$ 2,962	18%
Return on risk capital(1)	**65%**	64%		**63%**	71%	
Return on invested capital(1)	**24%**	18%		**23%**	19%	
Key indicators: *(in billions of dollars)*						
Average loans	**$ 43.6**	$ 39.7	10%			
Average deposits	**129.6**	120.4	8			
EOP Investment Assets under Management (AUMs)	**74.4**	68.7	8			

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

2Q06 vs. 2Q05

Revenues, net of interest expense, increased 6% primarily due to the $132 million pretax gain on the Sale of New York Branches. Growth in deposits and loans, up 8% and 10%, respectively, and increased investment product sales were more than offset by net interest margin compression. This resulted in part from a shift in customer liabilities from savings and other demand deposits to certificates of deposit and e-Savings accounts.

Operating expense growth was primarily due to higher volume-related expenses, increased investment spending driven by 74 new branch openings and advertising costs associated with the launch of e-Savings.

Provisions for loan losses and for benefits and claims declined primarily due to lower bankruptcy filings and a $31 million loan loss reserve release in CitiFinancial. The net credit loss ratio declined 85 basis points to 2.65%, reflecting the continuing favorable credit environment.

Deposit growth reflected balance increases in certificates of deposit; e-Savings accounts, which generated $4.2 billion as of the end of the quarter; premium checking; and partly rate-sensitive money market products. *Loan* growth reflected improvements in all channels and products. *Investment product sales* increased 37%, driven by increased volumes.

2Q06 YTD vs. 2Q05 YTD

Revenues, net of interest expense, were flat to the prior-year period as the $132 million pretax gain on the Sale of New York Branches was offset by the absence of a $110 million gain in the 2005 first quarter related to the resolution of the Glendale litigation and other revenue declines. Growth in deposits and loans, up 7% and 9%, respectively, and increased investment product sales were more than offset by net interest margin compression. This resulted in part from a shift in customer liabilities from savings and other demand deposits to certificates of deposit and e-Savings accounts.

Operating expense growth was primarily due to higher volume-related expenses, increased investment spending driven by 110 new branch openings, the impact of SFAS 123(R), and advertising costs associated with the launch of e-Savings. The impact of the FAB acquisition also contributed to higher expenses.

Provisions for loan losses and for benefits and claims decreased primarily due to lower bankruptcy filings. CitiFinancial Branches also had higher loan loss reserve releases of $69 million. The credit environment was favorable during the first half of 2006.

Deposit growth reflected balance increases in certificates of deposit; e-Savings accounts, which generated $4.2 billion in end-of-period deposits; premium checking; and partly rate-sensitive money market products. *Loan* growth reflected improvements in all channels and products. *Investment product sales* increased 31%, driven by increased volumes.

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

U.S. Consumer Lending

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

In millions of dollars	Three Months Ended June 30, 2006	Three Months Ended June 30, 2005	% Change 2Q06 vs. 2Q05	Six Months Ended June 30, 2006	Six Months Ended June 30, 2005	% Change YTD06 vs. YTD05
Revenues, net of interest expense, by business:						
Real Estate Lending	**$ 793**	$ 888	(11)%	**$ 1,636**	$ 1,812	(10)%
Student Loans	**202**	176	15	**319**	308	4
Auto	**312**	312		**612**	629	(3)
Revenues, net of interest expense	**$ 1,307**	$ 1,376	(5)%	**$ 2,567**	$ 2,749	(7)%
Operating expenses	**444**	413	8	**897**	824	9
Provisions for loan losses and for benefits and claims	**86**	148	(42)	**229**	330	(31)
Income before taxes and minority interest	**$ 777**	$ 815	(5)%	**$ 1,441**	$ 1,595	(10)%
Income taxes	**287**	292	(2)	**505**	573	(12)
Minority interest, net of taxes	**20**	16	25	**29**	29	
Net income	**$ 470**	$ 507	(7)%	**$ 907**	$ 993	(9)%
Net income by business:						
Real Estate Lending	**$ 297**	$ 356	(17)%	**$ 625**	$ 719	(13)%
Student Loans	**75**	62	21	**113**	114	(1)
Auto	**98**	89	10	**169**	160	6
Net income	**$ 470**	$ 507	(7)%	**$ 907**	$ 993	(9)%
Average assets *(in billions of dollars)*	**$ 221**	$ 186	19%	**$ 215**	$ 182	18%

						% Change
Return on assets	**0.85%**	1.09%		**0.85%**	1.10%	
Average risk capital(1)	**$ 3,451**	$ 3,341	3%	**$ 3,592**	$ 3,316	8%
Return on risk capital(1)	**55%**	61%		**51%**	60%	
Return on invested capital(1)	**30%**	32%		**28%**	35%	
Key indicators: *(in billions of dollars)*						
Net interest margin:(2)						
Real Estate Lending	**2.03%**	2.51%				
Student Loans	**1.72**	2.01				
Auto	**9.03**	10.73				
Originations:						
Real Estate Lending	**$ 38.6**	$ 33.3	16%			
Student Loans	**1.9**	1.6	19%			
Auto	**2.0**	1.6	25%			

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

(2) As a percentage of average loans.

2Q06 vs. 2Q05

Revenues, net of interest expense, declined as a 21% increase in average loan balances and higher gains on securitizations of real estate loans and student loans were more than offset by lower net mortgage servicing revenues and net interest margin compression. Average loan growth reflected a strong increase in originations across all businesses, driven by a 16% increase in prime mortgage originations and home equity loans.

Operating expenses increased primarily due to higher loan origination volumes.

Provisions for loan losses and for benefits and claims decreased due to a continued favorable credit environment, and higher loan loss reserve releases of $75 million in the Real Estate Lending and Auto businesses. The 90 days-past-due ratio declined across most product categories.

2Q06 YTD vs. 2Q05 YTD

Revenues, net of interest expense, declined as a 19% increase in average loan volumes and higher gains on securitizations of real estate loans were more than offset by lower net mortgage servicing revenues and net interest margin compression. Average loan growth reflected a strong increase in originations across all businesses, driven by a 17% increase in prime mortgage originations and home equity loans.

Operating expenses increased primarily due to higher loan origination volumes and the impact of SFAS 123(R).

Provisions for loan losses and for benefits and claims declined due to a continued favorable credit environment and loan loss reserve releases of $111 million in the Real Estate Lending and Auto businesses.

U.S. Commercial Business

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

In millions of dollars	Three Months Ended June 30, 2006	Three Months Ended June 30, 2005	% Change 2Q06 vs. 2Q05	Six Months Ended June 30, 2006	Six Months Ended June 30, 2005	% Change YTD06 vs. YTD05
Revenues, net of interest expense	**$ 516**	$ 491	5%	**$ 986**	$ 1,169	(16)%
Operating expenses	**353**	335	5	**716**	676	6
Provision for loan losses	**4**	6	(33)	**(20)**	6	NM
Income before taxes and minority interest	**$ 159**	$ 150	6%	**$ 290**	$ 487	(40)%
Income taxes and minority interest, net of taxes	**21**	16	31	**26**	101	(74)
Net income	**$ 138**	$ 134	3%	**$ 264**	$ 386	(32)%
Average assets *(in billions of dollars)*	**$ 42**	$ 38	11%	**$ 42**	$ 37	14%
Return on assets	**1.32%**	1.41%		**1.27%**	2.10%	
Average risk capital(1)	**$ 2,235**	$ 1,825	22%	**$ 2,275**	$ 1,897	20%
Return on risk capital(1)	**25%**	29%		**23%**	41%	
Return on invested capital(1)	**12%**	19%		**11%**	28%	
Key indicators: *(in billions of dollars):*						
Average earning assets	**$ 36.5**	$ 32.9	11%			

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

NM Not meaningful

2Q06 vs. 2Q05

Revenues, net of interest expense, increased 5% primarily due to the $31 million pretax gain on the Sale of New York Branches. Strong growth in core loan and deposit balances, up 13% and 11%, respectively, was more than offset by the continuing impact of net interest margin compression.

Operating expense growth was mainly due to higher volume-related expenses and restructuring costs from site consolidation.

Provision for loan losses decreased primarily due to the stable credit environment and the continued liquidation of non-core portfolios.

Deposit and core loan growth reflected an increase in savings deposits and strong transaction volumes and growth in loan balances across all business units, partially offset by declines in the liquidating portfolio.

2Q06 YTD vs. 2Q05 YTD

Revenues, net of interest expense, declined 16%, primarily due to the absence of the $161 million pretax gain on the CitiCapital Transportation Finance business in the prior-year period, partly offset by the $31 million pretax gain on the Sale of New York Branches. Strong growth in core loan and deposit balances, up 17% and 18%, respectively, were more than offset by the continuing impact of net interest margin compression.

Operating expense growth was primarily due to higher volume-related expenses, the impact of the FAB acquisition and SFAS 123(R), partially offset by lower expenses from the absence of the transportation finance business and severance costs in the prior year.

Provision for loan losses declined primarily due to loan loss reserve releases of $28 million, a stable credit environment, and the continued liquidation of non-core portfolios.

Deposit and core loan growth reflected strong transaction volumes and balances across all business units and the impact of the FAB acquisition, partially offset by declines in the liquidating portfolio.

Net income also reflected a $4 million tax reserve release resulting from the resolution of the Federal Tax Audit.

INTERNATIONAL CONSUMER

International Consumer is composed of three businesses: *Cards, Consumer Finance* and *Retail Banking*.

In millions of dollars	Three Months Ended June 30, 2006	Three Months Ended June 30, 2005	% Change 2Q06 vs. 2Q05	Six Months Ended June 30, 2006	Six Months Ended June 30, 2005	% Change YTD06 vs. YTD05
Revenues, net of interest expense, by region:						
Mexico	**$ 1,192**	$ 1,055	13%	**$ 2,341**	$ 2,015	16%
Latin America	**471**	281	68	**797**	538	48
EMEA	**1,360**	1,256	8	**2,630**	2,504	5
Japan	**807**	827	(2)	**1,582**	1,648	(4)
Asia	**1,244**	1,116	11	**2,433**	2,188	11
Revenues, net of interest expense	**$ 5,074**	$ 4,535	12%	**$ 9,783**	$ 8,893	10%
Operating expenses	**2,701**	2,320	16	**5,322**	4,742	12
Provisions for loan losses and for benefits and claims	**822**	730	13	**1,589**	1,403	13
Income before taxes and minority interest	**$ 1,551**	$ 1,485	4%	**$ 2,872**	$ 2,748	5%
Income taxes	**333**	385	(14)	**517**	709	(27)
Minority interest, net of taxes	**3**	(1)	NM	**4**	(1)	NM
Net income	**$ 1,215**	$ 1,101	10%	**$ 2,351**	$ 2,040	15%
Net income by region						
Mexico	**$ 375**	$ 368	2%	**$ 733**	$ 645	14%
Latin America	**88**	80	10	**146**	134	9
EMEA	**215**	124	73	**400**	246	63
Japan	**178**	188	(5)	**366**	363	1
Asia	**359**	341	5	**706**	652	8

						% Change
Net income	**$ 1,215**	$ 1,101	10%	**$ 2,351**	$ 2,040	15%
Average assets *(in billions of dollars)*	**$ 177**	$ 166	7%	**$ 176**	$ 167	5%
Return on assets	**2.75%**	2.66%		**2.69%**	2.46%	
Average risk capital(1)	**$ 12,725**	$ 13,341	(5)%	**$ 12,686**	$ 12,927	(2)%
Return on risk capital(1)	**38%**	33%		**37%**	32%	
Return on invested capital(1)	**19%**	17%		**18%**	16%	

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

NM Not meaningful

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International Cards

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

In millions of dollars	Three Months Ended June 30, 2006	Three Months Ended June 30, 2005	% Change 2Q06 vs. 2Q05	Six Months Ended June 30, 2006	Six Months Ended June 30, 2005	% Change YTD06 vs. YTD05
Revenues, net of interest expense, by region:						
Mexico	**$ 443**	$ 307	44%	**$ 848**	$ 576	47%
Latin America	**238**	85	NM	**334**	153	NM
EMEA	**327**	285	15	**621**	579	7
Japan	**74**	76	(3)	**144**	149	(3)
Asia	**428**	423	1	**843**	824	2
Revenues, net of interest expense	**$ 1,510**	$ 1,176	28%	**$ 2,790**	$ 2,281	22%
Operating expenses	**714**	577	24	**1,331**	1,145	16
Provision for loan losses	**359**	175	NM	**671**	330	NM
Income before taxes and minority interest	**$ 437**	$ 424	3%	**$ 788**	$ 806	(2)%
Income taxes	**108**	92	17	**168**	171	(2)
Minority interest, net of taxes	**1**	1		**1**	2	(50)
Net income	**$ 328**	$ 331	(1)%	**$ 619**	$ 633	(2)%
Net income by region:						
Mexico	**$ 147**	$ 125	18%	**$ 296**	$ 252	17%
Latin America	**69**	38	82	**104**	63	65
EMEA	**43**	34	26	**75**	66	14
Japan	**13**	17	(24)	**34**	34	
Asia	**56**	117	(52)	**110**	218	(50)

						% Change
Net income	**$ 328**	$ 331	(1)%	**$ 619**	$ 633	(2)%
Average assets *(in billions of dollars)*	**$ 30**	$ 26	15%	**$ 29**	$ 26	12%
Return on assets	**4.39%**	5.11%		**4.30%**	4.91%	
Average risk capital(1)	**$ 2,202**	$ 1,758	25	**$ 2,138**	$ 1,677	27%
Return on risk capital(1)	**60%**	76%		**58%**	76%	
Return on invested capital(1)	**29%**	33%		**28%**	32%	
Key indicators: *(in billions of dollars):*						
Purchase sales	**$ 19.7**	$ 17.1	15%			
Average yield(2)	**19.03%**	17.52%				
Net interest margin(2)	**14.02%**	12.16%				

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

(2) As a percentage of average loans.

NM Not meaningful

2Q06 vs. 2Q05

Revenues, net of interest expense, increased, driven by a 15% increase in purchase sales and 18% growth in average receivables across the regions, the integration of the Credicard portfolio, and a gain on the MasterCard IPO of $35 million.

Operating expenses increased, reflecting the integration of the Credicard portfolio, continued investments in organic growth, and volume growth across the regions.

Provision for loan losses increased, driven by the industry-wide credit deterioration in Taiwan, portfolio growth and target market expansion in *Mexico*, credit losses relating to the Credicard portfolio in *Latin America*, and volume growth in all regions.

Regional Net Income

Latin America income increased primarily due to volume and purchase sales growth. *Mexico* income increased due to higher sales volumes and average loans, as well as a gain from the MasterCard IPO of $9 million after-tax. *EMEA*income increased primarily due to higher purchase sales and volume growth, partially offset by higher credit costs and higher expenses. *Asia* income declined due to an increase in credit costs related to Taiwan, partially offset by higher purchase sales and loan growth. *Japan* income decreased primarily due to lower purchase sales.

2Q06 YTD vs. 2Q05 YTD

Revenues, net of interest expense, increased, driven by a 12% increase in purchase sales and 16% growth in average receivables across all regions, the integration of the Credicard portfolio, and a gain on the MasterCard IPO of $35 million.

Operating expenses increased, reflecting the integration of the Credicard portfolio, continued investment in organic growth, costs associated with a labor settlement in Korea, volume growth across the regions, and the adoption of SFAS 123(R). This was partially offset by the absence of 2005 first quarter repositioning expenses of $13 million.

Provision for loan losses increased, driven by the industry-wide credit deterioration in Taiwan, portfolio growth and target market expansion in *Mexico*, and volume growth in all regions.

Regional Net Income

Mexico income increased due to higher sales volumes and average loans, as well as a gain from the MasterCard IPO of $9 million after-tax and tax benefits in the 2006 first quarter of $6 million. *Latin America* income increased primarily due to volume and purchase sales growth, and the benefit of foreign currency translation. *EMEA* income increased primarily due to higher purchase sales and volume growth, partially offset by higher net credit losses. *Asia* income declined due to an increase in credit costs related to Taiwan and costs associated with a Korea labor settlement, partially offset by higher purchase sales and loan growth and a gain from the MasterCard IPO of $7 million.

International Consumer Finance

International Consumer Finance provides community-based lending services through its branch network, regional sales offices and cross-selling initiatives with *International Cards* and *International Retail Banking*. As of June 30, 2006, *International Consumer Finance* maintained 2,506 sales points comprising 1,697 branches in more than 25 countries and 809 ALMs in *Japan*. *International Consumer Finance* offers real-estate-secured loans, unsecured or partially secured personal loans, auto loans, and loans to finance consumer-goods purchases. Revenues are primarily derived from net interest revenue and fees on loan products.

In millions of dollars	Three Months Ended June 30, 2006	Three Months Ended June 30, 2005	% Change 2Q06 vs. 2Q05	Six Months Ended June 30, 2006	Six Months Ended June 30, 2005	% Change YTD06 vs. YTD05
Revenues, net of interest expense, by region:						
Mexico	**$ 55**	$ 44	25%	**$ 108**	$ 87	24%
Latin America	**38**	30	27	**74**	58	28
EMEA	**193**	185	4	**377**	374	1
Japan	**615**	635	(3)	**1,206**	1,262	(4)
Asia	**108**	69	57	**206**	130	58
Revenues, net of interest expense	**$ 1,009**	$ 963	5%	**$ 1,971**	$ 1,911	3
Operating expenses	**427**	380	12	**846**	817	4
Provision for loan losses	**340**	322	6	**644**	637	1
Income before taxes and minority interest	**$ 242**	$ 261	(7)%	**$ 481**	$ 457	5%
Income taxes	**69**	84	(18)	**140**	141	(1)
Net income	**$ 173**	$ 177	(2)%	**$ 341**	$ 316	8%
Net income by region:						
Mexico	**$ 11**	$ 8	38%	**$ 21**	$ 17	24%
Latin America	**1**	3	(67)	**1**	6	(83)
EMEA	**15**	16	(6)	**22**	12	83
Japan	**134**	137	(2)	**269**	259	4
Asia	**12**	13	(8)	**28**	22	27
Net income	**$ 173**	$ 177	(2)%	**$ 341**	$ 316	8%

						% Change
Average assets *(in billions of dollars)*	**$ 27**	$ 26	4%	**$ 27**	$ 27	
Return on assets	**2.57%**	2.73%		**2.55%**	2.36%	
Average risk capital(1)	**$ 1,042**	$ 920	13	**$ 1,104**	$ 927	19%
Return on risk capital(1)	**67%**	77%		**62%**	69%	
Return on invested capital(1)	**20%**	20%		**20%**	18%	
Key indicators:						
Average yield(2)	**18.88%**	18.90%				
Net interest margin(2)	**16.36%**	16.65%				
Number of sales points:						
Other branches	**1,373**	888				
Japan branches	**324**	405				
Japan Automated Loan Machines	**809**	588				
Total	**2,506**	1,881				

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

(2) As a percentage of average loans.

2Q06 vs. 2Q05

Revenues, net of interest expense, increased 5%, driven mainly by higher personal loan volumes and slightly higher net interest margins. This was offset by a decline in *Japan,* primarily due to the impact of foreign currency translation and lower average loans.

Operating expense growth was primarily due to higher volume-related expenses and increased investment spending driven by 111 new branch openings, and 85 new ALMs in *Japan*.

Provision for loan losses increased primarily due to loan loss reserve builds in *EMEA, Japan,* and *Asia*and higher net credit losses in *Asia* and *Latin America*. This was partially offset by lower net credit losses in *EMEA*, due to a portfolio sale transaction, and *Japan*. The net credit loss ratio declined 31 basis points to 5.44%.

The increase in *average loans* outside of *Japan* was mainly driven by growth in the personal-loan and real-estate-secured portfolios. In *Japan*, average loans declined by 6% due to the impact of higher pay-downs, reduced loan demand, and the impact of foreign currency translation.

The Company is evaluating the potential impact of legislative proposals to reform the interest rate law in Japan that could impact consumer finance lending and which may negatively impact both the revenues and credit costs in that business.*

2Q06 YTD vs. 2Q05 YTD

Revenues, net of interest expense, increased 3%, driven mainly by higher average loan volumes and higher net interest margins. This was offset by a decline in *Japan*, primarily due to the impact of foreign currency translation and lower average loans.

Operating expense growth was primarily due to higher volume-related expenses and increased investment spending, driven by 241 new branch openings, and the addition of 145 ALMs in *Japan*. The growth was partially offset by the absence of the 2005 first quarter repositioning charge in *EMEA* of $38 million and declines in *Japan* due to the closing of branches.

Provision for loan losses were slightly higher than the prior-year period as higher net credit losses in *Asia* and *EMEA* were offset by lower net credit losses in *Japan* related to the sale of previously charged-off assets.

The increase in *average loans* outside of *Japan* was mainly driven by growth in the personal-loan and real-estate-secured portfolios. In *Japan,* loans declined by 9% due to the impact of higher pay-downs, reduced loan demand, and the impact of foreign currency translation.

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* This is a forward-looking statement within the meaning of the Private Securities Litigation Reform Act. See "Forward-Looking Statements" on page 81.

International Retail Banking

International Retail Banking delivers a wide array of banking, lending, insurance and investment services through a network of local branches and electronic delivery systems, including ATMs, call centers and the Internet. *International Retail Banking* serves 49 million customer accounts for individuals and small businesses. Revenues are primarily derived from net interest revenue on deposits and loans, and fees on mortgage, banking, and investment products.

	Three Months Ended June 30,		% Change	Six Months Ended June 30,		% Change
In millions of dollars	**2006**	**2005**	**2Q06 vs. 2Q05**	**2006**	**2005**	**YTD06 vs. YTD05**
Revenues, net of interest expense, by region:						
Mexico	**$ 694**	$ 704	(1)%	**$ 1,385**	$ 1,352	2%
Latin America	**195**	166	17	**389**	327	19
EMEA	**840**	786	7	**1,632**	1,551	5
Japan	**118**	116	2	**232**	237	(2)
Asia	**708**	624	13	**1,384**	1,234	12
Revenues, net of interest expense	**$ 2,555**	$ 2,396	7%	**$ 5,022**	$ 4,701	7%
Operating expenses	**1,560**	1,363	14	**3,145**	2,780	13
Provisions for loan losses and for benefits and claims	**123**	233	(47)	**274**	436	(37)
Income before taxes and minority interest	**$ 872**	$ 800	9%	**$ 1,603**	$ 1,485	8%
Income taxes	**156**	209	(25)	**209**	397	(47)
Minority interest, net of taxes	**2**	(2)	NM	**3**	(3)	NM
Net income	**$ 714**	$ 593	20%	**$ 1,391**	$ 1,091	27%
Net income by region:						
Mexico	**$ 217**	$ 235	(8)%	**$ 416**	$ 376	11%
Latin America	**18**	39	(54)	**41**	65	(37)
EMEA	**157**	74	NM	**303**	168	80
Japan	**31**	34	(9)	**63**	70	(10)
Asia	**291**	211	38	**568**	412	38
Net income	**$ 714**	$ 593	20%	**$ 1,391**	$ 1,091	27%

						% Change
Average assets *(in billions of dollars)*	**$ 120**	$ 114	5%	**$ 120**	$ 114	5%
Return on assets	**2.39%**	2.09%		**2.34%**	1.93%	
Average risk capital(1)	**$ 9,481**	$ 10,663	(11)%	**$ 9,444**	$ 10,323	(9)%
Average return on risk capital(1)	**30%**	22%		**30%**	21%	
Return on invested capital(1)	**16%**	13%		**16%**	12%	
Key indicators: *(in billions of dollars):*						
Average deposits	**$ 146.6**	$ 134.3	9%			
Assets under Management (AUMs) (EOP)	**129.1**	108.7	19			
Average loans	**62.6**	61.9	1			

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

NM Not meaningful

2Q06 vs. 2Q05

Revenues, net of interest expense, increased in all regions, except *Mexico*, reflecting a 9% increase in deposits and a 60% increase in investment product sales. Loan balances increased 1% over the 2005 second quarter, as declines in *EMEA*, due to the loan write-offs in Germany in the third quarter of 2005, and in *Asia*, due to recent labor actions in Korea, were more than offset by growth in all other regions. Assets under management increased 19%.

Operating expenses increased due to an increase in compensation costs in *Mexico*, increases in business volumes, higher advertising and marketing expenses, and higher investment spending driven by the continued expansion of the distribution network that included 85 new branch openings during the quarter.

Provisions for loan losses and for benefits and claims declined due to the absence of the 2005 second quarter increase in the Germany credit reserve to reflect increased experience with the effects of bankruptcy law liberalization of $127 million pretax and an $82 million pretax loan loss reserve release in Korea as a result of an improving credit environment, partially offset by the absence of a 2005 second quarter *Mexico* reserve release of $80 million, which is offset in revenues, and the absence of a 2005 second quarter Argentina Compensation Bond recovery of $24 million.

Net income also reflected an increased tax benefit of $70 million in *Mexico* related to APB 23.

Regional Net Income

EMEA income increased, driven by a 30% increase in deposits, the absence of an $81 million loan loss reserve build from the 2005 second quarter and stronger lending and investment product sales revenues. *Asia* income increased, benefiting from higher loan and deposit balances, investment product sales and a $52 million loan loss reserve release in Korea. *Mexico* income decreased primarily due to the absence of a 2005 second quarter $30 million reserve release from an investment in Avantel and a 2005 second quarter $50 million favorable impact relating to a restructuring of Mexican government notes, increased investment spending associated with 44 branch openings, and lower deposit revenues, partly offset by higher APB 23 tax benefits. *Latin America* income declined, primarily due to increased expenses associated with 12 new branches in Brazil and lower loan loss reserve releases, partly offset by growth in lending revenues. *Japan* income declined due to higher expenses, mainly due to the consolidation and compliance activities resulting from the shutdown of the Japan Private Bank, and the impact of foreign currency translation.

2Q06 YTD vs. 2Q05 YTD

Revenues, net of interest expense, increased in all regions except *Japan*, reflecting 8% deposit growth and a 48% increase in investment product sales. Loan balances were flat over the prior-year period reflecting declines in *EMEA*and *Asia* due to the write-off of loans in Germany in the third quarter of 2005 and the impact of recent labor actions in Korea, offset by growth in all other regions. Assets under management increased 19%.

Operating expenses increased due to an increase in compensation costs in *Mexico*, higher business volumes, SFAS 123(R) charges, costs associated with a labor settlement in Korea, higher marketing and advertising spending, and continued investments, that included 190 new branch additions.

Provisions for loan losses and for benefits and claims decreased due to the absence of the 2005 second quarter increase in the Germany credit reserve to reflect increased experience with the effects of bankruptcy law liberalization of $127 million pretax and loan loss reserve releases in Korea as a result of an improving credit environment, partially offset by the absence of 2005 second quarter *Mexico* reserve release of $80 million, which is offset in revenues, and the absence of a 2005 second quarter Argentina Compensation Bond recovery of $24 million.

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

Regional Net Income

Asia income increased, benefiting from higher deposit revenues and investment product sales and a loan loss reserve release in Korea, partially offset by increased investment spending tied to retail bank branch expansion and costs associated with the labor settlement. *Mexico* income increased primarily due to higher tax benefits, and higher lending revenues and investment product sales, partly offset by higher expenses related to increased investment spending associated with new branch openings and the absence of a $50 million 2005 second quarter gain from the favorable impact relating to a restructuring of Mexican government notes. *EMEA* income increased due to the absence of an $81 million loan loss reserve build from the 2005 second quarter and stronger investment product sales and lending revenues, partly offset by higher expenses associated with branch expansion. *Latin America* income declined, primarily due to increased expenses associated with new branches in Brazil, the impact of foreign currency translation, and the absence of a 2005 second quarter Argentina Compensation Bond recovery, partly offset by growth in loan, deposit and investment revenues. *Japan* income declined due to lower deposit revenues, higher expenses, mainly due to the consolidation and compliance activities related to the shutdown of the Japan Private Bank, and the impact of foreign currency translation.

Other Consumer

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

	Three Months Ended June 30,		Six Months Ended June 30,	
In millions of dollars	**2006**	**2005**	**2006**	**2005**
Revenues, net of interest expense	**$ (19)**	$ (18)	**$ (33)**	$ (221)
Operating expenses	**127**	75	**294**	162
Income (loss) before tax benefits	**$ (146)**	$ (93)	**$ (327)**	$ (383)
Income taxes (benefits)	**(54)**	(35)	**(168)**	(149)
Net income (loss)	**($ 92)**	($ 58)	**($ 159)**	($ 234)

2Q06 vs. 2Q05

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

The *net loss* increase was primarily due to higher staff payments and higher legal costs, partially offset by lower advertising and marketing expenses.

2Q06 YTD vs. 2Q05 YTD

The *net loss* decrease was primarily due to the absence of the 2005 first quarter loss on the sale of a Manufactured Housing loan portfolio of $109 million after-tax and the benefit of 2006 first quarter tax credits of $40 million, reflecting the resolution of the Federal Tax Audit, partially offset by SFAS 123(R) charges of $19 million after-tax and higher staff payments and legal costs.

CORPORATE AND INVESTMENT BANKING

* Excludes Other Corporate and Investment Banking loss of $29 million

* Excludes Other Corporate and Investment Banking loss of $29 million

Corporate and Investment Banking (CIB) provides corporations, governments, institutions and investors in approximately 100 countries with a broad range of financial products and services. CIB includes *Capital Markets and Banking*, *Transaction Services* and *Other CIB*.

In millions of dollars	Three Months Ended June 30, 2006	Three Months Ended June 30, 2005	% Change 2Q06 vs. 2Q05	Six Months Ended June 30, 2006	Six Months Ended June 30, 2005	% Change YTD06 vs. YTD05
Revenues, net of interest expense, by region:						
U.S.	**$ 2,803**	$ 1,948	44%	**$ 5,726**	$ 4,727	21%
Mexico	**199**	170	17	**385**	329	17
Latin America	**385**	382	1	**831**	692	20
EMEA	**2,043**	1,708	20	**4,339**	3,402	28
Japan	**269**	187	44	**565**	367	54
Asia	**1,062**	761	40	**2,194**	1,676	31
Revenues, net of interest expense	**$ 6,761**	$ 5,156	31%	**$ 14,040**	$ 11,193	25%
Operating expenses	**4,158**	3,368	23	**8,915**	7,036	27
Provision for credit losses	**173**	(14)	NM	**173**	(70)	NM
Income before taxes and minority interest	**$ 2,430**	$ 1,802	35%	**$ 4,952**	$ 4,227	17%
Income taxes	**702**	420	67	**1,276**	1,155	10
Minority interest, net of taxes	**5**	10	(50)	**24**	21	14
Net income	**$ 1,723**	$ 1,372	26%	**$ 3,652**	$ 3,051	20%
Net income by region:						
U.S.	**$ 747**	$ 462	62%	**$ 1,262**	$ 1,355	(7)%
Mexico	**88**	76	16	**166**	159	4
Latin America	**138**	195	(29)	**340**	340	
EMEA	**342**	336	2	**977**	524	86

			% Change			% Change
Japan	**72**	54	33	**157**	102	54
Asia	**336**	249	35	**750**	571	31
Net income	**$ 1,723**	$ 1,372	26%	**$ 3,652**	$ 3,051	20%
Average risk capital(1)	**$ 21,755**	$ 21,097	3%	**$ 21,174**	$ 20,938	1%
Return on risk capital(1)	**32%**	26%		**35%**	29%	
Return on invested capital(1)	**23%**	19%		**26%**	22%	

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

NM Not meaningful

Capital Markets and Banking

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

In millions of dollars	Three Months Ended June 30, 2006	Three Months Ended June 30, 2005	% Change 2Q06 vs. 2Q05	Six Months Ended June 30, 2006	Six Months Ended June 30, 2005	% Change YTD06 vs. YTD05
Revenues, net of interest expense, by region:						
U.S.	**$ 2,476**	$ 1,715	44%	**$ 5,087**	$ 4,256	20%
Mexico	**151**	121	25	**289**	232	25
Latin America	**225**	254	(11)	**525**	447	17
EMEA	**1,508**	1,268	19	**3,315**	2,534	31
Japan	**241**	163	48	**512**	328	56
Asia	**668**	444	50	**1,437**	1,067	35
Revenues, net of interest expense	**$ 5,269**	$ 3,965	33%	**$ 11,165**	$ 8,864	26%
Operating expenses	**3,154**	2,585	22	**6,957**	5,444	28
Provision for credit losses	**157**	(20)	NM	**152**	(66)	NM
Income before taxes and minority interest	**$ 1,958**	$ 1,400	40%	**$ 4,056**	$ 3,486	16%
Income taxes	**541**	347	56	**1,002**	984	2
Minority interest, net of taxes	**5**	10	(50)	**24**	20	20
Net income	**$ 1,412**	$ 1,043	35%	**$ 3,030**	$ 2,482	22%
Net income by region:						
U.S.	**$ 748**	$ 400	87%	**$ 1,265**	$ 1,274	(1)%
Mexico	**74**	60	23	**138**	125	10
Latin America	**88**	153	(42)	**237**	262	(10)
EMEA	**236**	249	(5)	**766**	372	NM
Japan	**66**	47	40	**146**	95	54
Asia	**200**	134	49	**478**	354	35

			% Change			% Change
Net income	**$ 1,412**	$ 1,043	35%	**$ 3,030**	$ 2,482	22%
Average risk capital(1)	**$ 20,173**	$ 19,694	2%	**$ 19,648**	$ 19,519	1%
Return on risk capital(1)	**28%**	21%		**31%**	26%	
Return on invested capital(1)	**21%**	16%		**23%**	19%	

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

NM Not meaningful

2Q06 vs. 2Q05

Revenues, net of interest expense, increased, driven by broad-based performance across products and regions. Fixed Income Markets revenue increases were driven by strong results in municipals, foreign exchange, and credit products. Equity Markets revenues increased, reflecting strong performance in derivatives, convertibles, and cash trading. Investment Banking revenue growth was driven by higher debt and equity underwriting revenues and increased advisory fees.

Operating expenses increased, driven by the impact of SFAS 123(R) charges and higher compensation expense due to higher production-driven incentive compensation, as well as a growth in headcount.

The provision for credit losses increased, driven by a $208 million pretax charge to increase loan loss reserves, reflecting growth in loans and unfunded loan commitments and an update to historical data used for certain loss estimates.

Regional Net Income

Net income in the *U.S.* increased primarily due to higher Fixed Income Markets and Underwriting and Equity Markets revenues, partially offset by lower Lending revenues and an increase in compensation expenses (higher production-driven incentive compensation and the impact of SFAS 123(R) charges).

Mexico net income increased due to strong results in Fixed Income Markets and Equity Markets.

Latin America net income decreased due to a decline in Fixed Income Markets revenues, higher investment spending, and an increase in credit costs due to the absence of a loan loss recovery recorded in the prior-year period.

EMEA net income declined due to higher compensation expense associated with staff additions and higher credit costs reflecting growth in loans and unfunded loan commitments. The increased expenses were partially offset by revenue growth, where higher volumes and customer activity offset the market volatility.

Net income in *Japan* increased due to strong growth in Fixed Income Markets, Fixed Income Underwriting and Lending, partially offset by higher expenses.

Net income in *Asia* increased, driven by broad-based double-digit growth across several products, including Fixed Income and Equity Markets, Advisory, and Lending, partially offset by higher expenses.

2Q06 YTD vs. 2Q05 YTD

Revenues, net of interest expense, increased, driven by broad-based performance across products and regions. Fixed Income Markets revenue increases reflected growth in emerging markets trading, municipals, foreign exchange and credit products. Equity Markets revenues increased, driven by strong growth globally, including cash trading, derivatives products and convertibles. Investment Banking revenue growth was driven by higher debt and equity underwriting revenues and increased advisory fees. Lending revenue declined, as improved credit conditions led to lower hedging results.

Operating expenses were impacted by $508 million of SFAS 123(R) charges and higher production-related incentive compensation, as well as a growth in headcount.

The provision for credit losses increased, driven by a $208 million pretax charge in the second quarter to increase loan loss reserves, reflecting growth in loans and unfunded loan commitments and an update to historical data used for certain loss estimates.

Regional Net Income

Net income in the *U.S.* declined primarily due to higher compensation expenses (higher production-driven incentive compensation and the impact from SFAS 123(R) charges), as well as lower Lending revenues, partially offset by higher Fixed Income and Equity Markets revenues and tax benefits from the resolution of a the Federal Tax Audit.

Mexico net income increased due to strong results in Fixed Income Markets and Equity Markets, and double-digit growth in corporate loans and a tax benefit from the resolution of a Federal Tax Audit, partially offset by the absence of a loan loss recovery recorded in the prior-year period.

Latin America net income declined due to higher investment spending, an increase in credit costs due to the absence of a loan loss recovery recorded in the prior-year period, and the impact from SFAS 123(R) charges. The decline in net income was partially offset by strong revenue growth in Equity and Fixed Income Markets sales and trading activities in Brazil and by the tax benefits from the resolution of the Federal Tax Audit.

EMEA net income increased, driven by double-digit growth across all major product lines and geographies on higher volumes and growth in customer activity and tax benefits from the resolution of the Federal Tax Audit. The increase in net income was partially offset by higher compensation expense due to staff additions and the impact from SFAS 123(R) charges, higher credit costs on growth in loans and unfunded loan commitments.

Net income in *Japan* increased due to strong growth in Fixed Income Markets and Lending, partially offset by higher operating expenses.

Net income in *Asia* increased, driven by broad-based double-digit growth across several products, including Fixed Income and Equity Markets and Advisory. The tax benefits from the resolution of the Federal Tax Audit were partially offset by the impact from SFAS 123(R) charges.

Transaction Services

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

In millions of dollars	Three Months Ended June 30, 2006	Three Months Ended June 30, 2005	% Change 2Q06 vs. 2Q05	Six Months Ended June 30, 2006	Six Months Ended June 30, 2005	% Change YTD06 vs. YTD05
Revenues, net of interest expense, by region:						
U.S.	**$ 326**	$ 233	40%	**$ 637**	$ 470	36%
Mexico	**48**	49	(2)	**96**	97	(1)
Latin America	**160**	128	25	**306**	245	25
EMEA	**535**	440	22	**1,024**	868	18
Japan	**28**	24	17	**53**	39	36
Asia	**398**	317	26	**761**	609	25
Revenues, net of interest expense	**$ 1,495**	$ 1,191	26%	**$ 2,877**	$ 2,328	24%
Operating expenses	**989**	780	27	**1,938**	1,583	22
Provision for credit losses	**16**	6	NM	**21**	(7)	NM
Income before taxes and minority interest	**$ 490**	$ 405	21%	**$ 918**	$ 752	22%
Income taxes	**150**	117	28	**255**	218	17
Minority interest, net of taxes					1	(100)
Net income	**$ 340**	$ 288	18%	**$ 663**	$ 533	24%
Net income by region:						
U.S.	**$ 22**	$ 21	5%	**$ 35**	$ 39	(10)%
Mexico	**17**	16	6	**31**	34	(9)
Latin America	**49**	42	17	**99**	83	19
EMEA	**107**	87	23	**212**	153	39
Japan	**6**	7	(14)	**11**	7	57
Asia	**139**	115	21	**275**	217	27

										% Change
Net income	**$**	**340**	$	288	18%	**$**	**663**	$	533	24%
Average risk capital(1)	**$**	**1,582**	$	1,403	13%	**$**	**1,526**	$	1,419	8%
Return on risk capital(1)		**86%**		82%			**88%**		76%	
Return on invested capital(1)		**50%**		46%			**50%**		43%	
Key indicators:										
Liability balances (average in billions of dollars)	**$**	**178**	$	141	26%					
Assets under custody at period end (in trillions of dollars)		**9.3**		8.0	16%					

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

NM Not meaningful

2Q06 vs. 2Q05

Revenues, net of interest expense, increased, reflecting growth in liability balances, assets under custody, and higher volumes and interest rates. Average liability balances grew 26% to $178 billion in the second quarter primarily due to increases in *EMEA*, *Asia* and *Japan*, reflecting positive flow from new and existing customers.

Cash Management revenue increased, reflecting growth across all regions except *Mexico*. This was attributable to higher liability balances, increased volumes and new sales, as well as higher interest rates.

Securities & Funds Services revenue increased, reflecting growth across all regions except *Mexico* and *Japan*. The increase was driven by higher assets under custody, increased volumes, higher interest rates, and the impact of acquisitions. Assets under custody reached $9.3 trillion, an increase of $1.3 trillion, or 16%, on strong momentum from new sales, equity markets, and the inclusion of ABN Amro and UNISEN assets under custody.

Trade Services and Finance revenue increased, reflecting growth in *EMEA* and the *U.S*. This was partially offset by a decline in *Latin America* and *Mexico*.

The change in *the provision for credit losses* of $10 million was attributable to a reserve build of $17 million in 2006.

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

Cash-basis loans, which are primarily trade finance receivables, were $38 million and $103 million at June 30, 2006 and 2005, respectively. The decrease of $65 million was primarily due to declines in *Mexico* and the United Arab Emirates.

Regional Net Income

Net income in the *U.S.* increased primarily due to revenue growth, partially offset by higher expenses from acquisitions and continued investment spending.

Mexico net income increased primarily due to tax efficiencies, partially offset by the impact of interest rates on revenues.

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

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

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

Japan net income decreased primarily due to higher tax expenses offset by increases in liability balances and assets under custody, rising interest rates, and increased revenue from new sales.

2Q06 YTD vs. 2Q05 YTD

Revenues, net of interest expense, increased, reflecting continued growth in customer liabilities and assets under custody. In addition, higher interest rates and increased volumes in Cash Management and SFS also contributed to the growth.

Cash Management's revenue reflected growth across all regions except *Mexico*. The growth was a result of higher liability balances, volumes and new sales. Higher interest rates also contributed to the revenue increase.

Securities & Funds Services experienced growth in revenues across all regions except *Mexico*. This was attributable to higher assets under custody and volumes, interest rates, and the impact of acquisitions. Assets under custody reached $9.3 trillion, an increase of $1.3 trillion, or 16%, on strong momentum from record sales, equity markets, and the inclusion of ABN Amro and UNISEN assets under custody.

Trade Services and Finance revenues increased, principally driven by growth in *EMEA* and the *U.S*. This was partially offset by the *Mexico* and *Latin America* regions.

The change in *the provision for credit losses* of $28 million was primarily attributable to a reserve build of $22 million in 2006 compared to a net reserve release in 2005.

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

Regional Net Income

Net income in the *U.S.* decreased, primarily due to investment spending.

Mexico net income decreased primarily due to higher expenses and decreasing interest rates.

Latin America net income increased primarily due to growth in liability balances, increased revenues from new sales, rising interest rates, and the resolution of the Federal Tax Audit.

EMEA net income increased primarily due to increases in liability balances and assets under custody, increased revenue from new sales, and strong volumes, which drove growth in Cash Management, SFS, and Trade. The resolution of the Federal Tax Audit also contributed positively to the region's results.

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

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

Other CIB

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

In millions of dollars	Three Months Ended June 30, 2006	Three Months Ended June 30, 2005	Six Months Ended June 30, 2006	Six Months Ended June 30, 2005
Revenues, net of interest expense	**$ (3)**	$	**$ (2)**	$ 1
Operating expenses	**15**	3	**20**	9
Provision for credit losses				3
Loss before income taxes (benefits)	**$ (18)**	$ (3)	**$ (22)**	$ (11)
Income taxes (benefits)	**11**	(44)	**19**	(47)
Net income (loss)	**$ (29)**	$ 41	**$ (41)**	$ 36

2Q06 vs. 2Q05

The net loss in the 2006 periods, compared to the net income in the 2005 periods, is primarily due to higher taxes.

GLOBAL WEALTH MANAGEMENT

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

In millions of dollars	Three Months Ended June 30, 2006	Three Months Ended June 30, 2005	% Change 2Q06 vs. 2Q05	Six Months Ended June 30, 2006	Six Months Ended June 30, 2005	% Change YTD06 vs. YTD05
Revenues, net of interest expense by region:						
U.S.	**$ 2,149**	$ 1,852	16%	**$ 4,303**	$ 3,724	16%
Mexico	**33**	31	6	**64**	62	3
Latin America	**46**	50	(8)	**89**	108	(18)
EMEA	**83**	71	17	**158**	142	11
Japan		(15)	100		7	(100)
Asia	**181**	111	63	**361**	230	57
Revenues, net of interest expense	**$ 2,492**	$ 2,100	19	**$ 4,975**	$ 4,273	16%
Operating expenses	**1,961**	1,586	24	**4,016**	3,276	23
Provision for loan losses	**8**			**13**	(16)	NM
Income before taxes	**$ 523**	$ 514	2%	**$ 946**	$ 1,013	(7)%
Income taxes	**176**	192	(8)	**312**	372	(16)
Net income	**$ 347**	$ 322	8%	**$ 634**	$ 641	(1)%
Net income (loss) by region:						
U.S.	**$ 290**	$ 315	(8)%	**$ 518**	$ 588	(12)%
Mexico	**10**	10		**18**	23	(22)
Latin America	**2**	8	(75)	**5**	15	(67)
EMEA	**5**	3	67	**8**	2	NM
Japan		(45)	100		(53)	100
Asia	**40**	31	29	**85**	66	29

	Three Months Ended June 30,		% Change	Six Months Ended June 30,		% Change
Net income	**$ 347**	$ 322	8%	**$ 634**	$ 641	(1)%
Average risk capital(1)	**$ 2,366**	$ 2,092	13%	**$ 2,452**	$ 2,043	20%
Return on risk capital(1)	**59%**	62%		**52%**	63%	
Return on invested capital(1)	**36%**	51%		**32%**	52%	

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

NM Not meaningful

Smith Barney

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

In millions of dollars	Three Months Ended June 30, 2006	Three Months Ended June 30, 2005	% Change 2Q06 vs. 2Q05	Six Months Ended June 30, 2006	Six Months Ended June 30, 2005	% Change YTD06 vs. YTD05
Revenues, net of interest expense	**$ 1,990**	**$ 1,647**	21%	**$ 3,977**	**$ 3,316**	20%
Operating expenses	**1,624**	**1,252**	30	**3,344**	**2,603**	28
Provision for loan losses	**(1)**	**4**	NM		**4**	(100)
Income before taxes	**$ 367**	**$ 391**	(6)%	**$ 633**	**$ 709**	(11)%
Income taxes	**129**	**152**	(15)	**227**	**273**	(17)
Net income	**$ 238**	**$ 239**		**$ 406**	**$ 436**	(7)%
Average risk capital(1)	**$ 1,422**	**$ 927**	53%	**$ 1,440**	**$ 902**	60%
Return on risk capital(1)	**67%**	**103%**		**57%**	**97%**	
Return on invested capital(1)	**34%**	**73%**		**29%**	**68%**	
Key indicators: *(in billions of dollars)*						
Total assets under fee-based management	**$ 313**	**$ 245**	28%			
Total Smith Barney client assets	**$ 1,142**	**$ 987**	16			
Financial advisors (#)	**13,177**	**12,150**	8			
Annualized revenue per financial advisor *(in thousands of dollars)*	**$ 600**	**$ 538**	12			

(1)

The increase in average risk capital from the 2005 second quarter was primarily attributed to methodology changes implemented during the 2006 first quarter. See footnote 4 to the table on page 4.

NM Not meaningful

2Q06 vs. 2Q05

Revenues, net of interest expense, increased $343 million primarily due to a 29% increase in fee-based revenues and a 9% increase in transactional revenues, reflecting increased customer volumes and the acquisition of the Legg Mason retail brokerage business.

Operating expenses increased $372 million, or 30%, mainly due to higher compensation expense, including $50 million of SFAS 123(R) accruals, integration costs of the Legg Mason retail brokerage business, and higher legal costs.

Total assets under fee-based management were $313 billion as of June 30, 2006, up $68 billion, or 28%, from the prior-year period. Total client assets, including assets under fee-based management of $1,142 billion, increased $155 billion, or 16%, compared to the prior-year quarter. This reflected organic growth and the addition of Legg Mason client assets. Net flows were ($5) billion compared to $5 billion in the prior-year quarter due to attrition and market action. *Smith Barney* had 13,177 financial advisors as of June 30, 2006, compared with 12,150 as of June 30, 2005. Annualized revenue per financial advisor of $600,000 increased 12% from the prior-year quarter.

2Q06 YTD vs. 2Q05 YTD

Revenues, net of interest expense, increased $661 million primarily due to a 31% increase in fee-based revenues and a 6% increase in transactional revenues, reflecting increased customer volumes and the acquisition of the Legg Mason retail brokerage business.

Operating expenses increased $741 million, or 28%, mainly due to higher compensation expense, including $227 million of SFAS 123(R) charges, integration costs of the Legg Mason retail brokerage business, and higher legal costs.

Net flows were ($2) billion compared to $18 billion in the prior-year first half due to attrition and market action.

Private Bank

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

In millions of dollars	Three Months Ended June 30, 2006	Three Months Ended June 30, 2005	% Change 2Q06 vs. 2Q05	Six Months Ended June 30, 2006	Six Months Ended June 30, 2005	% Change YTD06 vs. YTD05
Revenues, net of interest expense, by region:						
U.S.	**$ 210**	$ 205	2%	**$ 420**	$ 408	3%
Mexico	**33**	31	6	**65**	62	5
Latin America	**46**	50	(8)	**89**	108	(18)
EMEA	**74**	71	4	**144**	142	1
Japan		(15)	100		7	(100)
Asia	**139**	111	25	**280**	230	22
Revenues, net of interest expense	**$ 502**	$ 453	11%	**$ 998**	$ 957	4%
Operating expenses	**337**	334	1	**672**	673	
Provision for loan losses	**9**	(4)	NM	**13**	(20)	NM
Income before taxes	**$ 156**	$ 123	27%	**$ 313**	$ 304	3%
Income taxes	**47**	40	18	**85**	99	(14)
Net income	**$ 109**	$ 83	31%	**$ 228**	$ 205	11%
Net income (loss) by region:						
U.S.	**$ 60**	$ 76	(21)%	**$ 126**	$ 152	(17)%
Mexico	**10**	10		**18**	23	(22)
Latin America	**2**	8	(75)	**5**	15	(67)
EMEA	**3**	3		**5**	2	NM
Japan		(45)	100		(53)	100
Asia	**34**	31	10	**74**	66	12

						% Change
Net income (loss)	**$ 109**	$ 83	31%	**$ 228**	$ 205	11%
Average risk capital(1)	**$ 944**	$ 1,165	(19)%	**$ 1,013**	$ 1,141	(11)%
Return on risk capital(1)	**46%**	29%		**45%**	36%	
Return on invested capital(1)	**42%**	26%		**42%**	34%	
Key indicators: *(in billions of dollars)*						
Client assets under fee-based management	**$ 50**	$ 49	2%			
Other client activity	**172**	168	2			
Total client business volumes	**$ 222**	$ 217	2%			

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

NM Not meaningful

2Q06 vs. 2Q05

Revenues, net of interest expense, increased due to strong growth in *Asia* and the absence of prior-year losses related to the closing of the Japan Private Bank.

U.S. revenue increased, primarily driven by an increase in banking spreads and lending volumes, which was partially offset by lending spread compression.

Mexico revenue increased, mainly due to an increase in banking and investment revenue, partially offset by lower lending revenue.

Latin America revenue decreased, primarily driven by lower spreads in discretionary and lending portfolios and lower lending volumes.

EMEA revenue increased, driven by higher capital markets revenue, partially offset by the transfer of the CWA business to Smith Barney.

Asia revenue increased, reflecting strong capital markets activity.

Operating expenses increased 1% due to the expansion in on-shore markets and SFAS 123(R) charges of $3 million, partially offset by the absence of *Japan* expenses in the 2006 second quarter.

Provision for loan losses was $9 million in the 2006 second quarter compared to a $4 million release in the 2005 second quarter. The provision in the 2006 second quarter is primarily due to costs associated with an update to historical data used for loan loss estimates. The 2005 second quarter reflects net recoveries in the *U.S*.

Client business volumes increased $5 billion, or 2%, as a decline of $10 billion in *Japan* was offset by growth of $15 billion, or 7%, in other regions. Growth was led by an increase of $4 billion in banking and fiduciary assets, which were higher in *EMEA* and *Asia*, offsetting the decline in *Japan*. Managed assets increased $1 billion, mainly driven by positive net flows in *Latin America* and *Asia,* offsetting the decline in *Japan*. Custody assets remained flat as growth in *U.S.*, *Asia* and *EMEA* was offset by the decline in *Japan*.

2Q06 YTD vs. 2Q05 YTD

Revenues, net of interest expense, increased due to strong growth in *Asia,* partially offset by the absence of prior-year revenue from *Japan*.

U.S. revenue increased, primarily driven by an increase in banking spreads and lending volumes, which was partially offset by lending spread compression.

Mexico revenue increased, mainly due to an increase in banking and investment revenue, partially offset by lower lending and capital markets revenue.

Latin America revenue decreased, primarily driven by lower capital markets revenue, lower spreads in discretionary and lending portfolios and lower lending volumes.

EMEA revenue increased, driven by higher capital markets revenue, partially offset by transfer of the Citigroup Wealth Advisors (CWA) business to Smith Barney.

Asia revenue increased, reflecting strong capital markets activity.

Operating expenses remained flat, as the absence of *Japan* expenses was offset by SFAS 123(R) charges in the first half of 2006. The first six months ending June 30 include SFAS 123(R) charges of $22 million.

Provision for loan losses was $13 million in the first six months of 2006 compared to a $20 million release in the first six months of 2005. The provision in 2006 is primarily due to reserve builds and costs associated with an update to historical data used for loan loss estimates of $17 million, partially offset by a $4 million recovery in *Asia*. 2005 includes $10 million in net credit reserve releases and recoveries of $10 million in *Asia, EMEA* and the *U.S.*

Client business volumes increased $5 billion, or 2%, as a decline of $10 billion in *Japan* was offset by growth of $15 billion, or 7%, in other regions. Growth was led by an increase of $4 billion in banking and fiduciary assets, which were higher in *EMEA* and *Asia*, offsetting the decline in *Japan*. Managed assets increased $1 billion, mainly driven by positive net flows in *Latin America* and *Asia,* offsetting the decline in *Japan*.

ALTERNATIVE INVESTMENTS

* Excludes Other revenues of $(37) million.

Alternative Investments (AI) manages capital on behalf of Citigroup, as well as for third-party institutional and high-net-worth investors. AI is an integrated alternative investment platform that manages a wide range of products across five asset classes, including private equity, hedge funds, real estate, structured products and managed futures. AI's business model is to enable its 14 investment centers to retain entrepreneurial qualities required to capitalize on evolving opportunities, while benefiting from the intellectual, operational and financial resources of Citigroup.

	Three Months Ended June 30,		% Change	Six Months Ended June 30,		% Change
In millions of dollars	**2006**	**2005**	**2Q06 vs. 2Q05**	**2006**	**2005**	**YTD06 vs. YTD05**
Net realized and net change in unrealized gains	**$ 475**	$ 943	(50)%	**$ 1,038**	$ 1,649	(37)%
Fees, dividends and interest	**49**	86	(43)	**98**	167	(41)
Other	**(37)**			**(65)**	17	NM
Total proprietary investment activities revenues	**$ 487**	$ 1,029	(53)%	**$ 1,071**	$ 1,833	(42)%
Client revenues(1)	**97**	83	17	**188**	145	30
Total revenues, net of interest expense	**$ 584**	$ 1,112	(47)%	**$ 1,259**	$ 1,978	(36)%
Operating expenses	**199**	159	25	**380**	264	44
Provision for loan losses	**(13)**			**(13)**		
Income before taxes and minority interest	**$ 398**	$ 953	(58)%	**$ 892**	$ 1,714	(48)%
Income taxes	**$ 138**	$ 334	(59)%	**$ 249**	$ 601	(59)%
Minority interest, net of taxes	**3**	234	(99)	**33**	366	(91)
Net income	**$ 257**	$ 385	(33)%	**$ 610**	$ 747	(18)%

	Three Months Ended June 30,		% Change	Six Months Ended June 30,		% Change
Average risk capital(2)	**$ 4,043**	$ 4,315	(6)%	**$ 4,295**	$ 4,202	2%
Return on risk capital(2)	**26%**	36%		**29%**	36%	
Return on invested capital(2)	**22%**	34%		**25%**	34%	
Key indicators: *(in billions of dollars)*						
Capital under management:						
Client	**$ 30.6**	$ 21.7	41%			
Proprietary	**11.3**	9.6	18			
Total	**$ 41.9**	$ 31.3	34%			

(1) Includes fee income.

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

NM Not meaningful

2Q06 vs. 2Q05

Total proprietary revenues, net of interest expense, for the second quarter of 2006 of $487 million, were composed of revenues from private equity of $516 million, other investment activity of $14 million and hedge fund losses of ($43) million. Private equity revenue declined $466 million from the 2005 second quarter, primarily driven by the absence of prior-year realized gains from the sale of portfolio assets. Other investment activities revenue decreased $80 million from the 2005 second quarter, largely due to the absence of realized gains from sales of St. Paul (STA) shares in the prior-year. Hedge fund losses improved by $4 million, largely due to a lower net change in unrealized losses from improved investment performance. *Client revenues* increased $14 million, reflecting increased management fees from a 41% growth in client capital under management.

Operating expenses in the second quarter of 2006 of $199 million increased $40 million from the second quarter of 2005, primarily due to increased performance-driven compensation in private equity portfolios, investment spending in the hedge funds and real estate platforms, and higher legal expenses.

Minority interest, net of tax, in the second quarter of 2006 of $3 million declined $231 million from the second quarter of 2005, primarily due to lower private equity gains related to underlying investments held by consolidated majority-owned legal entities. The impact of minority interest is reflected in fees, dividends, and interest, and net realized and net change in unrealized gains consistent with proceeds received by minority interests.

Proprietary capital under management of $11.3 billion increased $1.7 billion from the second quarter 2005, primarily driven by the MetLife and remaining Legg Mason shares acquired during 2005, as well as the funding of proprietary investments in hedge funds and real estate. These increases were partially offset by the sale of all of Citigroup's holdings of St. Paul shares.

Client capital under management of $30.6 billion in the 2006 second quarter increased $8.9 billion from the 2005 second quarter, due to inflows from institutional and high-net-worth clients and the inclusion of $1.2 billion in assets for the former Travelers Life & Annuities business, following the July 1, 2005 sale to MetLife.

Investments held by investment company subsidiaries (including CVC Brazil) are carried at fair value with the net change in unrealized gains and losses recorded in income. The Company's investment in CVC Brazil is subject to a variety of unresolved matters, including pending litigation involving some of its portfolio companies, which could affect future valuations of these companies.*

The sale of Citigroup's Life Insurance and Annuities business to MetLife, Inc. on July 1, 2005, included $1.0 billion, or 22.4 million shares, in MetLife equity securities in the sale proceeds. On July 3, 2006, the company completed the sale of all 22.4 million shares related to a forward sale agreement previously executed. The Company will record a gain of approximately $133 million pretax in the third quarter of 2006. The investment in Legg Mason resulted from the sale of Citigroup's Asset Management business to Legg Mason, Inc. on December 1, 2005, which included a combination of Legg Mason common and convertible preferred equity securities valued at $2.298 billion in the sale proceeds. Total equivalent number of common shares was 18.7 million, of which 10.3 million were sold in March 2006. The MetLife and Legg Mason equity securities are classified on Citigroup's Consolidated Balance Sheet as Investments (available-for-sale).

2Q06 YTD vs. 2Q05 YTD

Total proprietary revenues, net of interest expense, for the six months of 2006 of $1,071 million, were composed of revenues from private equity of $729 million, other investment activity of $278 million and hedge funds of $64 million. Private equity revenue declined $1,005 million from the first six months of 2005, primarily driven by the absence of prior-year realized gains from the sale of portfolio assets. Other investment activities revenue increased $162 million from the first six months 2005, largely due to realized gains from the liquidation of Citigroup's investment in St. Paul shares. Hedge fund revenue increased $81 million, largely due to a higher net change in unrealized gains on a substantially increased asset base, along with improved investment performance. Client revenues increased $43 million, reflecting increased management and performance fees from a 35% growth in average client capital under management.

Operating expenses in the first six months of 2006 of $380 million increased $116 million from the first six months of 2005, primarily due to increased performance-driven compensation, investment spending in the hedge fund and real estate platforms, higher legal expenses, and the impact of SFAS 123(R).

Minority interest, net of tax, in the first six months of 2006 of $33 million declined $333 million from the first six months of 2005, primarily due to absence of prior-year private equity gains related to underlying investments held by consolidated majority-owned legal entities. The impact of minority interest is reflected in fees, dividends, and interest, and net realized gains/(losses) consistent with proceeds received by minority interests.

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

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* This is a forward-looking statement within the meaning of the Private Securities Litigation Reform Act. See "Forward-Looking Statements" on page 81.

MetLife and Legg Mason Equity Securities

Company	Type of Ownership	Shares owned on June 30, 2006	Sale Restriction	Market Value as of June 30, 2006 ($ millions)	Pretax Unrealized Gains/(Losses) as of June 30, 2006 ($ million)
MetLife, Inc.(1)	Common stock representing approximately 3.0% ownership	22.4 million	May be sold in private offerings until July 1, 2006. Thereafter, may be sold publicly	$ 1,149	$ 149
Legg Mason, Inc.	Non-voting convertible preferred stock representing approximately 6.2% ownership	8.4 shares (convertible into 8.4 million shares of common stock upon sale to non-affiliate)	2.2 million shares may be sold publicly at any time and the remaining 6.2 million shares may be sold after December 1, 2006	$ 835	$ (195)
Total				**$ 1,984**	**$ (46)**

(1) The pretax unrealized gain excludes the effects from the Company's hedging activities related to these shares. All shares were sold and the hedging contracts closed on July 3, 2006.

CORPORATE/OTHER

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

In millions of dollars	Three Months Ended June 30, 2006	Three Months Ended June 30, 2005	Six Months Ended June 30, 2006	Six Months Ended June 30, 2005
Revenues, net of interest expense	**$ (283)**	$ (206)	**$ (492)**	$ (204)
Operating expenses	**72**	106	**80**	201
Provisions for benefits, claims and credit losses		(1)		(1)
Income (loss) from continuing operations before taxes and minority interest	**$ (355)**	$ (311)	**$ (572)**	$ (404)
Income tax benefits	**$ (113)**	$ (62)	**$ (244)**	$ (74)
Minority interest, net of taxes		(4)	**1**	3
Income (loss) from continuing operations	**$ (242)**	$ (245)	**$ (329)**	$ (333)
Income from discontinued operations	**3**	342	**$ 87**	$ 668
Net income (loss)	**$ (239)**	$ 97	**$ (242)**	$ 335

2Q06 vs. 2Q05

Revenues, net of interest expense, decreased, primarily due to lower intersegment eliminations, partially offset by higher treasury results. Lower funding balances, partially offset by higher interest rates and an extension of the debt maturity profile, drove an increase in treasury results.

Operating expenses declined, primarily due to lower intersegment eliminations, partially offset by increased staffing and technology costs.

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

2Q06 YTD vs. 2Q05 YTD

Revenues, net of interest expense, decreased, primarily due to lower intersegment eliminations and lower treasury results. Higher interest rates and an extension of the debt maturity profile, partially offset by lower funding balances, drove a decline in treasury results.

Operating expenses declined, primarily due to lower intersegment eliminations, partially offset by increased staffing and technology costs.

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

Discontinued Operations

Discontinued operations represent the operations in the Company's Sale of the Asset Management Business to Legg Mason, Inc., and the Sale of the Life Insurance and Annuities Business. For 2006, income from discontinued operations included a gain from the Sale of the Asset Management Business in Poland, as well as a tax reserve release of $59 million relating to the resolution of the Federal Tax Audit. See Note 3 to the Consolidated Financial Statements on page 89.

MANAGING GLOBAL RISK

Citigroup's risk management framework balances strong corporate oversight with well-defined independent risk management functions within each business. The Citigroup risk management framework is described in Citigroup's 2005 Annual Report on Form 10-K.

The Citigroup Senior Risk Officer is responsible for:

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

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

RISK CAPITAL

Risk capital is defined as the amount of capital required to absorb potential unexpected economic losses resulting from extremely severe events over a one-year time period.

- "Economic losses" are the income statement and balance sheet impact of losses.
- "Unexpected losses" are the difference between potential extremely severe losses and Citigroup's expected (average) loss over a one-year time period.
- "Extremely severe" is defined as potential loss at a 99.97% confidence level, based on the distribution of observed events and scenario analysis.

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

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

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

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

- Credit risk losses primarily result from a borrower's or counterparty's inability to meet its obligations. Market risk losses arise from fluctuations in the market value of trading and non-trading positions, often driven by changes in interest rates.

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

Insurance risks arise from unexpectedly high payouts on insurance liabilities.

These risks are measured and aggregated within businesses and across Citigroup to facilitate the understanding of the Company's exposure to extreme downside events and any changes in its level or its composition.

At June 30, 2006, December 31, 2005, and June 30, 2005, risk capital for Citigroup was composed of the following risk types:

In billions of dollars	June 30, 2006	December 31, 2005	June 30, 2005
Credit risk	**$ 35.7**	$ 36.1	$ 36.0
Market risk	**17.6**	13.5	15.0
Operational risk	**8.1**	8.1	7.8
Insurance risk	**0.2**	0.2	0.2
Intersector diversification(1)	**(5.9)**	(4.7)	(4.9)
Total Citigroup	**$ 55.7**	$ 53.2	$ 54.1
Return on risk capital (second quarter)	**38%**		36%
Return on invested capital (second quarter)	**19%**		18%
Return on risk capital (six months)	**39%**		38%
Return on invested capital (six months)	**20%**		19%

(1) Reduction in risk represents diversification between risk sectors.

The increase in Citigroup's risk capital versus December 31, 2005 was primarily related to the year-end methodology update for market risk for non-trading positions, offset by decreases in certain of the Company's proprietary investment positions.

Average risk capital, return on risk capital and return on invested capital are provided for each segment and product and are disclosed on pages 16 - 46.

The increase in Citigroup's risk capital versus June 30, 2005 was primarily related to the year-end methodology update for market risk for non-trading positions, offset by decreases in certain of the Company's proprietary investment positions.

Average risk capital increased $2.7 billion from the 2005 second quarter to $55.9 billion. Average risk capital of $14.8 billion in U.S. Consumer increased $793 million, or 6%, driven mostly by growth in the credit portfolio, and by updates to risk capital methodologies in market risk for non-trading positions and credit risk. Average risk capital of $21.8 billion in CIB increased $658 million, or 3%, primarily driven by portfolio growth in both *Capital Markets* and *Transaction Services*. Average risk capital of $2.4 billion in Global Wealth Management increased $274 million, or 13%, primarily driven by the new operational risk methodology.

CREDIT RISK MANAGEMENT PROCESS

Credit risk is the potential for financial loss resulting from the failure of a borrower or counterparty to honor its financial or contractual obligations. Credit risk arises in many of the Company's business activities, including:

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

* Report in Other Liabilities on the Consolidated Balance Sheet.

DETAILS OF CREDIT LOSS EXPERIENCE

In millions of dollars	2nd Qtr. 2006	1st Qtr. 2006	4th Qtr. 2005	3rd Qtr. 2005	2nd Qtr. 2005
Allowance for loan losses at beginning of period	**$ 9,505**	$ 9,782	$ 10,015	$ 10,418	$ 10,894
Provision for loan losses					
Consumer	**$ 1,426**	$ 1,446	$ 1,936	$ 2,584	$ 1,835
Corporate	**10**	(50)	(65)	(59)	(115)
	$ 1,436	$ 1,396	$ 1,871	$ 2,525	$ 1,720
Gross credit losses					
Consumer					
In U.S. offices	**$ 1,090**	$ 1,105	$ 1,531	$ 1,380	$ 1,472
In offices outside the U.S.	**1,145**	1,037	955	2,000	869
Corporate					
In U.S. offices	**44**	15	68	$ 4	$ 32
In offices outside the U.S.	**75**	26	60	60	79
	$ 2,354	$ 2,183	$ 2,614	$ 3,444	$ 2,452
Credit recoveries					
Consumer					
In U.S. offices	**$ 183**	$ 190	$ 224	$ 242	$ 333
In offices outside the U.S.	**298**	319	227	212	211
Corporate					
In U.S. offices	**12**	2	94	39	7
In offices outside the U.S.	**65**	72	146	148	123
	$ 558	$ 583	$ 691	$ 641	$ 674
Net credit losses					
In U.S. offices	**$ 939**	$ 928	$ 1,281	$ 1,103	$ 1,164
In offices outside the U.S.	**857**	672	642	1,700	614
Total	**$ 1,796**	$ 1,600	$ 1,923	$ 2,803	$ 1,778
Other net(1)(2)(3)(4)(5)	**$ (1)**	$ (73)	$ (181)	$ (125)	$ (418)
Allowance for loan losses at end of period	**$ 9,144**	$ 9,505	$ 9,782	$ 10,015	$ 10,418
Allowance for unfunded lending commitments(6)	**$ 1,050**	$ 900	$ 850	$ 800	$ 700
Total allowance for loans and unfunded lending commitments	**$ 10,194**	$ 10,405	$ 10,632	$ 10,815	$ 11,118
Net consumer credit losses	**$ 1,754**	$ 1,633	$ 2,035	$ 2,926	$ 1,797
As a percentage of average consumer loans	**1.48%**	1.46%	1.82%	2.68%	1.68%
Net corporate credit losses/(recoveries)	**$ 42**	$ (33)	$ (112)	$ (123)	$ (19)
As a percentage of average corporate loans		NM	NM	NM	NM

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

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

(3) The 2005 fourth quarter includes reductions to the loan loss reserve of $186 million related to securitizations.

(4) The 2005 third quarter includes reductions to the loan loss reserve of $137 million related to securitizations, offset by the $23 million of loan loss reserves related to the purchased distressed loans reclassified from Other Assets.

(5) The 2005 second quarter includes reductions to the loan loss reserve of $132 million related to securitizations and portfolio sales, $110 million of purchase accounting adjustments related to the KorAm acquisition, and a $79 million reclassification to a non-credit related reserve.

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

NM Not meaningful

CASH-BASIS, RENEGOTIATED, AND PAST DUE LOANS

In millions of dollars	June 30, 2006	March. 31, 2006	December 31, 2005	September 30, 2005	June 30, 2005
Corporate cash-basis loans(1)					
Collateral dependent (at lower of cost or collateral value)(2)	**$**	$	$ 6	$ 6	$ 8
Other	**799**	821	998	1,204	1,588
Total	**$ 799**	$ 821	$ 1,004	$ 1,210	$ 1,596
Corporate cash-basis loans(1)					
In U.S. offices	**$ 24**	$ 65	$ 81	$ 74	$ 181
In offices outside the U.S.	**775**	756	923	1,136	1,415
Total	**$ 799**	$ 821	$ 1,004	$ 1,210	$ 1,596
Renegotiated loans (includes Corporate and Commercial Business Loans)	**$ 23**	$ 30	$ 32	$ 29	$ 31
Consumer loans on which accrual of interest had been suspended					
In U.S. offices	**$ 1,985**	$ 2,088	$ 2,307	$ 2,224	$ 1,908
In offices outside the U.S.	**1,872**	1,664	1,713	1,597	2,791
Total	**$ 3,857**	$ 3,752	$ 4,020	$ 3,821	$ 4,699
Accruing loans 90 or more days delinquent [3]					
In U.S. offices	**$ 2,403**	$ 2,531	$ 2,886	$ 2,823	$ 2,789
In offices outside the U.S.	**431**	410	391	457	407
Total	**$ 2,834**	$ 2,941	$ 3,277	$ 3,280	$ 3,196

(1) Excludes purchased distressed loans accounted for in accordance with Statement of Position 03-3, "Accounting for Certain Loans on Debt Securities Acquired in a Transfer" (SOP 03-3). This pronouncement was adopted in the 2005 third quarter. Prior to adoption, these loans were classified with other assets. The carrying value of these loans was $1,171 million at June 30, 2006, $1,217 million at March 31, 2006, $1,120 million at December 31, 2005, $1,064 million at September 30, 2005, and $1,148 million at June 30, 2005.

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

(3) Substantially composed of consumer loans of which $1,437 million, $1,465 million, $1,591 million, $1,690 million, and $1,744 million are government-guaranteed student loans and Federal Housing Authority mortgages at June 30, 2006, March 31, 2006, December 31, 2005, September 30, 2005, and June 30, 2005, respectively.

Other Real Estate Owned and Other Repossessed Assets

In millions of dollars	June 30, 2006	March 31, 2006	December 31, 2005	September 30, 2005	June 30, 2005

Other real estate owned(1)					
Consumer	**$ 324**	$ 322	$ 279	$ 283	$ 248
Corporate	**171**	144	150	153	133
Total other real estate owned	**$ 495**	$ 466	$ 429	$ 436	$ 381
Other repossessed assets	**$ 53**	$ 52	$ 62	$ 57	$ 49

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

CONSUMER PORTFOLIO REVIEW

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

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

The following table summarizes delinquency and net credit loss experience in both the managed and on-balance sheet consumer loan portfolios. The managed loan portfolio includes held-for-sale and securitized credit card receivables. Only *U.S. Cards* from a product view and U.S. from a regional view are impacted. Although a managed basis presentation is not in conformity with GAAP, the Company believes managed credit statistics provide a representation of performance and key indicators of the credit card business that is consistent with the way management reviews operating performance and allocates resources. For example, the *U.S. Cards* business considers both on-balance sheet and securitized balances (together, its managed portfolio) when determining capital allocation and general management decisions and compensation. Furthermore, investors use information about the credit quality of the entire managed portfolio, as the results of both the on-balance sheet and securitized portfolios impact the overall performance of the *U.S. Cards* business. For a further discussion of managed-basis reporting, see Note 14 to the Consolidated Financial Statements on page 104.

Consumer Loan Delinquency Amounts, Net Credit Losses, and Ratios

In millions of dollars, except total and average loan amounts in billions Product View:	Total Loans June 30, 2006	90 Days or More Past Due(1) June 30, 2006	March 31, 2006	June 30, 2005	Average Loans 2nd Qtr. 2006	Net Credit Losses(1) 2nd Qtr. 2006	1st Qtr. 2006	2nd Qtr. 2005
U.S.:								
U.S. Cards	**$ 43.4**	**$ 814**	$ 958	$ 1,021	**$ 43.6**	**$ 447**	$ 446	$ 640
Ratio		**1.87%**	2.39%	2.23%		**4.11%**	4.27%	5.47%
U.S. Retail Distribution	**44.1**	**717**	740	723	**43.6**	**288**	279	346
Ratio		**1.62%**	1.73%	1.79%		**2.65%**	2.66%	3.50%
U.S. Consumer Lending	**198.7**	**2,356**	2,411	2,539	**197.3**	**160**	176	146
Ratio		**1.19%**	1.25%	1.55%		**0.33%**	0.38%	0.36%
U.S. Commercial Business	**35.5**	**116**	151	148	**34.7**	**12**	14	12
Ratio		**0.33%**	0.44%	0.47%		**0.14%**	0.17%	0.15%
International:								
International Cards	**26.8**	**643**	535	382	**26.1**	**333**	218	157
Ratio		**2.40%**	2.22%	1.70%		**5.12%**	3.64%	2.84%
International Consumer Finance	**24.0**	**519**	437	477	**23.8**	**323**	319	321
Ratio		**2.16%**	1.93%	2.17%		**5.44%**	5.78%	5.75%
International Retail Banking	**62.9**	**680**	736	1,901	**62.6**	**191**	184	181
Ratio		**1.08%**	1.21%	3.09%		**1.22%**	1.21%	1.17%
Private Bank(2)	**40.5**	**6**	12	113	**40.0**		(4)	(5)
Ratio		**0.02%**	0.03%	0.28%		**0.00%**	(0.04)%	(0.05)%
Other Consumer Loans	**2.4**		43		**2.3**		1	(1)
On-Balance Sheet Loans(3)	**$ 478.3**	**$ 5,851**	$ 6,023	$ 7,304	**$ 474.0**	**$ 1,754**	$ 1,633	$ 1,797
Ratio		**1.22%**	1.31%	1.70%		**1.48%**	1.46%	1.68%
Securitized receivables (all in U.S. Cards)	**$ 97.3**	**$ 1,421**	$ 1,403	$ 1,231	**$ 94.5**	**$ 969**	$ 871	$ 1,307
Credit card receivables held-for-sale							4	9
Managed Loans (4)	**$ 575.6**	**$ 7,272**	$ 7,426	$ 8,535	**$ 568.5**	**$ 2,723**	$ 2,508	$ 3,113
Ratio		**1.26%**	1.34%	1.65%		**1.92%**	1.85%	2.42%
Regional View:								
U.S.	**$ 350.3**	**$ 4,010**	$ 4,312	$ 4,456	**$ 347.1**	**$ 908**	$ 916	$ 1,139
Ratio		**1.14%**	1.27%	1.45%		**1.05%**	1.11%	1.50%
Mexico	**14.6**	**548**	541	564	**14.6**	**115**	106	84
Ratio		**3.76%**	3.68%	4.27%		**3.16%**	2.87%	2.60%
EMEA	**39.5**	**508**	487	1,651	**39.4**	**292**	250	237
Ratio		**1.29%**	1.32%	4.38%		**2.97%**	2.77%	2.49%
Japan	**11.9**	**194**	170	273	**12.1**	**251**	223	261
Ratio		**1.63%**	1.48%	1.99%		**8.33%**	7.83%	7.24%
Asia	**56.6**	**491**	473	330	**55.8**	**147**	136	96
Ratio		**0.87%**	0.87%	0.61%		**1.06%**	1.01%	0.72%
Latin America	**5.4**	**100**	40	30	**5.0**	**41**	2	(20)
Ratio		**1.85%**	0.99%	0.86%		**3.34%**	0.21%	(2.34)%
On-Balance Sheet Loans (3)	**$ 478.3**	**$ 5,851**	$ 6,023	$ 7,304	**$ 474.0**	**$ 1,754**	$ 1,633	$ 1,797
Ratio		**1.22%**	1.31%	1.70%		**1.48%**	1.46%	1.68%
Securitized receivables (all in U.S. Cards)	**$ 97.3**	**$ 1,421**	$ 1,403	$ 1,231	**$ 94.5**	**$ 969**	$ 871	$ 1,307
Credit card receivables held-for-sale							4	9
Managed Loans (4)	**$ 575.6**	**$ 7,272**	$ 7,426	$ 8,535	**$ 568.5**	**$ 2,723**	$ 2,508	$ 3,113
Ratio		**1.26%**	1.34%	1.65%		**1.92%**	1.85%	2.42%

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

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

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

(4)
This table presents credit information on a held basis and shows the impact of securitizations to reconcile to a managed basis. Only *U.S. Cards* from a product view, and U.S from a regional view, are impacted. Managed-basis reporting is a non-GAAP measure. Held-basis reporting is the related GAAP measure. See a discussion of managed-basis reporting on page 53.

Consumer Loan Balances, Net of Unearned Income

	End of Period			Average		
In billions of dollars	**June 30, 2006**	**March 31, 2006**	**June 30, 2005**	**2nd Qtr. 2006**	**1st Qtr. 2006**	**2nd Qtr. 2005**
On-balance sheet(1)	**$ 478.3**	$ 459.4	$ 429.1	**$ 474.0**	$ 454.8	$ 428.5
Securitized receivables (all in U.S. Cards)	**97.3**	95.9	89.6	**94.5**	94.7	87.7
Credit card receivables held-for-sale					0.3	0.6
Total managed	**$ 575.6**	$ 555.3	$ 518.7	**$ 568.5**	$ 549.8	$ 516.8

(1) Total loans and total average loans exclude certain interest and fees on credit cards of approximately $3 billion and $3 billion for the second quarter of 2006, approximately $3 billion and $4 billion for the first quarter of 2006, and approximately $4 billion and $4 billion for the second quarter of 2005, respectively, which are included in Consumer Loans on the Consolidated Balance Sheet.

(2) This table presents loan information on a held basis and shows the impact of securitization to reconcile to a managed basis. Managed-basis reporting is a non-GAAP measure. Held-basis reporting is the related GAAP measure. See a discussion of managed-basis reporting on page 53.

Citigroup's total allowance for loans, leases and unfunded lending commitments of $10.194 billion is available to absorb probable credit losses inherent in the entire portfolio. For analytical purposes only, the portion of Citigroup's allowance for credit losses attributed to the Consumer portfolio was $6.311 billion at June 30, 2006, $6.647 billion at March 31, 2006 and $7.714 billion at June 30, 2005. The decrease in the allowance for credit losses from June 30, 2005 of $1.403 billion included:

- reserve releases, primarily related to the impact of the change in bankruptcy legislation on *U.S. Cards* and continued improved credit conditions in the U.S.

- $663 million of utilizations as a result of standardizing the consumer loan write-off policies in certain *EMEA* countries in the 2005 third quarter; and

- $538 million of reductions related to securitizations in the *U.S. Cards* business.

Offsetting these reductions in the allowance for credit losses was the impact of reserve builds of $766 million, primarily related to the estimated credit losses incurred with Hurricane Katrina; increased reserves in *Mexico*; increased reserves in *Asia*, primarily related to industry-wide credit deterioration in the Taiwan cards market; and the impact of the change in bankruptcy legislation on *U.S. Retail Distribution*. The acquisition of the Credicard portfolio increased the allowance for credit losses by $84 million in *Latin America*.

On-balance sheet consumer loans of $478.3 billion increased $49.2 billion, or 11%, from June 30, 2005, primarily driven by growth in mortgage and other real-estate-secured loans in the *U.S. Consumer Lending*, *U.S. Commercial Business,* and *Private Bank* businesses and growth in *U.S. Retail Distribution,* primarily within the CitiFinancial Branches business. Credit card receivables declined on higher payment rates by customers.

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

CORPORATE CREDIT PORTFOLIO

Credit Exposure Arising from Derivatives and Foreign Exchange

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

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

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

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

The following tables summarize by derivative type the notionals, receivables and payables held for trading and asset/liability management hedge purposes as of June 30, 2006 and December 31, 2005. See Note 16 to the Consolidated Financial Statements on page 110 for a discussion regarding the accounting for derivatives.

CITIGROUP DERIVATIVES

Notionals(1)

In millions of dollars	Trading Derivatives(2) June 30, 2006	Trading Derivatives(2) December 31, 2005	Asset/Liability Management Hedges(3) June 30, 2006	Asset/Liability Management Hedges(3) December 31, 2005
Interest rate contracts				
Swaps	**$ 15,423,687**	$ 12,677,814	**$ 475,147**	$ 403,576
Futures and forwards	**1,933,720**	2,090,844	**54,422**	18,425
Written options	**2,097,703**	1,949,501	**13,927**	5,166
Purchased options	**2,161,893**	1,633,983	**53,670**	53,920
Foreign exchange contracts				
Swaps	**$ 638,690**	$ 563,888	**$ 47,482**	$ 37,418
Futures and forwards	**1,869,691**	1,508,754	**44,058**	53,757
Written options	**390,871**	249,725	**334**	
Purchased options	**389,500**	253,089	**754**	808
Equity contracts				
Swaps	**$ 78,765**	$ 70,188	**$**	$
Futures and forwards	**22,036**	14,487		
Written options	**268,632**	213,383		
Purchased options	**247,113**	193,248		
Commodity and other contracts				
Swaps	**$ 24,794**	$ 20,486	**$**	$
Futures and forwards	**13,152**	10,876		
Written options	**10,835**	9,761		
Purchased options	**11,370**	12,240		
Credit derivatives	**$ 1,331,160**	$ 1,030,745	**$**	$

Mark-to-Market (MTM) Receivables/Payables

In millions of dollars	Derivatives Receivables MTM June 30, 2006	Derivatives Receivables MTM December 31, 2005	Derivatives Payable MTM June 30, 2006	Derivatives Payable MTM December 31, 2005
Trading Derivatives(2)				
Interest rate contracts	**$ 197,735**	$ 192,761	**$ 196,741**	$ 188,182
Foreign exchange contracts	**50,512**	42,749	**46,205**	41,474
Equity contracts	**23,687**	18,633	**38,606**	32,313
Commodity and other contracts	**7,284**	7,332	**6,948**	6,986
Credit derivative	**8,926**	8,106	**12,041**	9,279
Total	**$ 288,144**	$ 269,581	**$ 300,541**	$ 278,234
Less: Netting agreements, cash collateral and market value adjustments	**(238,215)**	(222,167)	**(233,779)**	(216,906)
Net Receivables/Payables	**$ 49,929**	$ 47,414	**$ 66,762**	$ 61,328

	Derivatives Receivables MTM		Derivatives Payable MTM	
Asset/Liability Management Hedges(3)				
Interest rate contracts	**$ 4,202**	$ 3,775	**$ 2,208**	$ 1,615
Foreign exchange contracts	**1,740**	1,385	**1,207**	1,137
Total	**$ 5,942**	$ 5,160	**$ 3,415**	$ 2,752

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

(2) Trading Derivatives include proprietary and market-making activities where the changes in market value are recorded to trading assets or trading liabilities.

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

GLOBAL CORPORATE PORTFOLIO

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

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

In millions of dollars	June 30, 2006	December 31, 2005	June 30, 2005
Corporate cash-basis loans			
Capital Markets and Banking	**$ 761**	$ 923	$ 1,493
Transaction Services	**38**	81	103
Total corporate cash-basis loans(1)	**$ 799**	$ 1,004	$ 1,596
Net credit write-offs/losses (recoveries)			
Capital Markets and Banking	**$ 37**	$ (117)	$ (16)
Transaction Services	**18**	5	1
CIB Other			(3)
Alternative Investments	**(13)**		(1)
Total net credit write-offs/ losses (recoveries)	**$ 42**	$ (112)	$ (19)
Corporate allowance for loan losses	**$ 2,833**	$ 2,860	$ 2,704
Corporate allowance for credit losses on unfunded lending commitments(2)	**1,050**	850	700
Total corporate allowance for loans and unfunded lending commitments	**$ 3,883**	$ 3,710	$ 3,404
As a percentage of total corporate loans(3)	**1.81%**	2.22%	2.18%

(1) Excludes purchased distressed loans accounted for in accordance with SOP 03-3. This pronouncement was adopted in the 2005 third quarter. Prior to this adoption, these loans were classified in Other Assets. The carrying value of these loans was $1,171 million at June 30, 2006, $1,120 million at December 31, 2005 and $1,148 million at June 30, 2005. Prior to 2004, the balances were immaterial.

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

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

Corporate cash-basis loans on June 30, 2006 decreased $797 million compared to June 30, 2005; $732 million of the decrease was in *Capital Markets and Banking* and $65 million was in *Transaction Services*. *Capital Markets and Banking* decreased primarily due to higher charge-offs in Mexico, Russia and Brazil. The decrease in *Transaction Services* was primarily related to charge-offs in the United Arab Emirates and *Mexico*.

Cash-basis loans decreased $205 million compared to December 31, 2005 due to decreases of $162 million in *Capital Markets and Banking* and $43 million in *Transaction Services. Capital Markets and Banking* primarily reflected increased charge-offs in Russia, Australia, Korea and India. *Transaction Services* decreased primarily due to charge-offs in *Mexico*.

Total corporate Other Real Estate Owned (OREO) was $171 million, $150 million and $133 million at June 30, 2006, December 31, 2005, and June 30, 2005, respectively. The $21 million decrease from December 31, 2005 reflects net foreclosures in the U.S. real estate portfolio.

Total corporate loans outstanding at June 30, 2006 were $156 billion as compared to $129 billion and $124 billion at December 31, 2005 and June 30, 2005, respectively.

Total corporate net credit losses of $42 million on June 30, 2006 increased $61 million compared to June 30, 2005, primarily attributable to a $32 million write-off in the Distressed Portfolio due to a reduction in the expected cash flows. Total corporate net credit losses increased $154 million compared to the 2005 fourth quarter, primarily due to the absence of recoveries in the second quarter of 2006.

Citigroup's total allowance for credit losses for loans, leases and unfunded lending commitments of $10.194 billion is available to absorb probable credit losses inherent in the entire Company's portfolio. For analytical purposes only, the portion of Citigroup's allowance for credit losses attributed to the corporate portfolio was $3.883 billion at June 30, 2006, $3.404 billion at June 30, 2005, and $3.710 billion at December 31, 2005, respectively. The $479 million increase in the corporate allowance at June 30, 2006 from June 30, 2005 primarily reflects reserve builds related to unfunded lending commitments due to increases in expected losses during the year and the deterioration of the credit quality of the underlying portfolios. The $173 million increase in the corporate allowance at June 30, 2006 from December 31, 2005 primarily reflects an increase in the allowance for unfunded lending commitments based on portfolio growth and the deterioration of the underlying portfolio. Losses on corporate lending activities and the level of cash-basis loans can vary widely with respect to timing and amount, particularly within any narrowly defined business or loan type.

MARKET RISK MANAGEMENT PROCESS

Market risk encompasses liquidity risk and price risk, both of which arise in the normal course of business of a global financial intermediary. Liquidity risk is the risk that an entity may be unable to meet a financial commitment to a customer, creditor, or investor when due. Liquidity risk is discussed in the "Capital Resources and Liquidity" on page 71. Price risk is the earnings risk from changes in interest rates, foreign exchange rates, equity and commodity prices, and in their implied volatilities. Price risk arises in non-trading portfolios, as well as in trading portfolios.

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

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

Non-Trading Portfolios

Citigroup's non-trading portfolios are managed using a common set of standards that define, measure, limit and report market risk. The risks are managed within limits approved by independent market risk management. In addition, there are Citigroup-wide reporting metrics that are common to all business units, which enable Citigroup to aggregate and compare non-trading risks across businesses. The metrics measure the change in either income or value of the Company's positions under various rate scenarios.

Citigroup's primary focus is providing financial products for its customers. Loans and deposits are tailored to the customer's requirements in terms of maturity and whether the rate is fixed or floating and, if it is floating, how often the rate resets and according to which market index. These customer transactions result in a risk exposure for Citigroup. This exposure may be related to differences in the timing of maturities, and/or rate resetting for assets and liabilities, or it may be due to different positions resetting based on different indices. In some instances it may also be indirectly related to interest rate changes. For example, mortgage prepayment rates vary not only as a result of interest rate changes, but also with the absolute level of rates relative to the rate on the mortgage itself.

One function of Treasury at Citigroup is to understand the risks that arise from customer transactions and to manage them so that unexpected changes in the markets do not adversely impact Citigroup's Net Interest Revenue (NIR). Various market factors are considered, including the market's expectation of future interest rates and any different expectations for rate indices (LIBOR, treasuries, etc.). In order to manage these risks effectively, Citigroup may modify customer pricing, enter into transactions with other institutions that may have opposite risk positions and enter into off-balance sheet transactions, including derivatives.

NIR is a function of the size of the balance and the rate that is earned or paid on that balance. NIR in any period is the result of customer transactions and the related contractual rates from prior periods, as well as new transactions in the current period; it may be impacted by changes in rates on floating rate assets and liabilities. Due to the long-term nature of the portfolio, NIR will vary from quarter to quarter even in the absence of changes in interest rates.

Citigroup's principal measure of earnings risk from non-trading portfolios due to interest rates changes is Interest Rate Exposure (IRE). IRE measures the change in expected NIR in each currency that results solely from unanticipated changes in market rates of interest; scenarios are run assuming unanticipated instantaneous parallel rate changes, as well as more gradual rate changes. Other factors such as changes in volumes, spreads, margins, and the impact of prior-period pricing decisions can also change current period interest income, but are not captured by IRE. While IRE assumes that businesses make no additional changes in pricing or balances in response to the unanticipated rate changes, in practice businesses may alter their portfolio mix, customer pricing and hedge positions, which could significantly impact reported NIR.

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

Citigroup Interest Rate Exposure (Impact on Pretax Earnings)

The amounts in the table below represent the approximate impact to Net Interest Revenue on our principal currency exposures over the next 12 months. This impact is based on current balances and pricing that would result from unanticipated instantaneous rate change of a 100bp and a gradual 100bp (25bp per quarter) change in interest rates.

	June 30, 2006		March 31, 2006		June 30, 2005	
In millions of dollars	**Increase**	**Decrease**	**Increase**	**Decrease**	**Increase**	**Decrease**
U.S. dollar						
Instantaneous change	**$ (344)**	**$ 436**	$ (435)	$ 585	$ (413)	$ 325
Gradual change	**$ (247)**	**$ 212**	$ (266)	$ 271	NA	NA
Mexican peso						
Instantaneous change	**$ 44**	**$ (44)**	$ 91	$ (92)	$ 74	$ (74)
Gradual change	**$ 32**	**$ (32)**	$ 63	$ (63)	NA	NA
Euro						
Instantaneous change	**$ (70)**	**$ 70**	$ (56)	$ 56	$ (83)	$ 83
Gradual change	**$ (33)**	**$ 33**	$ (15)	$ 15	NA	NA
Japanese yen						
Instantaneous change	**$ (21)**	**NM**	$ (5)	NM	$ 46	NM
Gradual change	**$ (10)**	**NM**	$ 5	NM	NA	NA
Pound sterling						
Instantaneous change	**$ (32)**	**$ 31**	$ (22)	$ 21	$ 20	$ (21)
Gradual change	**$ (18)**	**$ 18**	$ 5	$ (5)	NA	NA

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

NA Not applicable.

The change in U.S. Dollar Interest Rate Exposure from March 31, 2006 reflects active Treasury positioning partially offset by the expansion and lengthening of various asset portfolios and change in customer mix.

Trading Portfolios

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

- factor sensitivities;
- value-at-risk; and
- stress testing.

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

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

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

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

Total revenues of the trading business consist of:

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

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

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

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

For Citigroup's major trading centers, the aggregate pretax VAR in the trading portfolios was $97 million, $106 million, and $113 million at June 30, 2006, March 31, 2006, and June 30, 2005, respectively. Daily exposures averaged $115 million during the 2006 second quarter and ranged from $97 million to $133 million.

The following table summarizes VAR to Citigroup in the trading portfolios at June 30, 2006, March 31, 2006, and June 30, 2005, 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, 2006	Second Quarter 2006 Average	March 31, 2006	First Quarter 2006 Average	June 30, 2005	Second Quarter 2005 Average
Interest rate	**$ 96**	**$ 103**	$ 95	$ 86	$ 109	$ 129
Foreign exchange	**27**	**29**	29	23	16	12
Equity	**41**	**51**	43	48	37	33
Commodity	**13**	**19**	15	12	15	17
Covariance adjustment	**(80)**	**(87)**	(76)	(67)	(64)	(61)
Total All market risk factors, including general and specific risk	**$ 97**	**$ 115**	$ 106	$ 102	$ 113	$ 130
Specific risk only component	**$ 5**	**$ 10**	$ 10	$ 11	$ 7	$ 6
Total General market factors only	**$ 92**	**$ 105**	$ 96	$ 91	$ 106	$ 124

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

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

	June 30, 2006		March 31, 2006		June 30, 2005	
In millions of dollars	**Low**	**High**	**Low**	**High**	**Low**	**High**
Interest rate	**$ 86**	**$ 125**	$ 69	$ 107	$ 93	$ 155
Foreign exchange	**21**	**40**	16	34	9	19
Equity	**41**	**68**	42	58	28	41
Commodity	**12**	**25**	5	18	15	21

OPERATIONAL RISK MANAGEMENT PROCESS

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people or systems, or 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 two key policies:

- The Citigroup Operational Risk Policy and;
- The Citigroup Risk and Control Self-Assessment (RCSA) Policy

The Citigroup Operational Risk Policy codifies the core governing principles and provides a consistent framework for managing operational risks across the Company. Each major business segment must establish its own operational risk procedures, consistent with the corporate policy, and an approved governance structure. The policy requires each business to identify its key operational risks as well as the controls established to mitigate those risks and to ensure compliance with laws, regulations, regulatory administrative actions, and Citigroup policies. It also requires that all businesses collect and report their operational risk loss data.

The Operational Risk Policy and its requirements 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 segments and functional area, and summarized for Senior Management and the Citigroup Board of Directors.

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

Measurement and Basel II

To support advanced capital modeling and management, the businesses are required to capture relevant operational Risk Capital (RC) information. An enhanced version of the RC model for operational risk has been developed and is being implemented across the major business segments as a step toward readiness for Basel II capital calculations. The RC 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

During 2005 and continuing in 2006, Citigroup created a strategic framework for Information Security technology initiatives, and the Company began implementing enhancements to various Information Security programs across its businesses covering Information Security Risk Management, Security Incident Response and Electronic Transportable Media. The Company also implemented tools to increase the effectiveness of its data protection and entitlement management programs. Additional monthly Information Security metrics were established to better assist the Information Technology Risk Officer in managing enterprise-wide risk. The Information Security Program complies with the Gramm-Leach-Bliley Act and other regulatory guidance.

During 2005, Citigroup began implementing a new business continuity program that improves risk analysis and provides robust support in case of business interruption. The Corporate Office of Business Continuity, with the support of senior management, continues to coordinate global preparedness and mitigate business continuity risks by reviewing and testing recovery procedures.

COUNTRY AND CROSS-BORDER RISK MANAGEMENT PROCESS

Country Risk

Country risk is the risk that an event in a foreign country will impair the value of Citigroup assets or will adversely affect the ability of obligors within that country to honor their obligations to Citigroup. Country risk events may include sovereign defaults, banking or currency crises, social instability, and changes in governmental policies (for example, expropriation, nationalization, confiscation of assets and other changes in legislation relating to international ownership). Country risk includes local franchise risk, credit risk, market risk, operational risk, and cross-border risk. The Country risk management framework at Citigroup includes a number of tools and management processes designed to facilitate the ongoing analysis of individual countries and their risks. These include country risk rating models, scenario planning and stress testing, internal watch lists, and the Country Risk Committee process. The Citigroup Country Risk Committee is the senior forum to evaluate the Company's total business footprint within a specific country franchise with emphasis on responses to current potential country risk events. The Committee is chaired by the Head of Global Country Risk Management and includes as its members senior risk management officers, senior regional business heads, and senior product heads. The Committee regularly reviews all risk exposures within a country, makes recommendations as to actions, and follows up to ensure appropriate accountability.

Cross-Border Risk

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

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

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

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

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

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

	June 30, 2006								December 31, 2005	
	Cross-Border Claims on Third Parties									
In billions of dollars	Banks	Public	Private	Total	Trading and Short-Term Claims(1)	Investments in and Funding of Local Franchises	Total Cross-Border Outstandings	Commitments(2)	Total Cross-Border Outstandings	Commitments(2)
Germany	$ 18.8	$ 4.4	$ 7.2	$ 30.4	$ 27.8	$	$ 30.4	$ 37.9	$ 14.8	$ 25.0
United Kingdom	7.4	0.1	20.1	27.6	23.3		27.6	158.0	20.8	103.8
Netherlands	4.3	3.2	12.0	19.5	17.1		19.5	12.0	15.8	9.2
South Korea	0.6	0.6	2.5	3.7	3.6	14.0	17.7	13.5	14.8	5.2
France	5.5	2.8	7.9	16.2	13.7		16.2	49.7	14.9	33.5

	June 30, 2006								December 31, 2005	
Canada	2.3	0.3	3.3	5.9	5.5	8.5	14.4	7.2	9.1	2.9
Spain	1.3	4.2	4.7	10.2	9.7	2.6	12.8	3.7	7.4	2.8
Italy	1.1	7.4	3.2	11.7	10.9	1.0	12.7	3.7	10.9	3.0

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

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

INTEREST REVENUE/EXPENSE AND YIELDS

In millions of dollars	2nd Qtr. 2006	1st Qtr. 2006	4th Qtr. 2005	2nd Qtr. 2005	% Change 2Q06 vs. 2Q05
Interest Revenue(1)	**$ 23,552**	$ 21,893	$ 20,699	$ 18,501	27%
Interest Expense	**13,717**	12,107	10,935	8,668	58
Net Interest Revenue(1)	**$ 9,835**	$ 9,786	$ 9,764	$ 9,833	
Interest Revenue Average Rate	**6.52%**	6.39%	6.19%	5.86%	66 bps