CITIGROUP INC
Form 10-K
February 23, 2007

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FINANCIAL INFORMATION

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THE COMPANY

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

The Company is a bank holding company within the meaning of the U.S. Bank Holding Company Act of 1956 registered with, and subject to examination by, the Board of Governors of the Federal Reserve System (FRB). Some of the Company s subsidiaries are subject to supervision and examination by their respective federal and state authorities. At December 31, 2006, the Company had approximately 144,000 full-time and 10,000 part-time employees in the United States and approximately 183,000 full-time employees outside the United States. The Company has completed certain

strategic business acquisitions and divestitures during the past three years, details of which can be found in Notes 2 and 3 to the Consolidated Financial Statements on pages 137 and 138, respectively.

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.

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FIVE-YEAR SUMMARY OF SELECTED FINANCIAL DATA

Citigroup Inc. and Subsidiaries

In millions of dollars, except per share amounts	**2006**	2005	2004	2003	2002
Revenues, net of interest expense	**$ 89,615**	$ 83,642	$ 79,635	$ 71,594	$ 66,246
Operating expenses	**52,021**	45,163	49,782	37,500	35,886
Provisions for credit losses and for benefits and claims	**7,955**	9,046	7,117	8,924	10,972
Income from continuing operations before taxes, minority interest, and cumulative effect of accounting changes	**$ 29,639**	$ 29,433	$ 22,736	$ 25,170	$ 19,388
Income taxes	**8,101**	9,078	6,464	7,838	6,615
Minority interest, net of taxes	**289**	549	218	274	91
Income from continuing operations before cumulative effect of accounting changes	**$ 21,249**	$ 19,806	$ 16,054	$ 17,058	$ 12,682
Income from discontinued operations, net of taxes (1)	**289**	4,832	992	795	2,641
Cumulative effect of accounting changes, net of taxes (2)		(49)			(47)
Net income	**$ 21,538**	$ 24,589	$ 17,046	$ 17,853	$ 15,276
Earnings per share					
Basic:					
Income from continuing operations	**$ 4.33**	$ 3.90	$ 3.13	$ 3.34	$ 2.48
Net income	**4.39**	4.84	3.32	3.49	2.99
Diluted:					
Income from continuing operations	**4.25**	3.82	3.07	3.27	2.44
Net income	**4.31**	4.75	3.26	3.42	2.94
Dividends declared per common share	**$ 1.96**	$ 1.76	$ 1.60	$ 1.10	$ 0.70
At December 31					
Total assets	**$ 1,884,318**	$ 1,494,037	$ 1,484,101	$ 1,264,032	$ 1,097,590
Total deposits (3)	**712,041**	591,828	561,513	473,614	430,530
Long-term debt	**288,494**	217,499	207,910	162,702	126,927
Mandatorily redeemable securities of subsidiary trusts (4)	**9,579**	6,264	6,209	6,057	6,152
Common stockholders equity	**118,783**	111,412	108,166	96,889	85,318
Total stockholders equity	**119,783**	112,537	109,291	98,014	86,718
Ratios:					
Return on common stockholders equity (5)	**18.8%**	22.3%	17.0%	19.8%	18.6%
Return on total stockholders equity (5)	**18.6**	22.1	16.8	19.5	18.3
Return on risk capital (6)	**38**	38	35	39	
Return on invested capital (6)	**19**	22	17	20	
Tier 1 Capital	**8.59%**	8.79%	8.74%	8.91%	8.47%
Total Capital	**11.65**	12.02	11.85	12.04	11.25
Leverage (7)	**5.16**	5.35	5.20	5.56	5.67
Common stockholders equity to assets	**6.30%**	7.46%	7.29%	7.67%	7.77%
Total stockholders equity to assets	**6.36**	7.53	7.36	7.75	7.90
Dividends declared (8)	**45.5**	37.1	49.1	32.2	23.8
Ratio of earnings to fixed charges and preferred stock dividends	**1.51x**	1.79x	2.00x	2.41x	1.89x

(1) Discontinued operations for 2002 to 2006 include the operations (and associated gain on disposition) 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 from 2002 to 2006 also includes the operations (and associated gain) described in the Company s January 31, 2005 announced agreement for the sale of Citigroup s Travelers Life & Annuity, substantially all of Citigroup s international insurance business and Citigroup s Argentine pension business to MetLife Inc. The transaction closed on July 1, 2005. On August 20, 2002, Citigroup completed the distribution to its stockholders of a majority portion of its remaining ownership interest in Travelers Property Casualty Corp. (TPC). Following the distribution, Citigroup began accounting for TPC as discontinued operations. As such, 2002 also reflects TPC as a discontinued operation. See Note 3 to the Consolidated Financial Statements on page 118.

(2) Accounting change of ($49) million in 2005 represents the adoption of Financial Accounting Standards Board (FASB) Interpretation (FIN) No. 47, *Accounting for Conditional Asset Retirement Obligations, an interpretation of SFAS No. 143.* Accounting change of ($47) million in 2002 resulted from the adoption of the remaining provisions of Statement of Financial Accounting Standards (SFAS) No. 142, *Goodwill and Other Intangible Assets* (SFAS 142).

(3) Reclassified to conform to the current period s presentation.
(4) During 2004, the Company deconsolidated the subsidiary issuer trusts in accordance with FIN 46-R. For regulatory capital purposes, these trust securities remain a component of Tier 1 Capital. See Capital Resources and Liquidity on page 86.
(5) The return on average common stockholders equity and return on average total stockholders equity are calculated using net income after deducting preferred stock dividends.
(6) Risk capital is a measure of risk levels and the trade-off of risk and return. It is defined as the amount of capital required to absorb potential unexpected economic losses resulting from extremely severe events over a one-year time period. Return on risk capital is calculated as annualized income from continuing operations divided by average risk capital. Invested capital is defined as risk capital plus goodwill and intangible assets excluding mortgage servicing rights (which are a component of risk capital). Return on invested capital is calculated using income adjusted to exclude a net internal charge Citigroup levies on the goodwill and intangible assets of each business offset by each business share of the rebate of the goodwill and intangible asset charge. Return on risk capital and return on invested capital are non-GAAP performance measures; because they are measures of risk with no basis in GAAP, there is no comparable GAAP measure to which they can be reconciled. Management uses return on risk capital to assess businesses operational performance and to allocate Citigroup s balance sheet and risk capital capacity. Return on invested capital is used to assess returns on potential acquisitions and to compare long-term performance of businesses with differing proportions of organic and acquired growth. See page 59 for a further discussion of risk capital.
(7) Tier 1 Capital divided by adjusted average assets.
(8) Dividends declared per common share as a percentage of net income per diluted share.

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MANAGEMENT S DISCUSSION AND ANALYSIS

2006 IN SUMMARY

In 2006, Citigroup earned $21.2 billion from continuing operations on revenues of $89.6 billion. Income was up 7% from 2005, while diluted EPS from continuing operations increased 11%, with the increment in the growth rate reflecting the benefit from our share repurchase program. Net income, which includes discontinued operations, was $21.5 billion, down 12% from the prior year, reflecting the absence of significant gains on sales of businesses recorded in 2005. Income was diversified by segment, product and region.

During 2006, we continued to execute on our key strategic initiatives, including the opening of a record 1,165 new Citibank and Consumer Finance branches (862 in the International sector and 303 in the U.S.), the continued integration of our businesses, investment in technology, and hiring and training our professionals.

Customer volume growth was strong, with average loans up 14%, average deposits up 16% and average interest-earning assets up 16% from year-ago levels. Principal transactions revenues grew 37% and client assets under fee-based management grew 15%. And we completed or announced several strategic acquisitions and partnerships (including Akbank, Guangdong Bank, Egg, Quilter, Grupo Financiero Uno and Grupo Cuscatlan) that will strengthen our franchises.

Revenues increased 7% from 2005, reaching $89.6 billion. Our international operations recorded revenue growth of 14% in 2006, including an 8% increase in International Consumer, 22% in International CIB and 31% in International GWM.

Revenue growth benefited from increased loan volumes, including corporate loan growth of 29% and consumer loan growth of 13%. *Transaction Services* assets under custody increased 21% and Global Wealth Management client assets increased 10%.

Net interest revenue grew 1%, as strong growth in interest-earning assets was offset by flat or inverted yield curves in the major economies. Net interest margin in 2006 was 2.65%, down 41 basis points from 2005 (see the discussion of net interest margin on page 81). This spread compression negatively affected the Company s operating leverage ratios. Non-interest revenue increased 13% from 2005, reflecting fees from higher customer business volumes, as well as increased principal transactions revenues. CIB revenues grew by 14%, reflecting strong performance in *Capital Markets and Banking* and *Transaction Services*. *Capital Markets and Banking* finished the year ranked #1 in equity underwriting and #2 in completed mergers and acquisitions activity.

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Operating expenses increased 15% from the previous year. Expense growth included three points from the adoption of SFAS 123(R) and reflected the absence of a $600 million release from the WorldCom and Litigation Reserve Charge recorded in 2005. Excluding these items, operating expenses increased 10% in 2006, reflecting increased investment spending, the impact of foreign exchange, and an increase in other legal expenses. Investment spending included the addition of Consumer branches and investments in technology.

During the 2006 fourth quarter, Bob Druskin was appointed Chief Operating Officer of the Company. One of Bob s primary responsibilities is to complete a structural review of our expense base by the end of the first quarter. His review will include an analysis of the structure of the organization, the multiple back offices, the multiple middle offices and separate corporate centers around the Company, with a goal of creating a more efficient and nimbler organization.

During 2006, we continued our focus on disciplined capital allocation and driving returns to our shareholders. Our equity capital base and trust preferred securities grew to $129.4 billion at December 31, 2006. Stockholders equity increased by $7.2 billion during 2006 to $119.8 billion, even with the distribution of $9.8 billion in dividends to common shareholders and the repurchase of $7.0 billion of common stock during the year. Citigroup maintained its well-capitalized position with a Tier 1 Capital Ratio of 8.59% at December 31, 2006. Return on common equity was 18.8% for 2006. Our total return to shareholders was 19.6% during the year (which represents Citigroup s stock appreciation assuming the reinvestment of dividends).

The Board of Directors increased the quarterly common dividend by 11% during 2006 and by an additional 10% in January 2007, bringing the current quarterly payout to $0.54 per share. During the year, Moody s upgraded Citibank, N.A. s credit rating to Aaa from Aa1 . On February 14, 2007, Standard & Poor s raised Citigroup s senior debt credit rating to AA from AA- . The long-term debt rating on Citibank, N.A. was raised to AA+ from AA .

The U.S. and international credit environments remained stable; this, as well as significantly lower consumer bankruptcy filings, the absence of the $490 million pretax charge in 2005 related to a change in write-off policy in *EMEA* consumer, and a shift in consumer loans to products with lower net credit losses, drove a $1.191 billion decrease in credit costs compared to year-ago levels. The Global Consumer loss rate was 1.52%, a 49 basis-point decline from 2005. Corporate cash-basis loans declined 47% from year-ago levels to $535 million.

The effective income tax rate on continuing operations declined to 27.3%, primarily reflecting the $598 million benefit for the resolution of the Federal Tax Audit and a net $237 million tax reserve release related to the resolution of the New York Tax Audits. The effective tax rate for 2006 would have been 30.1% without the tax reserve releases.

Outlook for 2007

We enter 2007 with good business momentum, as we expect to see our investment initiatives generate increasing revenues, and are well-positioned to gain from our balanced approach to growth and competitive advantages.

We expect to continue to achieve growth in loans, deposits and other customer activity resulting from our increased distribution points, expanded product offerings, and the impact from recent targeted acquisitions.

In 2006, our international businesses contributed 43% of our income from continuing operations. We expect to continue to re-weight our revenue mix towards International Consumer, CIB and Global Wealth Management.

Disciplined capital allocation will remain fundamental to our strategic process and we will have a sharp focus on expense management.

Although there may be volatility in our results in any given year, over the long term our revenues are targeted to grow organically at a mid- to high-single-digit rate, with strong expense and credit management driving earnings and earnings per share growth at a faster level. We will seek to augment this growth rate over time through targeted acquisitions.

Credit is broadly stable as 2007 begins; however, we are budgeting for a moderate deterioration of credit in 2007. In addition, the tax benefits we realized in 2006 will not be repeated in 2007, and we anticipate the effective tax rate to return to a more normalized rate of 30% to 31%, not the 27.3% recorded in 2006.

In our Japan Consumer Finance business, we look to break even in 2007.

With our investment spending initiatives, a record number of branches were added in 2006. We are going to moderate our rate of increased investment spending in 2007.

Citigroup s financial results are closely tied to the external global economic environment. Movements in interest rates and foreign exchange rates present both opportunities and risks for the Company. Weakness in the global economy, credit deterioration, inflation, and geopolitical uncertainty are examples of risks that could adversely impact our earnings.

A detailed review and outlook for each of our business segments and products are included in the discussions that follow, and the risks are more fully discussed on pages 76 to 96.

Certain of the statements above are forward-looking statements within the meaning of the Private Securities Litigation Reform Act. See Forward-Looking Statements on page 97.

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Comparison of Five-Year Cumulative Total Return

The following graph compares the cumulative total return on Citigroup s common stock with the S&P 500 Index and the S&P Financial Index over the five-year period extending through December 31, 2006. The graph assumes that $100 was invested on December 31, 2001 in Citigroup s common stock, the S&P 500 Index and the S&P Financial Index and that all dividends were reinvested.

DECEMBER 31	CITIGROUP	S&P 500 INDEX	S&P FINANCIAL INDEX
2002	$ 76.08	$ 77.90	$ 85.37
2003	107.72	100.24	111.86
2004	110.65	111.15	124.06
2005	115.77	116.60	132.03
2006	138.41	135.02	157.36

EVENTS IN 2006

Certain of the statements below are forward-looking statements within the meaning of the Private Securities Litigation Reform Act. See Forward-Looking Statements on page 97.

U.K. Market Expansion

Egg

On January 29, 2007, the Company announced the agreement to acquire Egg Banking plc (Egg), the world s largest pure online bank and one of the U.K. s leading online financial services providers, from Prudential PLC for approximately $1.127 billion, subject to adjustments at closing. Egg has more than three million customers and offers various financial products and services including online payment and account aggregation services, credit cards, personal loans, savings accounts, mortgages, insurance and investments. The transaction is subject to regulatory approvals and is expected to close before the end of the 2007 second quarter.

Quilter

On December 13, 2006, the Company announced the agreement to acquire Quilter, a U.K. wealth advisory firm with over $10.9 billion of assets under management, from Morgan Stanley. Quilter has more than 18,000 clients and 300 staff located in 10 offices throughout the U.K., Ireland and the Channel Islands. This transaction, which is subject to U.S. and local country regulatory approvals, is expected to close in the 2007 first quarter. Once closed, its business results will be included in Global Wealth Management.

Purchase of 20% Equity Interest in Akbank

On October 17, 2006, the Company announced its planned purchase of a 20% equity interest in Akbank for approximately $3.1 billion. The transaction closed on January 9, 2007. Akbank, the second-largest privately owned bank by assets in Turkey, is a premier, full-service retail, commercial, corporate and private bank.

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

Strategic Investment and Cooperation Agreement with Guangdong Development Bank

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

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

Central American Acquisitions

Grupo Cuscatlan

On December 13, 2006, Citigroup announced the agreement to acquire the subsidiaries of Grupo Cuscatlan for $1.51 billion in cash and stock from Corporacion UBC Internacional S.A. Grupo Cuscatlan is one of the leading financial groups in Central America, with total assets of $5.4 billion, total

loans of $3.5 billion, and total deposits of $3.4 billion. Grupo Cuscatlan has operations in El Salvador, Guatemala, Costa Rica, Honduras and Panama. This acquisition is subject to U.S. and local country regulatory approvals and is expected to close later in the 2007 first quarter.

Grupo Financiero Uno

On October 27, 2006, Citigroup announced that it had reached a definitive agreement to acquire Grupo Financiero Uno (GFU), the largest credit card issuer in Central America, and its affiliates. The acquisition of GFU, with $2.1 billion in assets, will expand the presence of Citigroup s *Latin America* consumer franchise, enhancing its credit card business in the region and establishing a platform for regional growth in Consumer Finance and Retail Banking.

GFU is privately held and has more than one million retail clients, representing 1.1 million credit card accounts, $1.2 billion in credit card receivables and $1.3 billion in deposits in Guatemala, El Salvador, Honduras, Nicaragua, Costa Rica and Panama. GFU operates a distribution network of 75 branches and more than 100 mini-branches and points of sale.

This acquisition, which is subject to regulatory approvals in the United States and each of the six countries, is anticipated to close later in the 2007 first quarter.

Sale of Avantel

In November 2006, Citigroup sold its investment in Avantel, a leading long-distance telecom service provider in Mexico, to AXTEL. The transaction resulted in an after-tax gain of $145 million ($234 million pretax) in the 2006 fourth quarter. The investment in Avantel was initially acquired by Citigroup as part of its acquisition of Banamex in 2001 and was subsequently increased with the purchase of an additional stake in 2005.

Repositioning of the Japan Consumer Finance Business

On January 8, 2007, Citigroup announced that it would reposition its consumer finance business in *Japan*. This decision is the result of changes in the operating environment in the consumer finance business in *Japan*, and the passage on December 13, 2006, of changes to *Japan* s consumer lending laws. The change in law will lower the interest rates permissible on new consumer finance loans by 2010.

In the 2006 fourth quarter, the Company recorded a $375 million after-tax ($581 million pretax) charge to increase reserves for estimated losses resulting from customer refund settlements in the business. This charge was recorded as a reduction to interest revenue on loans. The Company also recorded a $40 million after-tax ($60 million pretax) repositioning charge for costs associated with closing approximately 270 branches and 100 automated loan machines. This repositioning is consistent with the company s efforts to establish a lower-cost platform for the business and will enable it to compete more effectively in the new interest rate environment in Japan.

Finalizing the 2005 Sale of Asset Management Business

On December 1, 2005, the Company sold substantially all of its Asset Management Business to Legg Mason Inc. (Legg Mason) in exchange for Legg Mason s broker-dealer and capital markets businesses, $2.298 billion of Legg Mason s common and preferred shares (valued as of the closing date), and $500 million in cash. This cash was obtained via a lending facility provided by Citigroup CIB business. The transaction did not include

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Citigroup s asset management business in *Mexico*, its retirement services business in *Latin America* (both of which are included in *International Retail Banking*) or its interest in the CitiStreet joint venture (which is included in *Smith Barney*). The total value of the transaction at the time of closing was approximately $4.369 billion, resulting in an after-tax gain for Citigroup of approximately $2.082 billion ($3.404 billion pretax), which was reported in discontinued operations.

Concurrent with this sale, the Company sold Legg Mason s capital markets business to Stifel Financial Corp. (The transactions described in the above two paragraphs are referred to as the Sale of the Asset Management Business.)

With the receipt of Legg Mason s broker-dealer business, the Company added 1,226 financial advisors in 124 branch offices to its Global Wealth Management business.

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

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

Additional information can be found in Note 3 to the Consolidated Financial Statements on page 118.

Resolution of Tax Audits

New York State and New York City

In September 2006, Citigroup reached a settlement agreement with the New York State and New York City taxing authorities regarding various tax liabilities for the years 1998 2005 (referred to above and hereinafter as the resolution of the New York Tax Audits).

For the 2006 third quarter, the Company released $254 million from its tax contingency reserves, which resulted in increases of $237 million in after-tax income from continuing operations and $17 million in after-tax Income from discontinued operations.

Federal

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

The following table summarizes the 2006 tax benefits, by business, from the resolution of the New York Tax Audits and Federal Tax Audit:

In millions of dollars	New York City and New York State Audits	Federal Audit	Total
Global Consumer	$ 79	$ 290	$ 369
Corporate and Investment Banking	116	176	292
Global Wealth Management	34	13	47
Alternative Investments		58	58
Corporate/Other	8	61	69
Continuing Operations	$ 237	$ 598	$ 835
Discontinued Operations	$ 17	$ 59	$ 76
Total	$ 254	$ 657	$ 911

Finalizing the 2005 Sale of Travelers Life & Annuity

On July 1, 2005, the Company sold Citigroup s Travelers Life & Annuity and substantially all of Citigroup s international insurance businesses to MetLife. The businesses sold were the primary vehicles through which Citigroup engaged in the Life Insurance and Annuities business. This transaction encompassed Travelers Life & Annuity s U.S. businesses and its international operations, other than Citigroup s life insurance business in *Mexico* (which is now included within *International Retail Banking*). (This transaction is referred to hereinafter as the Sale of the Life Insurance and Annuities Business).

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

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

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

Additional information can be found in Note 3 to the Consolidated Financial Statements on page 118.

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.

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 partner to acquire and 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 July 2006, Citigroup acquired the approximately $1.0 billion credit card receivable portfolio of The May Department Stores Company (May), which merged with Federated.

Citigroup paid 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.

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

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(*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.

Consolidation of Brazil s CrediCard

In April 2006, Citigroup and Banco Itau dissolved their joint venture in CrediCard, a Brazilian 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.

Adoption of the Accounting for Share-Based Payments

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

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

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

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

The following table summarizes the quarterly SFAS 123(R) impact on 2006 pretax compensation expense (and after-tax impact) for the quarterly accrual of the estimated stock awards that were granted in January 2007:

In millions of dollars	**Pretax**	**After-tax**
First quarter 2006	$ 198	$ 122
Second quarter 2006	168	104
Third quarter 2006	195	127
Fourth quarter 2006	263	173
Total 2006	$ 824	$ 526

The Company changed the plan s retirement eligibility for the January 2007 management awards, which affected the amount of the accrual in the 2006 second, third and fourth quarters.

Additional information can be found in Notes 1 and 8 to the Consolidated Financial Statements on pages 129 and 142, respectively.

Credit Reserves

During the year ended December 31, 2006, the Company recorded a net release/utilization of its credit reserves of $356 million, consisting of a net release/utilization of $626 million in Global Consumer and a net build of $270 million in CIB. The net release/utilization in Global Consumer was primarily due to lower bankruptcy filings, a stable credit environment in the U.S. Consumer portfolio and International portfolio and a release of approximately $200 million related to Hurricane Katrina. Partially offsetting the net releases were builds in *Mexico*, primarily driven by target market expansion in Cards, Taiwan, due to the impact of industry-wide credit condition in Cards, and *Japan*, related to the changes in the consumer lending environment (see discussion on page 28).

The net build of $270 million in CIB was primarily comprised of $261 million in *Capital Markets and Banking,* which included a $232 million reserve increase for unfunded lending commitments during the year. The net build reflected growth in loans and unfunded commitments and a change in credit rating of certain counterparties in certain industries.

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EVE NTS IN 2005

Change in EMEA Consumer Write-off Policy

Prior to the third quarter of 2005, certain Western European consumer portfolios were granted an exception to Citigroup s global write-off policy. The exception extended the write-off period from the standard 120-day policy for personal installment loans, and was granted because of the higher recovery rates experienced in these portfolios. During 2005, Citigroup observed lower actual recovery rates, stemming primarily from a change in bankruptcy and wage garnishment laws in Germany and, as a result, rescinded the exception to the global standard. The net charge was $332 million ($490 million pretax) resulting from the recording of $1.153 billion of write-offs and a corresponding utilization of $663 million of reserves in the 2005 third quarter.

These write-offs did not relate to a change in the portfolio credit quality but rather to a change in environmental factors due to law changes and consumer behavior that led Citigroup to re-evaluate its estimates of future long-term recoveries and their appropriateness to the write-off exception.

Hurricane Katrina

In the 2005 third quarter, the Company recorded a $222 million after-tax charge ($357 million pretax) for the estimated probable losses incurred from Hurricane Katrina. This charge consisted primarily of additional credit costs in *U.S. Cards*, *U.S. Commercial Business, U.S. Consumer Lending* and *U.S. Retail Distribution* businesses, based on total credit exposures of approximately $3.6 billion in the Federal Emergency Management Agency (FEMA) Individual Assistance designated areas. This charge did not include an after-tax estimate of $75 million ($109 million pretax) for fees and interest due from related customers that were waived during 2005. Since the 2005 third quarter, approximately $241 million of these reserves were utilized or released.

United States Bankruptcy Legislation

On October 17, 2005, the Bankruptcy Reform Act (or the Act) became effective. The Act imposed a means test to determine if people who file for Chapter 7 bankruptcy earn more than the median income in their state and could repay at least $6,000 of unsecured debt over five years. Bankruptcy filers who meet this test are required to enter into a repayment plan under Chapter 13, instead of canceling their debt entirely under Chapter 7. As a result of these more stringent guidelines, bankruptcy claims accelerated prior to the effective date. The incremental bankruptcy losses over the Company s estimated baseline in 2005 that was attributable to the Act in *U.S. Cards* business was approximately $970 million on a managed basis ($550 million in the Company s on-balance portfolio and $420 million in the securitized portfolio). In addition, the *U.S. Retail Distribution* business incurred incremental bankruptcy losses of approximately $90 million during 2005.

Bank and Credit Card Customer Rewards Costs

During the 2005 fourth quarter, the Company conformed its global policy approach for the accounting of rewards costs for bank and credit card customers. Conforming the global policy resulted in the write-off of $354 million after-tax ($565 million pretax) of unamortized deferred rewards costs. Previously, accounting practices for these costs varied across the Company. The revised policy requires all businesses to recognize rewards costs as incurred.

Sale of Nikko Cordial Stake

On December 20, 2005, Citigroup reduced its stake in Nikko Cordial from approximately 11.2% to 4.9%. The sale resulted in an after-tax gain of $248 million ($386 million pretax). In connection with this sale, Nikko Cordial and Citigroup each contributed an additional approximately $175 million to their joint venture, Nikko Citigroup Limited.

Sale of the Merchant Acquiring Businesses

In December 2005, Citigroup sold its European merchant acquiring business to EuroConex for $127 million. This transaction resulted in a $62 million after-tax gain ($98 million pretax).

In September 2005, Citigroup sold its U.S. merchant acquiring business, Citigroup Payment Service Inc., to First Data Corporation for $70 million, resulting in a $41 million after-tax gain ($61 million pretax).

Homeland Investment Act Benefit

The Company s 2005 full-year results from continuing operations include a $198 million tax benefit from the Homeland Investment Act provision of the American Jobs Creation Act of 2004, net of the impact of remitting income earned in 2005 and prior years that would otherwise have been indefinitely invested overseas. The amount of dividends that were repatriated relating to this benefit is approximately $3.2 billion.

Copelco Litigation Settlement

In 2000, Citigroup purchased Copelco Capital, Inc., a leasing business, from Itochu International Inc. and III Holding Inc. (formerly known as Copelco Financial Services Group, Inc., collectively referred to herein as Itochu) for $666 million. During 2001, Citigroup filed a lawsuit asserting breach of representations and warranties, among other causes of action, under the Stock Purchase Agreement entered into between Citigroup and Itochu in March of 2000. During the 2005 third quarter, Citigroup and Itochu signed a settlement agreement that mutually released all claims, and under which Itochu paid Citigroup $185 million which was recorded in pretax income.

Mexico Value Added Tax (VAT) Refund

During the 2005 third quarter, Citigroup Mexico received a $182 million refund of VAT taxes from the Mexican Government related to the 2003 and 2004 tax years as a result of a Mexico Supreme Court ruling. The refund was recorded as a reduction of $140 million (pretax) in other operating expense and $42 million (pretax) in other revenue.

Settlement of Enron Class Action Litigation

As described in the Legal Proceedings discussion on page 169, during the 2005 second quarter, Citigroup settled class action litigation brought on behalf of purchasers of Enron securities.

Settlement of the Securities and Exchange Commission s Transfer Agent Investigation

On May 31, 2005, the Company completed the settlement with the Securities and Exchange Commission (SEC), disclosed by Citigroup in January 2005, resolving an investigation by the SEC into matters relating to arrangements between certain *Smith Barney* mutual funds (the Funds), an affiliated transfer agent, and an unaffiliated sub-transfer agent.

Under the terms of the settlement, Citigroup paid a total of $208 million, consisting of $128 million in disgorgement and $80 million in penalties. These funds, less $24 million already credited to the Funds, have been paid to the U.S. Treasury and will be distributed pursuant to a distribution plan prepared by Citigroup and to be approved by the SEC. The terms of the settlement had been fully reserved by Citigroup in prior periods.

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Merger of Bank Holding Companies

On August 1, 2005, Citigroup merged its two intermediate bank holding companies, Citigroup Holdings Company and Citicorp, into Citigroup Inc. Coinciding with this merger, Citigroup assumed all existing indebtedness and outstanding guarantees of Citicorp.

During the 2005 second quarter, Citigroup also consolidated its capital markets funding activities into two legal entities: (i) Citigroup Inc., which issues long-term debt, trust preferred securities, and preferred and common stock, and (ii) Citigroup Funding Inc. (CFI), a first-tier subsidiary of Citigroup, which issues commercial paper, medium-term notes and structured equity-linked and credit-linked notes, all of which is guaranteed by Citigroup.

As part of the funding consolidation, Citigroup also guaranteed and continues to guarantee various debt obligations of Citigroup Global Markets Holdings Inc. (CGMHI) as well as all of the outstanding debt obligations under CGMHI s publicly-issued securities. CGMHI no longer files periodic reports with the SEC and continues to be rated on the basis of a guarantee of its financial obligations from Citigroup.

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.

Acquisition of First American Bank

On March 31, 2005, Citigroup completed the 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 ($161 million pretax).

Shutdown of the Private Bank in Japan and Related Charge and Other Activities in Japan

On September 29, 2005, the Company officially closed its *Private Bank* business in *Japan*.

In September 2004, the Financial Services Agency of Japan (FSA) issued an administrative order against Citibank Japan. This order included a requirement that Citigroup exit all private banking operations in Japan by September 30, 2005. In connection with this required exit, the Company established a $400 million ($244 million after-tax) reserve (the Exit Plan Charge) during the 2004 fourth quarter.

The Company s *Private Bank* operations in *Japan* had total revenues, net of interest expense, of $200 million and net income of $39 million (excluding the Exit Plan Charge) during the year ended December 31, 2004, and $264 million and $83 million, respectively, for 2003.

On October 25, 2004, Citigroup announced its decision to wind down Cititrust and Banking Corporation (Cititrust), a licensed trust bank in Japan, after concluding that there were internal control, compliance and governance issues in that subsidiary. On April 22, 2005, the FSA issued an administrative order requiring Cititrust to suspend from engaging in all new trust business in 2005. Cititrust closed all customer accounts in 2005.

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Settlement of WorldCom Class Action Litigation and Charge for Regulatory and Legal Matters

During the 2004 second quarter, Citigroup recorded a charge of $4.95 billion after-tax ($7.915 billion pretax) related to a settlement of class action litigation brought on behalf of purchasers of WorldCom securities and an increase in litigation reserves.

Sale of Samba Financial Group

On June 15, 2004, the Company sold, for cash, its 20% equity investment in The Samba Financial Group (Samba, formerly known as the Saudi American Bank), to the Public Investment Fund, a Saudi public sector entity. Citigroup recognized an after-tax gain of $756 million ($1.168 billion pretax) on the sale during the 2004 second quarter. The gain was shared equally between Global Consumer and CIB.

Acquisition of KorAm Bank

On April 30, 2004, Citigroup completed its tender offer to purchase all of the outstanding shares of KorAm Bank (KorAm) at a price of KRW 15,500 per share in cash. In total, Citigroup has acquired 99.9% of KorAm s outstanding shares for a total of KRW 3.14 trillion ($2.7 billion). The results of KorAm are included in the Consolidated Financial Statements from May 2004 forward.

Divestiture of Electronic Financial Services Inc.

During January 2004, the Company completed the sale for cash of Electronic Financial Services Inc. (EFS) for $390 million. EFS is a provider of government-issued benefit payments and prepaid stored-value cards used by state and federal government agencies, as well as stored-value services for private institutions. The sale of EFS resulted in an after-tax gain of $180 million ($255 million pretax) in the 2004 first quarter.

Acquisition of Washington Mutual Finance Corporation

On January 9, 2004, Citigroup completed the acquisition of Washington Mutual Finance Corporation (WMF) for $1.25 billion in cash. WMF was the consumer finance subsidiary of Washington Mutual, Inc. WMF provides direct consumer installment loans and real-estate-secured loans, as well as sales finance and the sale of insurance. The acquisition included 427 WMF offices located in 26 states, primarily in the Southeastern and Southwestern United States, and total assets of $3.8 billion. Citigroup has guaranteed all outstanding unsecured indebtedness of WMF in connection with this acquisition. The results of WMF are included in the Consolidated Financial Statements from January 2004 forward.

SIGNIFICANT ACCOUNTING POLICIES AND SIGNIFICANT ESTIMATES

The Notes to the Consolidated Financial Statements on page 109 contain a summary of the Company s significant accounting policies, including a discussion of recently issued accounting pronouncements. These policies, as well as estimates made by management, are integral to the presentation of the Company s financial condition. It is important to note that they require management to make difficult, complex or subjective judgments and estimates, at times, regarding matters that are inherently uncertain. Management has discussed each of these significant accounting policies, the related estimates and its judgments with the Audit and Risk Management Committee of the Board of Directors. Additional information about these policies can be found in Note 1 to the Consolidated Financial Statements on page 109.

Certain statements below are forward-looking statements within the meaning of the Private Securities Litigation Reform Act. See Forward-Looking Statements on page 97.

Valuations of Financial Instruments

The Company holds fixed income and equity securities, derivatives, investments in private equity and other financial instruments. The Company holds its investments and trading assets and liabilities on the balance sheet to meet customer needs, to manage liquidity needs and interest rate risks, and for proprietary trading and private equity investing.

Substantially all of these assets and liabilities are reflected at fair value on the Company s balance sheet. Fair values are considered verified if they meet one of the following criteria:

- Externally substantiated via comparison to quoted market prices or third-party broker quotations;
- By using models that are validated by qualified personnel independent of the area that created the model and inputs that are verified by comparison to third-party broker quotations or other third-party sources where available; or
- By using alternative procedures such as comparison to comparable securities and/or subsequent liquidation prices.

At December 31, 2006 and 2005, respectively, approximately 94.9% and 94.5% of the available-for-sale and trading portfolios gross assets and liabilities (prior to netting positions pursuant to FIN 39 and excluding Global Consumer s credit card and mortgage securitization interest-only strips) are considered verified and approximately 5.1% and 5.5% are considered unverified. Of the unverified assets, at December 31, 2006 and 2005, respectively, approximately 50.3% and 60.6% consist of cash products, where independent quotes were not available and/or alternative procedures were not feasible, and 49.7% and 39.4% consist of derivative products where either the model was not validated and/or the inputs could not be substantiated due to the lack of appropriate market quotations. Such values are actively reviewed by management.

Changes in the valuation of the trading assets and liabilities flow through the income statement. Changes in the valuation of available-for-sale assets generally flow through other comprehensive income, which is a component of equity on the balance sheet. A full description of the Company s related policies and procedures can be found in Notes 1, 14 and 15 to the Consolidated Financial Statements on pages 129, 153, and 154, respectively.

Allowance for Credit Losses

Management provides reserves for an estimate of probable losses inherent in the funded loan portfolio on the balance sheet in the form of an allowance for credit losses. In addition, management has established and maintained reserves for the potential losses related to the Company s off-balance sheet exposures of unfunded lending commitments, including standby letters of credit and guarantees. These reserves are established in accordance with Citigroup s Loan Loss Reserve Policies, as approved by the Audit Committee of the Company s Board of Directors. Under these policies, the Company s Senior Risk Officer and Chief Financial Officer review the adequacy of the credit loss reserves each quarter with representatives from Risk and Finance staffs for each applicable business area.

During these reviews, these above-mentioned representatives covering the business area having classifiably-managed portfolios (that is, portfolios where internal credit-risk ratings are assigned, which are primarily Corporate and Investment Banking, Global Consumer s commercial lending businesses, and Global Wealth Management) present recommended reserve balances for their funded and unfunded lending portfolios along with supporting quantitative and qualitative data. The quantitative data include:

- *Estimated probable losses for non-performing, non-homogeneous exposures within a business line s classifiably-managed portfolio*. Consideration is given to all available evidence when determining this estimate including, as appropriate: (i) the present value of expected future cash flows discounted at the loan s contractual effective rate; (ii) the borrower s overall financial condition, resources and payment record; and (iii) the prospects for support from financially responsible guarantors or the realizable value of any collateral.
- *Statistically calculated losses inherent in the classifiably-managed portfolio for performing and de minimis non-performing exposures*. The calculation is based upon: (i) Citigroup s internal system of credit-risk ratings, which are analogous to the risk ratings of the major rating agencies; (ii) the Corporate portfolio database; and (iii) historical default and loss data, including rating agency information regarding default rates from 1983 to 2005, and internal data, dating to the early 1970s, on severity of losses in the event of default.
- *Additional adjustments include*: (i) statistically calculated estimates to cover the historical fluctuation of the default rates over the credit cycle, the historical variability of loss severity among defaulted loans, and the degree to which there are large obligor concentrations in the global portfolio; and (ii) adjustments made for specifically known items, such as current environmental factors and credit trends.

In addition, representatives from both the Risk Management and Finance Staffs that cover business areas which have delinquency-managed portfolios containing smaller homogeneous loans (primarily Global Consumer s non-commercial lending areas) present their recommended reserve balances based upon historical delinquency flow rates, charge-off statistics and loss severity. This methodology is applied separately for each individual product within each different geographic region in which these portfolios exist. Adjustments are also made for specifically known items, such as changing regulations, current environmental factors and credit trends.

This evaluation process is subject to numerous estimates and judgments. The frequency of default, risk ratings, loss recovery rates, the size and diversity of individual large credits, and the ability of borrowers with foreign currency obligations to obtain the foreign currency necessary for orderly debt servicing, among other things, are all taken into account during this review. Changes in these estimates could have a direct impact on the credit costs in any quarter and could result in a change in the allowance. Changes to the reserve flow through the income statement on the lines provision for loan losses and provision for unfunded lending commitments. For a further description of the loan loss reserve and related accounts, see Notes 1 and 17 to the Consolidated Financial Statements on pages 129 and 157, respectively.

Securitizations

The Company securitizes a number of different asset classes as a means of strengthening its balance sheet and to access competitive financing rates in the market. Under these securitization programs, assets are sold into a trust and used as collateral by the trust to access financing. The cash flows from assets in the trust service the corresponding trust securities. If the structure of the trust meets stringent accounting guidelines, trust assets are treated as sold and no longer reflected as assets of the Company. If these guidelines are not met, the assets continue to be recorded as the Company s assets, with the financing activity recorded as liabilities on Citigroup s balance sheet. The Financial Accounting Standards Board (FASB) is currently working on amendments to the accounting standards governing asset transfers and securitization accounting. Upon completion of these standards the Company will need to re-evaluate its accounting and disclosures. Due to the FASB s ongoing deliberations, the Company is unable to accurately determine the effect of future amendments at this time.

The Company assists its clients in securitizing their financial assets and also packages and securitizes financial assets purchased in the financial markets. The Company may also provide administrative, asset management, underwriting, liquidity facilities and/or other services to the resulting securitization entities, and may continue to service these financial assets.

A complete description of the Company s accounting for securitized assets can be found in Off-Balance Sheet Arrangements on page 92 and in Notes 1 and 22 to the Consolidated Financial Statements on pages 109 and 143, respectively.

Income Taxes

The Company is subject to the Income tax laws of the U.S, its states and municipalities and those of the foreign jurisdictions in which the Company operates. These tax laws are complex and subject to different interpretations by the taxpayer and the relevant government taxing authorities. In establishing a provision for income tax expense, the Company must make judgments and interpretations about the application of these inherently complex tax laws. The Company must also make estimates about when in the future certain items will affect taxable income in the various tax jurisdictions, both domestic and foreign.

Disputes over interpretations of the tax laws may be subject to review/adjudication by the court systems of the various tax jurisdictions or may be settled with the taxing authority upon examination or audit.

The Company reviews these balances quarterly and as new information becomes available, the balances are adjusted, as appropriate.

The Company is in the process of implementing FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes (FIN 48), which sets out a consistent framework to determine the appropriate level of tax reserves to maintain for uncertain tax positions, and which will be effective as of January 1, 2007. See Note 1 to the Consolidated Financial Statements on page 109.

See Note 10 to the Consolidated Financial Statements on page 130 for a further description of the Company s provision and related income tax assets and liabilities.

Legal Reserves

The Company is subject to legal, regulatory and other proceedings and claims arising from conduct in the ordinary course of business. These proceedings include actions brought against the Company in its various roles, including acting as a lender, underwriter, broker-dealer or investment advisor. Reserves are established for legal and regulatory claims based upon the probability and estimability of losses and to fairly present, in conjunction with the disclosures of these matters in the Company s financial statements and SEC filings, management s view of the Company s exposure. The Company reviews outstanding claims with internal as well as external counsel to assess probability and estimates of loss. The risk of loss is reassessed as new information becomes available and reserves are adjusted, as appropriate. The actual cost of resolving a claim may be substantially higher, or lower, than the amount of the recorded reserve. See Note 27 to the Consolidated Financial Statements on page 155 and the discussion of Legal Proceedings beginning on page 169.

Accounting Changes and Future Application of Accounting Standards

See Note 1 to the Consolidated Financial Statements on page 109 for a discussion of Accounting Changes and the Future Application of Accounting Standards.

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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	**2006**	2005 (1)	2004 (1)	**% Change 2006 vs. 2005**	% Change 2005 vs. 2004
Global Consumer					
U.S. Cards	**$ 3,890**	$ 2,754	$ 3,562	**41%**	(23)%
U.S. Retail Distribution	**2,027**	1,752	2,019	**16**	(13)
U.S. Consumer Lending	**1,912**	1,938	1,664	**(1)**	16
U.S. Commercial Business	**561**	729	765	**(23)**	(5)
Total U.S. Consumer (2)	**$ 8,390**	$ 7,173	$ 8,010	**17%**	(10)%
International Cards	**$ 1,137**	$ 1,373	$ 1,137	**(17)%**	21%
International Consumer Finance	**40**	642	586	**(94)**	10
International Retail Banking	**2,840**	2,083	2,157	**36**	(3)
Total International Consumer	**$ 4,017**	$ 4,098	$ 3,880	**(2)%**	6%
Other	**$ (351)**	$ (374)	$ 97	**6%**	NM
Total Global Consumer	**$ 12,056**	$ 10,897	$ 11,987	**11%**	(9)%
Corporate and Investment Banking					
Capital Markets and Banking	**$ 5,763**	$ 5,327	$ 5,395	**8%**	(1)%
Transaction Services	**1,426**	1,135	1,045	**26**	9
Other	**(62)**	433	(4,398)	**NM**	NM
Total Corporate and Investment Banking	**$ 7,127**	$ 6,895	$ 2,042	**3%**	NM
Global Wealth Management					
Smith Barney	**$ 1,005**	$ 871	$ 891	**15%**	(2)%
Private Bank	**439**	373	318	**18**	17
Total Global Wealth Management	**$ 1,444**	$ 1,244	$ 1,209	**16%**	3%
Alternative Investments	**$ 1,276**	$ 1,437	$ 768	**(11)%**	87%
Corporate/Other	**(654)**	(667)	48	**2**	NM
Income from Continuing Operations	**$ 21,249**	$ 19,806	$ 16,054	**7%**	23%
Income from Discontinued Operations	**289**	4,832	992	**(94)**	NM
Cumulative Effect of Accounting Change		(49)			
Total Net Income	**$ 21,538**	$ 24,589	$ 17,046	**(12)%**	44%

(1) Reclassified to conform to the current period s presentation. See Note 4 to the Consolidated Financial Statements on page 120 for assets by segment and the segment balance sheet on page 80.
(2) U.S. disclosure includes Canada and Puerto Rico.
NM Not meaningful.

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CITIGROUP NET INCOME REGIONAL VIEW

In millions of dollars	**2006**	2005 [1]	2004 [1]	**% Change 2006 vs. 2005**	% Change 2005 vs. 2004
U.S. **[2]**					
Global Consumer	**$ 8,039**	$ 6,799	$ 7,729	**18%**	(12)%
Corporate and Investment Banking	**2,209**	2,950	(2,190)	**(25)**	NM
Global Wealth Management	**1,210**	1,141	1,179	**6**	(3)
Total *U.S.*	**$ 11,458**	$ 10,890	$ 6,718	**5%**	62%
Mexico					
Global Consumer	**$ 1,605**	$ 1,432	$ 978	**12%**	46%
Corporate and Investment Banking	**346**	450	659	**(23)**	(32)
Global Wealth Management	**36**	44	52	**(18)**	(15)
Total *Mexico*	**$ 1,987**	$ 1,926	$ 1,689	**3%**	14%
Latin America					
Global Consumer	**$ 202**	$ 236	$ 296	**(14)%**	(20)%
Corporate and Investment Banking	**638**	619	813	**3**	(24)
Global Wealth Management	**12**	17	43	**(29)**	(60)
Total *Latin America*	**$ 852**	$ 872	$ 1,152	**(2)%**	(24)%
EMEA					
Global Consumer	**$ 725**	$ 374	$ 1,180	**94%**	(68)%
Corporate and Investment Banking	**2,011**	1,130	1,136	**78**	(1)
Global Wealth Management	**23**	8	15	**NM**	(47)
Total *EMEA*	**$ 2,759**	$ 1,512	$ 2,331	**82%**	(35)%
Japan					
Global Consumer	**$ 119**	$ 706	$ 616	**(83)%**	15%
Corporate and Investment Banking	**272**	498	334	**(45)**	49
Global Wealth Management		(82)	(205)	**100**	60
Total *Japan*	**$ 391**	$ 1,122	$ 745	**(65)%**	51%
Asia					
Global Consumer	**$ 1,366**	$ 1,350	$ 1,188	**1%**	14%
Corporate and Investment Banking	**1,651**	1,248	1,290	**32**	(3)
Global Wealth Management	**163**	116	125	**41**	(7)
Total *Asia*	**$ 3,180**	$ 2,714	$ 2,603	**17%**	4%
Alternative Investments	**$ 1,276**	$ 1,437	$ 768	**(11)%**	87%
Corporate/Other	**(654)**	(667)	48	**2**	NM
Income from Continuing Operations	**$ 21,249**	$ 19,806	$ 16,054	**7%**	23%
Income from Discontinued Operations	**289**	4,832	992	**(94)**	NM
Cumulative Effect of Accounting Change		(49)			
Total Net Income	**$ 21,538**	$ 24,589	$ 17,046	**(12)%**	44%
Total International	**$ 9,169**	$ 8,146	$ 8,520	**13%**	(4)%

(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 (except for the Samba gain which is allocated to *EMEA*).
NM Not meaningful.

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SELECTED REVENUE AND EXPENSE ITEMS

Revenues

Net interest revenue in 2006 was $39.5 billion, up $248 million, or 1%, from net interest revenue of $39.2 billion in 2005. Increases in business volumes during 2006 were offset by spread compression, as the Company s cost of funding increased more significantly than the rates on interest-earning assets, and due to a $666 million charge against net interest revenue related to changes in Japan consumer lending laws in *International Consumer Finance*. Rates on the Company s interest-earning assets were affected by competitive pricing, as well as business mix shifts. Net interest revenue in 2005 decreased $2.4 billion, or 6%, from 2004 as the impact of spread compression and competitive pricing exceeded increases in business volumes.

Total commissions and fees and administration and other fiduciary fees revenue of $26.5 billion was up $3.2 billion, or 14%, in 2006. Strong investment banking results, higher business volumes in transaction services, the integration of Legg Mason in *Smith Barney*, and the absence of a $565 million write-off of deferred rewards costs recorded in 2005 drove the increase. The 2005 total commissions and fees and administration and other fiduciary fees revenue of $23.3 billion was up $1.8 billion, or 8%, from 2004. The 2005 increase was attributable to the mark-to-market of *Consumer Lending* mortgage servicing assets, higher transactional volumes, and strong results in bank card fees and investment banking, offset by the write-off of deferred rewards costs.

Insurance premiums of $3.2 billion in 2006 were up $70 million, or 2%, from 2005 and up $406 million, or 15%, in 2005 compared to 2004. The consecutive year-over-year increases were driven by higher business volumes.

Principal transactions revenues of $7.7 billion in 2006 increased $1.3 billion, or 20%, from 2005, primarily in equity markets. Principal transactions revenue in 2005 increased $2.7 billion, or 73%, from 2004, primarily driven by the fixed income and equity markets.

Realized gains from sales of investments of $1.8 billion in 2006 were down $171 million from 2005, due to the absence of 2005 gains of $484 million on the sale of portions of St. Paul Travelers shares in Alternative Investments and of $386 million on the sale of Nikko Cordial stock in CIB, offset by 2006 gains of $252 million on the sale of $23.4 billion of mortgage-backed securities in *Consumer Lending*, and $225 million on the sale of the remaining St. Paul Travelers shares in Alternative Investments. The increase from 2004 of $1.1 billion was primarily attributable to the gains on the sale of Nikko Cordial stock and sales of St. Paul Travelers shares over the course of the year.

Other revenue of $11.0 billion in 2006 increased $1.4 billion, or 14%, from 2005, primarily driven by a $234 million gain on the sale of Avantel in *International Retail Banking* and higher replenishment gains from securitization activities as well as higher net excess spread revenues from previously securitized receivables in *U.S. Cards,* offset by a decrease in Alternative Investments due to lower investment performance. Other revenue increased $365 million, or 4%, from $9.2 billion in 2004 to $9.6 billion in 2005. This was due to higher securitization activity in *U.S. Cards* and positive investment performance in Alternative Investments offset by the absence of the $1.2 billion gain on the sale of Samba recorded in 2004.

Operating Expenses

Operating expenses increased $6.9 billion, or 15%, to $52.0 billion in 2006. The increase was primarily in compensation and benefits due to higher headcount, increased incentive compensation in CIB, and SFAS 123(R) costs, as well as investment spending. Operating expenses of $45.2 billion in 2005 declined $4.6 billion, or 9%, from 2004. The decrease was due to the absence of a reserve charge of $7.9 billion for the WorldCom and Litigation Reserve Charge and $400 million related to Private Bank Japan Exit Plan Charge recorded in 2004, offset by a $600 million release from the WorldCom and Litigation Reserve Charge and increased expenses related to higher incentive compensation in CIB and higher pension and insurance expenses.

Global Consumer reported an 11% increase from 2005 to 2006. *U.S. Consumer* increased 5% on increased business volumes and investments in new branches. *International Consumer* increased 18% primarily due to branch expansions and the integration of CrediCard. *International Consumer* primarily drove the increase of 5% from 2004 to 2005 in Global Consumer as a result of branch expansion and repositioning charges.

CIB reported a 21% rise in expenses over the prior year as a result of higher incentive compensation (due to revenue increase of 14%), SFAS 123(R) costs and the absence of the reserve release from the WorldCom and Litigation Reserve Charge in 2005.

Global Wealth Management expenses increased 20% driven by costs associated with the integration of the financial consultants from Legg Mason and SFAS 123(R) costs. The change in expenses from 2004 to 2005 was flat.

Alternative Investments increased 21% from the prior year, which was up 37% from 2004, due to compensation expenses.

Provisions for Credit Losses and for Benefits and Claims

The provision for credit losses for 2006 was $7.0 billion, down $1.2 billion, or 15%, from 2005, which in turn, was up $1.9 billion from 2004. Policyholder benefits and claims were $967 million, $867 million, and $884 million for 2006, 2005, and 2004, respectively.

Global Consumer provisions for loan losses and for policyholder benefits and claims of $7.6 billion in 2006 were down $1.5 billion, or 16% from 2005.

The declines in consumer were mainly due to lower bankruptcy filings, a stable credit environment that drove lower net credit loss ratios, and the absence of a $490 million charge to standardize the *EMEA* consumer loan write-off policies with the global write-off policy in the prior year.

Offsetting these declines were increases: in the *Mexico* cards portfolio; in *Asia*, primarily related to industry-wide credit conditions in the Taiwan cards market; and in *Japan*, primarily related to legislative and other actions affecting the consumer finance industry in that country.

The increase from 2004 of $966 million, or 12%, to $9.1 billion in 2005 was primarily due to increases in *International Retail Banking*, *U.S. Retail Distribution, International Cards*, and *U.S. Commercial Business*, partially offset by decreases in *U.S. Cards, International Consumer Finance* and *U.S. Consumer Lending*. Net credit losses were $7.262 billion, and the related loss ratio was 1.52% in 2006, as compared to $8.683 billion and 2.01% in 2005 and $8.471 billion and 2.13% in 2004.

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The CIB provision for credit losses in 2006 increased $401 million from 2005 to $359 million. The 2005 provision was up $933 million from 2004. The increase in 2006 primarily resulted from the absence of gross credit recoveries in the prior year. Corporate cash-basis loans at December 31, 2006, 2005 and 2004 were $535 million, $1.004 billion and $1.906 billion, respectively.

Income Taxes

The Company s effective tax rate on continuing operations of 27.3% in 2006 declined from 30.8% in 2005. The 2006 tax provision on continuing operations included a $598 million benefit from the resolution of the Federal Tax Audit and a $237 million benefit from the resolution of the New York Tax Audits. The 2005 tax provision on continuing operations included a $198 million benefit from the Homeland Investment Act provision of the American Jobs Creation Act of 2004 net of the impact of remitting income earned in 2005 and prior years that would otherwise have been indefinitely invested overseas, and a $65 million release due to the resolution of an audit. The 2006 effective tax rate also declined from 2005 because of the impact of increased indefinitely invested international earnings. The Company s effective tax rate on continuing operations was 28.4% in 2004. See additional discussion on page 15 and in Note 10 to the Consolidated Financial Statements on page 130.

The net income line in the following business segment and operating unit discussions excludes the cumulative effect of accounting change and income from discontinued operations. The cumulative effect of accounting change and income from discontinued operations are disclosed within the Corporate/Other business segment. See Notes 1 and 3 to the Consolidated Financial Statements on pages 129 and 138, respectively. Certain amounts in prior years have been reclassified to conform to the current year s presentation.

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GLOBAL CONSUMER

Citigroup s Global Consumer Group provides a wide array of banking, lending, insurance and investment services through a network of 8,110 branches, approximately 18,800 ATMs, and 809 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.

				% Change	% Change
In millions of dollars	**2006**	2005	2004	**2006 vs. 2005**	2005 vs. 2004
Net interest revenue	**$ 29,301**	$ 29,526	$ 30,766	**(1)%**	(4)%
Non-interest revenue	**20,998**	18,719	17,121	**12**	9
Revenues, net of interest expense	**$ 50,299**	$ 48,245	$ 47,887	**4%**	1%
Operating expenses	**25,933**	23,318	22,151	**11**	5
Provisions for loan losses and for benefits and claims	**7,579**	9,063	8,097	**(16)**	12
Income before taxes and minority interest	**$ 16,787**	$ 15,864	$ 17,639	**6%**	(10)%
Income taxes	**4,666**	4,904	5,592	**(5)**	(12)
Minority interest, net of taxes	**65**	63	60	**3**	5
Net income	**$ 12,056**	$ 10,897	$ 11,987	**11%**	(9)%
Average assets *(in billions of dollars)*	**$ 610**	$ 533	$ 487	**14%**	9%
Return on assets	**1.98%**	2.04%	2.46%		
Average risk capital (1)	**$ 28,168**	$ 26,857	$ 22,816	**5%**	18%
Return on risk capital (1)	**43%**	41%	53%		
Return on invested capital (1)	**20%**	18%	22%		
Key indicators *(in billions of dollars)*					
Average managed loans	**$ 531.6**	$ 482.2	$ 439.9	**10%**	10%
Average deposits	**$ 252.1**	$ 231.7	$ 213.6	**9%**	8%
EOP AUMs	**$ 219.6**	$ 188.0	$ 168.2	**17%**	12%
Total branches	**8,110**	7,237	6,690	**12%**	8%

(1) See footnote 6 to the table on page 3.

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U.S. Consumer

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

In millions of dollars	**2006**	2005	2004	**% Change 2006 vs. 2005**	% Change 2005 vs. 2004
Net interest revenue	**$ 16,646**	$ 17,510	$ 19,706	**(5)%**	(11)%
Non-interest revenue	**13,948**	12,597	11,201	**11**	12
Revenues, net of interest expense	**$ 30,594**	$ 30,107	$ 30,907	**2%**	(3)%
Operating expenses	**14,149**	13,449	13,214	**5**	2
Provisions for loan losses and for benefits and claims	**3,800**	5,600	5,444	**(32)**	3
Income before taxes and minority interest	**$ 12,645**	$ 11,058	$ 12,249	**14%**	(10)%
Income taxes	**4,197**	3,823	4,181	**10**	(9)
Minority interest, net of taxes	**58**	62	58	**(6)**	7
Net income	**$ 8,390**	$ 7,173	$ 8,010	**17%**	(10)%
Average assets *(in billions of dollars)*	**$ 417**	$ 357	$ 327	**17%**	9%
Return on assets	**2.01%**	2.01%	2.45%		
Average risk capital [1]	**$ 15,394**	$ 13,843	$ 11,507	**11%**	20%
Return on risk capital [1]	**55%**	52%	70%		
Return on invested capital [1]	**24%**	21%	25%		
Key indicators *(in billions of dollars)*					
Average managed loans	**$ 416.8**	$ 375.7	$ 346.1	**11%**	9%
Average deposits	**$ 104.6**	$ 95.4	$ 88.5	**10%**	8%
EOP AUMs	**$ 81.4**	$ 72.6	$ 68.5	**12%**	6%
Total branches *(actual number)*	**3,441**	3,173	3,056	**8%**	4%

(1) See footnote 6 to the table on page 3.

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U.S. Cards

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

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

In millions of dollars	**2006**	2005	2004	**% Change 2006 vs. 2005**	% Change 2005 vs. 2004
Net interest revenue	**$ 4,626**	$ 5,304	$ 7,445	**(13)%**	(29)%
Non-interest revenue	**8,882**	7,520	6,762	**18**	11
Revenues, net of interest expense	**$ 13,508**	$ 12,824	$ 14,207	**5%**	(10)%
Operating expenses	**6,068**	6,002	5,920	**1**	1
Provision for loan losses and for benefits and claims	**1,487**	2,567	2,887	**(42)**	(11)
Income before taxes and minority interest	**$ 5,953**	$ 4,255	$ 5,400	**40%**	(21)%
Income taxes and minority interest, net of taxes	**2,063**	1,501	1,838	**37**	(18)
Net income	**$ 3,890**	$ 2,754	$ 3,562	**41%**	(23)%
Average assets *(in billions of dollars)*	**$ 63**	$ 66	$ 74	**(5)%**	(11)%
Return on assets	**6.17%**	4.17%	4.81%		
Average risk capital (1)	**$ 5,581**	$ 5,774	$ 4,125	**(3)%**	40%
Return on risk capital (1)	**70%**	48%	86%		
Return on invested capital (1)	**29%**	20%	28%		
Key indicators on a managed basis: *(in billions of dollars)*					
Return on managed assets	**2.66%**	1.90%	2.41%		
Purchase sales	**$ 304.3**	$ 278.2	$ 257.0	**9%**	8%
Managed average yield (2)	**14.02%**	13.75%	13.53%		
Managed net interest margin (2)	**10.26%**	10.85%	11.76%		

(1) See footnote 6 to the table on page 3.
(2) As a percentage of average managed loans.

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2006 vs. 2005

Net Interest Revenue declined, reflecting lower on-balance sheet receivables, a change in the mix of receivables toward introductory rate products, and a higher cost of funds, which was partially offset by higher risk-based fees. *Non-Interest Revenue* increased due to the positive impact of a 9% growth in purchase sales, higher replenishment gains from securitization activities, and higher net excess spread revenues from previously securitized receivables. Also driving the increase was the acquisition of the Federated portfolio in the 2005 fourth quarter, and the absence of a $545 million charge to conform accounting practices for customer reward taken in the 2005 fourth quarter. These increases were partially offset by lower fee revenues due to lower bankruptcy filings and higher rewards program costs.

Operating expenses increased slightly, primarily reflecting the full-year impact of the acquisition of the Federated portfolio as well as the adoption of SFAS 123(R), partially offset by effective expense management and 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 lower bankruptcies and the favorable credit environment which led to a 35% decline in net credit losses and a continued decline in loan loss reserves.

2005 vs. 2004

Net Interest Revenue declined as pricing actions in floating rate products were offset by: higher cost of funds; higher payment rates resulting from the overall improved economy and a customer shift to real-estate-secured lending, which led to lower loan balances; an increased proportion of transactional activity; and a mix shift in the private label business to lower-rate products. *Non-Interest Revenue* increased as the positive impact of 8% growth in purchase sales and the addition of the Federated portfolio in the 2005 fourth quarter more than offset a $545 million charge to conform accounting practices for customer rewards.

Operating expenses remained essentially unchanged, primarily reflecting the addition of the Federated portfolio and repositioning expenses of $19 million taken in the 2005 first quarter. This was partially offset by a decline in advertising and marketing expenses, largely reflecting the timing of advertising campaigns, as the Company invested significant resources in 2004 in the Live Richly and Identity Theft media campaigns.

Provision for loan losses declined, due to a $789 million, or 22%, decline in net credit losses, resulting from the positive credit environment and improvements in the Sears portfolio, partially offset by lower credit reserve releases in 2005 of $170 million, versus $639 million in 2004.

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U.S. Retail Distribution

U.S. Retail Distribution provides banking, lending, investment and insurance products and services to customers through 972 Citibank branches, 2,469 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 fees on banking, insurance and investment products.

				% Change	% Change
In millions of dollars	**2006**	2005	2004	**2006 vs. 2005**	2005 vs. 2004
Net interest revenue	**$ 5,980**	$ 5,957	$ 5,749		4%
Non-interest revenue	**3,604**	3,558	3,596	**1%**	(1)
Revenues, net of interest expense	**$ 9,584**	$ 9,515	$ 9,345	**1%**	2%
Operating expenses	**4,878**	4,407	4,358	**11**	1
Provisions for loan losses and for benefits and claims	**1,698**	2,410	2,017	**(30)**	19
Income before taxes	**$ 3,008**	$ 2,698	$ 2,970	**11%**	(9)%
Income taxes	**981**	946	951	**4**	(1)
Net income	**$ 2,027**	$ 1,752	$ 2,019	**16%**	(13)%
Revenues, net of interest expense, by business:					
Citibank branches	**$ 3,149**	$ 3,103	$ 3,065	**1%**	1%
CitiFinancial branches	**4,195**	4,190	4,139		1
Primerica Financial Services	**2,240**	2,222	2,141	**1**	4
Total revenues	**$ 9,584**	$ 9,515	$ 9,345	**1%**	2%
Net income by business:					
Citibank branches	**$ 380**	$ 506	$ 515	**(25)%**	(2)%
CitiFinancial branches	**1,077**	696	960	**55**	(28)
Primerica Financial Services	**570**	550	544	**4**	1
Total net income	**$ 2,027**	$ 1,752	$ 2,019	**16%**	(13)%
Average assets *(in billions of dollars)*	**$ 69**	$ 64	$ 60	**8%**	7%
Return on assets	**2.94%**	2.74%	3.37%		
Average risk capital [(1)]	**$ 3,552**	$ 2,977	$ 2,717	**19%**	10%
Return on risk capital [(1)]	**57%**	59%	74%		
Return on invested capital [(1)]	**22%**	17%	20%		
Key indicators: *(in billions of dollars)*					
Average loans	**$ 44.4**	$ 40.4	$ 37.8	**10%**	7%
Average deposits	**$ 85.7**	$ 78.0	$ 74.0	**10%**	5%
EOP Investment AUMs	**$ 81.4**	$ 72.6	$ 68.5	**12%**	6%

(1) See footnote 6 to the table on page 3.

2006 vs. 2005

Net Interest Revenue was approximately even with the prior year as growth in deposits and loans, each up 10%, were largely offset by net interest margin compression. Net interest margin declined primarily due to a shift in customer liabilities from savings and other demand deposits to certificates of deposit and e-Savings accounts. *Non-Interest Revenue* increased slightly on a $132 million gain on the Sale of New York Branches in the 2006 second quarter, higher investment product sales, and higher banking fees. Offsetting these increases was the absence of a $110 million gain in the 2005 first quarter related to the resolution of the Glendale litigation.

Operating expense growth was primarily driven by higher volume-related expenses, increased investment spending on 303 new branch openings during the year (101 in Citibank and 202 in CitiFinancial), the impact of SFAS 123(R), and costs associated with the launch of e-Savings.

Provisions for loan losses and for benefits and claims declined primarily due to the absence of a $165 million loan loss reserve build in the 2005 third quarter related to the reorganization of the former Consumer Finance business, a prior-year reserve build related to Hurricane Katrina of $110 million in CitiFinancial branches, and lower overall bankruptcy filings in the current year. The net credit loss ratio declined 81 basis points to 2.67%. Overall credit conditions remained favorable in 2006.

Deposit growth reflected balance increases in certificates of deposit, e-Savings accounts (which generated $9.9 billion in end-of-period deposits), premium checking and partly rate-sensitive money market products as well as the impact of the FAB acquisition. *Loan* growth reflected improvements in all channels and products. Investment product sales in Citibank branches increased 26%, driven by favorable market conditions and additional distribution points.

2005 vs. 2004

Net Interest Revenue increased primarily due to deposit and loan growth of 5% and 7%, respectively, which were partially offset by a decrease in net interest margin. Net interest margin declined as higher short-term funding rates more than offset an increase in asset yields. *Non-Interest Revenue* was flat to the prior-year period. Increased investment product sales, the impact of the FAB acquisition, and the gain of $110 million related to the resolution of the Glendale litigation in the 2005 first quarter were offset by lower banking fees and a $20 million charge in the 2005 fourth quarter to conform accounting practices for customer rewards.

Operating expense growth was primarily due to higher volume-related expenses, increased investment spending driven by branch expansion, and the impact of the FAB acquisition.

Provision for loan losses and for benefits and claims increased due to an increase in bankruptcy filings from a change in law that became effective on October 17, 2005. This led to an approximately $93 million increase in net credit losses and a $42 million increase in loan loss reserves. In addition, the Company increased loan loss reserves by $110 million for the impact of Hurricane Katrina. Also, the reorganization of the former *Consumer Finance* business into components of the current *U.S. Retail Distribution* and *U.S. Consumer Lending* businesses resulted in a reallocation of loan loss reserves between *U.S. Retail Distribution* and *U.S. Consumer Lending*. CitiFinancial Branches increased loan loss reserves by $165 million, reflecting an increase in reserves for bankruptcy coverage in Personal Loans, while Real Estate Lending and Auto (both now in *U.S. Consumer Lending*) had corresponding loan loss reserve releases of $76 million and $89 million, respectively. Excluding the impact of increased bankruptcy filings and Hurricane Katrina, overall credit conditions remained favorable in 2005.

Deposit growth reflected an increase in demand balances and rate-sensitive money market balances, as well as the impact of the FAB acquisition. *Loan* growth reflected improvements in all channels and products from home equity and personal loans to increased volumes in the PFS channel. *Investment product sales* increased 9% driven by increased volumes.

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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 comprised of loan fees, net interest revenue and mortgage servicing fees.

In millions of dollars	**2006**	2005	2004	**% Change 2006 vs. 2005**	% Change 2005 vs. 2004
Net interest revenue	**$ 4,841**	$ 4,931	$ 4,915	**(2)%**	
Non-interest revenue	**678**	538	146	**26**	NM
Revenues, net of interest expense	**$ 5,519**	$ 5,469	$ 5,061	**1%**	8%
Operating expenses	**1,813**	1,700	1,629	**7**	4
Provisions for loan losses and for benefits and claims	**660**	614	658	**7**	(7)
Income before taxes and minority interest	**$ 3,046**	$ 3,155	$ 2,774	**(3)%**	14%
Income taxes	**1,076**	1,155	1,052	**(7)**	10
Minority interest, net of taxes	**58**	62	58	**(6)**	7
Net income	**$ 1,912**	$ 1,938	$ 1,664	**(1)%**	16%
Revenues, net of interest expense, by business:					
Real Estate Lending	**$ 3,620**	$ 3,558	$ 3,196	**2%**	11%
Student Loans	**632**	652	612	**(3)**	7
Auto	**1,267**	1,259	1,253	**1**	
Total revenues	**$ 5,519**	$ 5,469	$ 5,061	**1%**	8%
Net income by business:					
Real Estate Lending	**$ 1,401**	$ 1,378	$ 1,180	**2%**	17%
Student Loans	**220**	234	227	**(6)**	3
Auto	**291**	326	257	**(11)**	27
Total net income	**$ 1,912**	$ 1,938	$ 1,664	**(1)%**	16%
Average assets *(in billions of dollars)*	**$ 241**	$ 189	$ 156	**28%**	21%
Return on assets	**0.79%**	1.03%	1.07%		
Average risk capital [(1)]	**$ 3,930**	$ 3,280	$ 2,689	**20%**	22%
Return on risk capital [(1)]	**49%**	59%	62%		
Return on invested capital [(1)]	**28%**	32%	30%		
Key indicators: *(in billions of dollars)*					
Net interest margin: [(2)]					
Real Estate Lending	**2.01%**	2.46%	2.92%		
Student Loans	**1.61%**	1.96%	2.64%		
Auto	**8.78%**	10.52%	11.72%		
Originations:					
Real Estate Lending	**$ 142.1**	$ 131.9	$ 115.3	**8%**	14%
Student Loans	**$ 11.0**	$ 10.8	$ 7.8	**2%**	38%
Auto	**$ 9.1**	$ 6.4	$ 5.3	**42%**	21%

(1) See footnote 6 to the table on page 3.
(2) As a percentage of average loans.
NM Not meaningful

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2006 vs. 2005

Net Interest Revenue declined, reflecting net interest margin compression that was partially offset by a 19% increase in average loan balances. *Non-Interest Revenue* increased on higher gains on sales of real estate loans, student loans, and mortgage-backed securities, partially offset by lower servicing revenues. Average loan growth reflected a strong increase in originations, with increases in real estate and auto lending of 8% and 42%, respectively.

During 2006, the Real Estate business expanded its Mortgage-Backed Securities Program as part of an integrated mortgage business model that includes origination, purchase, investing, securitizing and servicing. At December 31, 2006, the balance in mortgage-backed securities was $66 billion, and the balance in real estate loans was $173 billion. From time to time the Company may vary the mix of loans and securities depending on the opportunities and other factors affecting the portfolio. In 2006, realized gains on sales of these securities totaled $252 million.

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

Provisions for loan losses and for benefits and claims increased primarily on higher credit losses in the Real Estate Lending and Auto businesses, partially offset by higher loan loss reserve releases of $63 million in the Real Estate business. Credit losses increased due to volume growth and seasoning in Real Estate, as well as volume growth in Autos.

2005 vs. 2004

Net Interest Revenue was flat compared to the prior-year period as a 20% increase in average loan balances was offset by net interest margin compression. *Non-Interest Revenue* increased due to improved net servicing revenues, higher securitization and portfolio sales gains, and the benefit of the Principal Residential Mortgage, Inc. (PRMI) acquisition. The increase in net revenues was driven by the absence of a loss in the prior year due to servicing hedge ineffectiveness caused by the volatile rate environment. Average loan growth reflected a 16% increase in originations across all businesses.

Operating expenses increased primarily due to higher volumes and the impact of the PRMI acquisition.

Provisions for loan losses and for benefits and claims decreased due to lower net credit losses of $136 million, primarily in the Auto and Real Estate Lending businesses, partially offset by lower loan loss reserve releases of $91 million. The lower loan loss reserve releases reflected a $110 million reserve build related to the estimated impact of Hurricane Katrina in the 2005 third quarter, partially offset by reserve releases of $89 million in Auto and $76 million in Real Estate Lending related to the reorganization of the *U.S. Consumer Finance* businesses. The continued favorable credit environment drove a decline in the net credit loss ratio.

A 20% increase in prime mortgage originations and home equity loans drove loan growth. Non-prime mortgage originations declined 20%, reflecting the Company s decision to avoid offering teaser rate and interest-only mortgages to lower FICO score customers.

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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 comprised of net interest revenue and fees on loans and leases.

In millions of dollars	**2006**	2005	2004	**% Change 2006 vs. 2005**	% Change 2005 vs. 2004
Net interest revenue	**$ 1,199**	$ 1,318	$ 1,597	**(9)%**	(17)%
Non-interest revenue	**784**	981	697	**(20)**	41
Revenues, net of interest expense	**$ 1,983**	$ 2,299	$ 2,294	**(14)%**	
Operating expenses	**1,390**	1,340	1,307	**4**	3%
Provision for loan losses	**(45)**	9	(118)	**NM**	NM
Income before taxes	**$ 638**	$ 950	$ 1,105	**(33)%**	(14)%
Income taxes	**77**	221	340	**(65)**	(35)
Net income	**$ 561**	$ 729	$ 765	**(23)%**	(5)%
Average assets *(in billions of dollars)*	**$ 44**	$ 38	$ 37	**16%**	3%
Return on assets	**1.28%**	1.92%	2.07%		
Average risk capital (1)	**$ 2,331**	$ 1,813	$ 1,976	**29%**	(8)%
Return on risk capital (1)	**24%**	40%	39%		
Return on invested capital (1)	**12%**	26%	27%		
Key indicators: *(in billions of dollars):*					
Average earning assets	**$ 36.7**	$ 33.0	$ 33.7	**11%**	(2)%

(1) See footnote 6 to the table on page 3.
NM Not meaningful

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2006 vs. 2005

Net Interest Revenue declined as continued net interest margin compression was offset by growth in core loan and deposit balances, up 15% and 9%, respectively. *Non-Interest Revenue* declined primarily due to the absence of the $162 million legal settlement benefit in the 2005 third quarter related to the purchase of Copelco, and the $161 million gain on sale of the CitiCapital Transportation Finance business in the 2005 first quarter, partly offset by the $31 million gain on the Sale of New York Branches in the 2006 second quarter.

Operating expense growth was primarily from higher volume-related expenses, the absence of a $23 million expense benefit due to the Copelco settlement recorded in the prior-year and SFAS 123(R); these were 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 higher loan loss reserve releases of $63 million from a favorable 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, partially offset by declines in the liquidating portfolio.

2005 vs. 2004

Net Interest Revenue declined primarily due to the continuing impact of net interest margin compression, partially offset by strong growth in core loan and deposit balances, up 13% and 20%, respectively. *Non-Interest Revenue* increased primarily due to a $162 million legal settlement benefit in the 2005 third quarter related to the purchase of Copelco, a $161 million gain on the sale of the CitiCapital Transportation Finance business in the 2005 first quarter, and the reclassification of operating leases from loans to other assets and the related operating lease depreciation expense from revenue to expense. The reclassification of operating leases increased both revenues and expenses by $123 million. The impact of the FAB acquisition also contributed to higher revenues.

Operating expenses increased primarily due to the impact of the operating lease reclassification from revenue to expense of $123 million and the impact of the FAB acquisition, partially offset by lower expenses from the sold transportation finance businesses and a $23 million expense benefit related to the Copelco legal settlement.

Provision for loan losses increased primarily due to the absence of $216 million in loan loss reserve releases during 2004, partially offset by lower net credit losses due to an improved 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, primarily due to the impact of the sale of the CitiCapital Transportation Finance business.

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U.S. CONSUMER OUTLOOK

Certain of the statements below are forward-looking statements within the meaning of the Private Securities Litigation Reform Act. See Forward-Looking Statements on page 97.

In 2007, the *U.S. Consumer* businesses will focus on continued expansion of its customer base, investments in expanding the branch network, offering a more integrated set of products and services, and the benefit of acquisitions and strategic investments made previously. The businesses will also focus on tight expense control, productivity improvements and effective credit management. Revenues and credit performance will be affected by U.S. economic conditions, including the level of interest rates, bankruptcy filings and unemployment rates.

In 2007, the *U.S. Consumer* business is expected to operate in a stable economic environment. Net interest revenue pressure is expected to continue, but at a lesser pace, due to the flat yield curve and the competitive pricing environment. Credit costs are expected to increase slightly as the unusually low bankruptcy filings experienced in 2006 are expected to rise back to more normalized levels. Inflation is expected to remain well-contained.

U.S. Cards In 2007, the competitive environment is expected to remain challenging. *U.S. Cards* expects to generate earnings growth as managed receivables increase and expenses remain controlled through improved productivity levels and efficiencies of scale. Growth in managed receivables will be driven by new product launches and private-label expansion. Credit costs will increase slightly from the unusually favorable credit environment in 2006, reflecting increased bankruptcy filing levels.

U.S. Retail Distribution In 2007, *U.S. Retail Distribution* expects to generate increases in loans, deposits and accounts, which will in turn drive earnings growth. The business expects to continue to expand its footprint with a continued program of new branch openings in both the Citibank and CitiFinancial businesses, to continue to grow our Citibank Direct business and to expand cross-marketing opportunities. The challenging interest rate environment is expected to continue, with a corresponding shift in deposits to lower-profit time deposits and CDs, which will affect revenue growth. Credit costs are expected to increase slightly, as unusually low bankruptcy levels in 2006 are expected to rise back to more normalized levels.

U.S. Consumer Lending In 2007, *U.S. Consumer Lending* expects to generate earnings growth across its product lines. In Real Estate Lending, an expected decline in the level of new housing starts and existing home sales is expected to be mitigated by an increase in the Retail Distribution network of branches, higher sales from Primerica agents and the *Smith Barney* network, and from the acquisition of ABN AMRO Mortgage Group. With the acquisition of ABN AMRO, the combined company will move from number five to number four in mortgage loan servicing and strengthen CitiMortgage s number three market position in originations, based on 2006 third quarter data. Results are also expected to reflect higher portfolio balances and servicing activities. Credit costs are expected to increase modestly due to seasoning in the rapidly growing Home Equity portfolio.

U.S. Commercial Business In 2007, U.S. Commercial Business expects to generate increases in loans, deposits and accounts by continuing to expand its core business portfolio and through leveraging the expanded Retail Branch network. The business will also focus on tight expense control, effective credit management, and productivity improvements. The credit environment is expected to remain stable.

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International Consumer

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

In millions of dollars	**2006**	2005	2004	**% Change 2006 vs. 2005**	% Change 2005 vs. 2004
Net interest revenue	**$ 12,866**	$ 12,180	$ 11,188	**6%**	9%
Non-interest revenue	**6,929**	6,216	5,236	**11**	19
Revenues, net of interest expense	**$ 19,795**	$ 18,396	$ 16,424	**8%**	12%
Operating expenses	**11,201**	9,520	8,549	**18**	11
Provisions for loan losses and for benefits and claims	**3,779**	3,463	2,653	**9**	31
Income before taxes and minority interest	**$ 4,815**	$ 5,413	$ 5,222	**(11)%**	4%
Income taxes	**791**	1,314	1,340	**(40)**	(2)
Minority interest, net of taxes	**7**	1	2	**NM**	(50)
Net income	**$ 4,017**	$ 4,098	$ 3,880	**(2)%**	6%
Revenues, net of interest expense, by region:					
Mexico	**$ 5,191**	$ 4,373	$ 3,607	**19%**	21%
Latin America	**1,829**	1,110	979	**65**	13
EMEA	**5,387**	5,201	4,735	**4**	10
Japan	**2,455**	3,251	3,290	**(24)**	(1)
Asia	**4,933**	4,461	3,813	**11**	17
Total revenues	**$ 19,795**	$ 18,396	$ 16,424	**8%**	12%
Net income by region:					
Mexico	**$ 1,605**	$ 1,432	$ 978	**12%**	46%
Latin America	**202**	236	296	**(14)**	(20)
EMEA	**725**	374	802	**94**	(53)
Japan	**119**	706	616	**(83)**	15
Asia	**1,366**	1,350	1,188	**1**	14
Total net income	**$ 4,017**	$ 4,098	$ 3,880	**(2)%**	6%
Average assets *(in billions of dollars)*	**$ 183**	$ 167	$ 150	**10%**	11%
Return on assets	**2.20%**	2.45%	2.59%		
Average risk capital [(1)]	**$ 12,774**	$ 13,014	$ 11,309	**(2)%**	15%
Return on risk capital [(1)]	**31%**	31%	34%		
Return on invested capital [(1)]	**15%**	16%	16%		
Key indicators *(in billions of dollars)*					
Average managed loans	**$ 114.8**	$ 106.5	$ 93.8	**8%**	14%
Average deposits	**$ 147.5**	$ 136.3	$ 125.1	**8%**	9%
EOP AUMs	**$ 138.2**	$ 115.4	$ 99.7	**20%**	16%
Total branches (actual number)	**4,669**	4,064	3,634	**15%**	12%

(1) See footnote 6 to the table on page 3.
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 and servicing fees.

In millions of dollars	**2006**	2005	2004	**% Change 2006 vs. 2005**	% Change 2005 vs. 2004
Net interest revenue	**$ 3,717**	$ 2,776	$ 2,351	**34%**	18%
Non-interest revenue	**2,242**	2,074	1,723	**8**	20
Revenues, net of interest expense	**$ 5,959**	$ 4,850	$ 4,074	**23%**	19%
Operating expenses	**2,908**	2,371	2,131	**23**	11
Provision for loan losses	**1,566**	739	510	**NM**	45
Income before taxes and minority interest	**$ 1,485**	$ 1,740	$ 1,433	**(15)%**	21%
Income taxes	**345**	364	293	**(5)**	24
Minority interest, net of taxes	**3**	3	3		
Net income	**$ 1,137**	$ 1,373	$ 1,137	**(17)%**	21%
Revenues, net of interest expense, by region:					
Mexico	**$ 1,826**	$ 1,311	$ 870	**39%**	51%
Latin America	**869**	297	280	**NM**	6
EMEA	**1,302**	1,277	1,157	**2**	10
Japan	**288**	302	295	**(5)**	2
Asia	**1,674**	1,663	1,472	**1**	13
Total revenues	**$ 5,959**	$ 4,850	$ 4,074	**23%**	19%
Net income by region:					
Mexico	**$ 513**	$ 564	$ 377	**(9)%**	50%
Latin America	**147**	108	120	**36**	(10)
EMEA	**149**	188	164	**(21)**	15
Japan	**63**	75	100	**(16)**	(25)
Asia	**265**	438	376	**(39)**	16
Total net income	**$ 1,137**	$ 1,373	$ 1,137	**(17)%**	21%
Average assets *(in billions of dollars)*	**$ 31**	$ 26	$ 21	**19%**	24%
Return on assets	**3.67%**	5.28%	5.41%		
Average risk capital (1)	**$ 2,190**	$ 1,794	$ 1,240	**22%**	45%
Return on risk capital (1)	**52%**	77%	92%		
Return on invested capital (1)	**24%**	34%	34%		
Key indicators: *(in billions of dollars):*					
Purchase sales	**$ 80.6**	$ 68.7	$ 59.1	**17%**	16%
Average yield (2)	**19.09%**	17.82%	16.74%		
Net interest margin (2)	**13.83%**	12.38%	12.79%		

(1) See footnote 6 to the table on page 3.
(2) As a percentage of average loans.
NM Not meaningful

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2006 vs. 2005

Net Interest Revenue increased, driven by a 20% growth in average receivables and the integration of the CrediCard portfolio in *Latin America*. The *Non-Interest Revenue* increase reflected a 17% increase in purchase sales, the integration of the CrediCard portfolio, and a gain on the MasterCard IPO of $35 million in the 2006 second quarter, partially offset by the absence of a prior-year gain on the sale of a merchant-acquiring business in *EMEA* of $95 million. The positive impact of foreign currency translation also contributed to the increase in both net interest revenue and non-interest revenue.

Operating expenses increased, reflecting the integration of the CrediCard portfolio, volume growth across the regions, continued investment spending, the adoption of SFAS 123(R), the impact of foreign currency translation, and the absence of prior-year expense credits related to Mexico VAT.

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

Regional Net Income

Mexico income declined primarily due to lower levels of tax benefits and higher expenses, partially offset by higher sales volumes and average loans from portfolio growth and target market expansion (which increased both revenues and the provision for loan losses), and a gain from the MasterCard IPO. *Latin America* income increased, primarily due to volume and purchase sales growth. *EMEA* income declined, reflecting absence of the prior-year gain on the sale of a merchant-acquiring business of $57 million and higher net credit losses, partially offset by higher purchase sales, volume growth, and higher tax benefits. *Asia* income declined due to an increase in credit costs related to credit conditions in Taiwan and costs associated with a Korea labor settlement, partially offset by higher purchase sales and loan growth.

2005 vs. 2004

Net Interest Revenue increased primarily due to growth in purchase sales and average loans, as well as the impact of the KorAm acquisition, and the impact of foreign currency translation, partially offset by spread compression. Volume growth was diversified across regions, led by *Mexico*. Net interest spread compression reflected rising funding costs and a primarily fixed rate portfolio.

Non-Interest Revenue increased, primarily driven by a gain on the sale of a merchant-acquiring business in *EMEA* of $95 million, higher purchase sales, the impact of the KorAm acquisition, and the impact of foreign currency translation. This was partially offset by the absence of a prior-year gain on the sale of Orbitall (credit card processing company in Brazil) of $42 million.

Operating expenses increased, primarily driven by the impact of higher expansion expenses in *Asia* and *EMEA*, integration expenses of CrediCard in the Brazil franchise, the KorAm acquisition, and the impact of foreign currency translations. A VAT refund in *Mexico* during the 2005 third quarter partially offset expense growth.

Provision for loan losses reflected an increase in net credit losses, due primarily to volume growth in *Mexico*, which was partially offset by declines in *Asia*. During 2005, loan loss reserves increased by $175 million, reflecting portfolio expansion and the absence of prior-year reserve releases of $103 million, recorded mostly in *Asia* and *Latin America*.

Regional Net Income

Mexico income increased due to higher sales volumes and average loans, as well as a tax benefit related to the Homeland Investment Act and the VAT refund. *Latin America* income declined primarily due to the 2004 gain on the sale of Orbitall and the absence of 2004 credit reserve releases. *EMEA* income increased primarily due to the gain on the sale of a merchant-acquiring business, partially offset by increased expense related to business expansion and customer acquisition initiatives. *Japan* income declined primarily due to tax credits received in 2004. *Asia* income increased due to strong sales, loan balance increases, and improved net credit loss experience.

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International Consumer Finance

International Consumer Finance provides community-based lending services through a branch network, centralized sales platforms and cross-selling initiatives with *International Cards* and *International Retail Banking*. As of December 31, 2006, *International Consumer Finance* maintained 2,588 sales points comprised of 1,779 branches in more than 25 countries, and 809 Automated Loan Machines (ALMs) in *Japan*. *International Consumer Finance* offers real-estate-secured loans, unsecured or partially secured personal loans, auto loans, and loans to finance consumer-goods purchases. Revenues are primarily derived from net interest revenue and fees on loan products.

				% Change	% Change
In millions of dollars	**2006**	2005	2004	**2006 vs. 2005**	2005 vs. 2004
Net interest revenue	**$ 3,149**	$ 3,674	$ 3,600	**(14)%**	2%
Non-interest revenue	**169**	145	82	**17**	77
Revenues, net of interest expense	**$ 3,318**	$ 3,819	$ 3,682	**(13)%**	4%
Operating expenses	**1,750**	1,612	1,479	**9**	9
Provision for loan losses	**1,573**	1,272	1,364	**24**	(7)
Income before taxes and minority interest	**$ (5)**	$ 935	$ 839	**NM**	11%
Income taxes	**(45)**	293	253	**NM**	16
Net income	**$ 40**	$ 642	$ 586	**(94)%**	10%
Revenues, net of interest expense, by region:					
Mexico	**$ 236**	$ 184	$ 165	**28%**	12%
Latin America	**155**	123	96	**26**	28
EMEA	**771**	743	717	**4**	4
Japan	**1,694**	2,475	2,526	**(32)**	(2)
Asia	**462**	294	178	**57**	65
Total revenues	**$ 3,318**	$ 3,819	$ 3,682	**(13)%**	4%
Net income (loss) by region:					
Mexico	**$ 41**	$ 36	$ 41	**14%**	(12)%
Latin America	**(2)**	10	28	**NM**	(64)
EMEA	**4**	36	126	**(89)**	(71)
Japan	**(62)**	505	362	**NM**	40
Asia	**59**	55	29	**7**	90
Total net income	**$ 40**	$ 642	$ 586	**(94)%**	10%
Average assets *(in billions of dollars)*	**$ 28**	$ 26	$ 26	**8%**	%
Return on assets	**0.14%**	2.47%	2.25%		
Average risk capital [(1)]	**$ 1,114**	$ 918	$ 1,003	**21%**	(8)%
Return on risk capital [(1)]	**4%**	70%	58%		
Return on invested capital [(1)]	**1%**	18%	16%		
Key indicators:					
Average yield [(2)]	**16.06%**	18.68%	18.33%		
Net interest margin [(2)]	**13.23%**	16.48%	16.53%		
Number of sales points:					
Other branches	**1,644**	1,130	754	**45%**	50%
Japan branches	**135**	325	405	**(58)%**	(20)%
Japan Automated Loan Machines	**809**	682	512	**19%**	33%
Total	**2,588**	2,137	1,671	**21%**	28%

(1) See footnote 6 to the table on page 3.
(2) As a percentage of average loans.
NM Not meaningful

2006 vs. 2005

Net Interest Revenue declined, driven by lower results in *Japan* due to the recent changes in the operating environment and the passage of changes to consumer lending laws on December 13, 2006. The total impact included a $581 million pretax charge to increase reserves for estimated losses due to customer settlements. Excluding *Japan*, *Net Interest Revenue* increased 23% from the prior year, driven by higher volumes in *Asia*, *Latin America*, and *Mexico*. *Non-Interest Revenue* increased, primarily on higher insurance and other fees and the impact of foreign currency translation.

Operating expense increased primarily due to a $60 million pretax repositioning charge in *Japan* to close approximately 270 branches and 100 ALMs. Excluding *Japan*, expenses increased primarily due to investment spending, with 520 new branch openings and higher volume-related expenses.

Provision for loan losses increased primarily due to legislative and other actions affecting the consumer finance industry in *Japan,* including loan loss reserve builds and higher net credit losses. An increase in net credit losses in *EMEA* and *Asia*, driven by higher volumes, also contributed to higher credit costs in 2006. The increases were partially offset by the absence of the standardization of the loan write-off policy in Spain and Italy in the 2005 third quarter.

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 5%, due to the impact of foreign currency translation and tightened credit related to the passing of changes to consumer lending laws.

2005 vs. 2004

Net Interest Revenue increased, driven by growth in all regions except *Japan*, mainly due to higher loan volumes. *Net Interest Revenue* in *Japan* declined due to lower personal and real-estate- secured loan balances, partially offset by the impact of foreign currency translation. *Non-Interest Revenue* increased primarily on higher insurance and other fees and the impact of foreign currency translation.

Operating expense increased, reflecting the impact of investment spending associated with the expansion of 376 branches outside of *Japan* and repositioning charges in *EMEA* during the 2005 first quarter of $38 million. These were partially offset by declines in *Japan* due to the closing of branches and the transition to ALMs.

Provision for loan losses declined due to improved credit conditions, including lower bankruptcy losses in *Japan* of $96 million. This was partially offset by higher personal loan losses in the U.K., standardization of the loan write-off policy in Spain and Italy, and lower credit reserve releases. The net credit loss ratio declined 61 basis points to 5.75%.

Growth in *average loans* was mainly driven by increases in the real-estate-secured and personal-loan portfolios in *EMEA* and *Asia*, partially offset by a decline in *EMEA* auto loans. In *Japan*, average loans declined by 10%, due to the impact of higher pay-downs, reduced loan demand, and the impact of foreign currency translation.

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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 52 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.

				% Change	% Change
In millions of dollars	**2006**	2005	2004	**2006 vs. 2005**	2005 vs. 2004
Net interest revenue	**$ 6,000**	$ 5,730	$ 5,237	**5%**	9%
Non-interest revenue	**4,518**	3,997	3,431	**13**	16
Revenues, net of interest expense	**$ 10,518**	$ 9,727	$ 8,668	**8%**	12%
Operating expenses	**6,543**	5,537	4,939	**18**	12
Provisions for loan losses and for benefits and claims	**640**	1,452	779	**(56)**	86
Income before taxes and minority interest	**$ 3,335**	$ 2,738	$ 2,950	**22%**	(7)%
Income taxes	**491**	657	794	**(25)**	(17)
Minority interest, net of taxes	**4**	(2)	(1)	**NM**	(100)
Net income	**$ 2,840**	$ 2,083	$ 2,157	**36%**	(3)%
Revenues, net of interest expense, by region:					
Mexico	**$ 3,129**	$ 2,878	$ 2,572	**9%**	12%
Latin America	**805**	690	603	**17**	14
EMEA	**3,314**	3,181	2,861	**4**	11
Japan	**473**	474	469		1
Asia	**2,797**	2,504	2,163	**12**	16
Total revenues	**$ 10,518**	$ 9,727	$ 8,668	**8%**	12%
Net income by region:					
Mexico	**$ 1,051**	$ 832	$ 560	**26%**	49%
Latin America	**57**	118	148	**(52)**	(20)
EMEA	**572**	150	512	**NM**	(71)
Japan	**118**	126	154	**(6)**	(18)
Asia	**1,042**	857	783	**22**	9
Total net income	**$ 2,840**	$ 2,083	$ 2,157	**36%**	(3)%
Average assets *(in billions of dollars)*	**$ 124**	$ 115	$ 103	**8%**	12%
Return on assets	**2.29%**	1.81%	2.09%		
Average risk capital [(1)]	**$ 9,470**	$ 10,302	$ 9,067	**(8)%**	14%
Return on risk capital [(1)]	**30%**	20%	24%		
Return on invested capital [(1)]	**16%**	11%	13%		
Key indicators: *(in billions of dollars):*					
Average deposits	**$ 147.5**	$ 136.3	$ 125.1	**8%**	9%
AUMs (EOP)	**$ 138.2**	$ 115.4	$ 103.4	**20%**	12%
Average loans	**$ 64.1**	$ 61.7	$ 53.6	**4%**	15%

(1) See footnote 6 to the table on page 3.
NM Not meaningful.

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2006 vs. 2005

Net Interest Revenue increased, reflecting growth in loans and deposits of 4% and 8%, respectively. *Non-Interest Revenue* increased primarily due to improvements in all regions except *Japan*, driven by an increase in investment product sales of 36%, the 2006 fourth quarter $234 million gain in *Mexico* on the sale of Avantel, increased insurance and other banking fees, and the impact of foreign currency translation. Assets under management grew by 20%.

Operating expenses increased on increased investment spending (which included 342 new branch openings), higher business volumes, SFAS 123(R) charges, higher advertising and marketing costs, and the costs associated with the labor settlement in Korea.

Provisions for loan losses and for benefits and claims declined primarily due to the absence of the 2005 third quarter charge of $476 million to standardize the loan write-off policy in Germany and Belgium and the 2005 second quarter increase of $127 million in the Germany credit reserve to reflect increased experience with the effects of bankruptcy law liberalization. Additionally, the decline was due to a $159 million gain from the sale of charged-off assets in Germany, and a $168 million loan loss reserve release in Korea related to improvements in the credit environment in this market.

Net income in 2006 also reflected higher tax benefits in *Mexico* and *Asia*, including utilization of $288 million of APB 23 benefits in *Mexico*, a 2006 first quarter $55 million benefit from the resolution of the Federal Tax Audit, an $18 million benefit related to the resolution of the New York Tax Audits, and the impact of a lower overall effective tax rate, partially offset by the absence of a 2005 third quarter Homeland Investment Act tax benefit of $61 million in *Mexico*.

Regional Net Income

Mexico income growth was driven by a 2006 fourth quarter $145 million after-tax gain on the sale of Avantel, utilization in 2006 of APB 23 tax benefits totaling $288 million, and growth in average loans and deposits. Partially offsetting the income growth was the absence of both a $79 million prior- year value added tax refund and a $50 million gain from the favorable impact of restructuring Mexican government bonds, net interest margin compression, and higher expenses from increased investment spending. *Latin America* income declined primarily due to increased expenses associated with new branches in Brazil, partly offset by strong growth in loans and deposits, up 46% and 7%, respectively. *EMEA* income increased, driven primarily by the absence of the 2005 third quarter $323 million after-tax change to standardize the loan write-off policy, the absence of an $81 million loan loss reserve build in the 2005 second quarter, strong growth in customer deposits and investment product sales, and higher Germany asset sales. Partially offsetting the increased income were higher expenses from increased business volumes and investment spending tied to retail bank branch expansion. *Japan* income declined due to lower deposits and higher expenses, mainly due to the consolidation and compliance activities related to the shutdown of Japan Private Bank and the impact of foreign currency translation. *Asia* income increased, benefiting from higher deposit revenues and investment product sales and loan loss reserve releases in Korea and Australia; this was partly offset by increased investment spending tied to retail bank branch expansion and the costs associated with the Korea labor settlement.

2005 vs. 2004

Net Interest Revenue increased, with improved deposit revenues in all regions; higher branch lending revenues in *EMEA, Asia* and *Latin America*; the benefits of foreign currency translation; and the impact of the KorAm acquisition. *Non-Interest Revenue* increased primarily driven by higher investment revenues in all regions except *Latin America*; the impact of the KorAm acquisition, the impact in *Mexico* of the 2005 second quarter gain related to Fobaproa and the 2005 third quarter value added tax refund; and the benefits of foreign currency translation. Average loans grew 15%, primarily in *Asia, Mexico*, and *Japan*, while average deposits grew by 9%, primarily in *Asia, Mexico*, and *EMEA*. Assets under management increased by 17%.

Operating expenses increased due to the expansion of the distribution network in all regions except *Japan*, foreign currency translation, the impact of first quarter 2005 repositioning expenses of $70 million, and the impact of the KorAm acquisition. This was partially offset by the VAT refund of $93 million in *Mexico*. Total branches grew by a net 131 during 2005, reflecting the opening of 183 new branches.

Provisions for loan losses and for benefits and claims increased as a sustained improvement in credit quality was more than offset by a $476 million pretax charge to standardize loan write-off policies in *EMEA* to the global write-off policy and a $127 million increase in the German credit reserves to reflect increased experience with the effects of bankruptcy law liberalization. As a result, the consumer net credit loss ratio increased to 3.05% in 2005. The standardization of the loan write-off policies resulted in a significant drop in the 90 days past-due ratio, which fell to 1.29% in 2005, compared to 3.36% in 2004 and 4.61% in 2003.

Net income in 2005 also reflected a $61 million net tax benefit from the Homeland Investment Act.

Regional Net Income

Mexico income increased on strong sales and customer balance growth, as well as the VAT refund of $79 million and tax benefits from the Homeland Investment Act. *Latin America* income declined, driven by repositioning expenses in 2005, and the impact of investment initiatives, primarily in Brazil. *EMEA* income declined, driven by the impact of the write-off policy standardization, increases in credit loss reserves in Germany, and repositioning expenses reflected in the first quarter of 2005. *Japan* income declined due primarily to expense growth associated with the consolidation and compliance activities related to the shutdown of the Japan Private Bank. *Asia* income increased, benefiting primarily from strongly improved revenues due to increased business volumes, the impact of the KorAm acquisition, and benefits from foreign currency translation.

INTERNATIONAL CONSUMER OUTLOOK

Certain of the statements below are forward-looking statements within the meaning of the Private Securities Litigation Reform Act. See Forward-Looking Statements on page 97.

International Consumer is diversified across a number of geographies, product groups, and customer segments and monitors the economic situation in all of the countries in which it operates. In 2007, International Consumer will continue to invest to build on the competitive advantages of its existing global network of branches, offices and sales professionals. The business expects earnings growth from expanding its customer base through organic growth, investments in expanding the branch network, and the benefit from strategic investments and 2006 acquisitions, as well as the recently announced acquisition of Egg. The Egg acquisition when combined with the U.K. Consumer operations will create a broad-spectrum consumer financial services provider. These key variables are expected to drive growth in loans, deposits and investment product sales. The businesses will also focus on tight expense control, productivity improvements and effective credit management. Revenues and credit costs will be affected by global economic conditions, including the level of interest rates, the credit environment, unemployment rates, and political and regulatory developments around the world. International economies are expected to be stable, with an improvement in economic activity expected in Western Europe and many Asian nations.

International Cards In 2007, continued investment in customer acquisition in both new and existing markets is expected to drive increased purchase sales and loan volumes. Credit costs are expected to show some deterioration as the growing portfolio seasons, while the underlying credit environment is forecast to remain stable.

International Consumer Finance In 2007, investment in new branches and sales professionals will continue in key expansion markets. In *Japan*, the impact of the changes to consumer lending laws enacted in 2006 will continue to affect the operating environment. The repositioning of the *Japan* business is consistent with the Company s efforts to establish a lower-cost platform and will enable it to compete more effectively in the new interest rate environment. The business expects to break even during 2007. Excluding *Japan*, organic growth in existing branches, coupled with new branch openings, is expected to drive revenue and earnings growth. Offerings of new loan products and services in new markets will continue, and gains in market share across several key international regions are forecast. The credit environment in *Japan* will be impacted by the changes enacted in 2006. Outside of *Japan*, credit costs are expected to increase slightly, in line with the growing portfolio.

International Retail Banking In 2007, the business will continue to invest in branch expansion and build on a strong presence in several key

markets. The business is expected to generate revenue and earnings growth through an expanded base of customers, as well as increases in loan and deposit balances and increased investment product sales. Credit costs are expected to deteriorate following the loan loss releases in 2006, and as the growing portfolio seasons, while the underlying credit environment is forecast to remain stable. During 2006, the business benefited from a higher level of APB 23 tax benefits, which are expected to be at lower levels in 2007.

Other Consumer

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

In millions of dollars	**2006**	2005	2004
Net interest revenue	**$ (211)**	$ (164)	$ (128)
Non-interest revenue	**121**	(94)	684
Revenues, net of interest expense	**$ (90)**	$ (258)	$ 556
Operating expenses	**583**	349	388
Income (loss) before tax benefits	**$ (673)**	$ (607)	$ 168
Income taxes (benefits)	**(322)**	(233)	71
Net income (loss)	**$ (351)**	$ (374)	$ 97

2006 vs. 2005

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

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, the 2006 first quarter tax benefit of $40 million on the resolution of the Federal Tax Audit, and other tax benefits of $17 million, partially offset by SFAS 123(R) charges of $25 million after-tax and higher staff payments and legal costs.

2005 vs. 2004

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

The *net income* decline was primarily due to the absence of a $378 million after-tax gain related to the sale of Samba in the 2004 second quarter, and the 2005 first quarter loss on the sale of a Manufactured Housing Loan portfolio of $109 million after-tax, partially offset by the absence of a $14 million after-tax write-down of assets in a non-core business in the 2004 fourth quarter and lower legal costs. Excluding the impact of the Samba gain, the decline in 2004 was primarily due to lower treasury results, including the impact of higher capital funding costs, the $14 million after-tax write-down of assets in the 2004 fourth quarter, and higher staff-related, global marketing and legal costs.

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CORPORATE AND INVESTMENT BANKING

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	**2006**	2005	2004	**% Change 2006 vs. 2005**	% Change 2005 vs. 2004
Net interest revenue	**$ 8,492**	$ 8,100	$ 9,050	**5%**	(10)%
Non-interest revenue	**18,695**	15,763	12,736	**19**	24
Revenues, net of interest expense	**$ 27,187**	$ 23,863	$ 21,786	**14%**	10%
Operating expenses	**17,119**	14,133	20,530	**21**	(31)
Provision for credit losses	**359**	(42)	(975)	**NM**	96
Income before taxes and minority interest	**$ 9,709**	$ 9,772	$ 2,231	**(1)%**	NM
Income taxes	**2,528**	2,818	96	**(10)**	NM
Minority interest, net of taxes	**54**	59	93	**(8)**	(37)%
Net income	**$ 7,127**	$ 6,895	$ 2,042	**3%**	NM
Revenues, net of interest expense, by region:					
U.S.	**$ 10,155**	$ 9,901	$ 8,961	**3%**	10%
Mexico	**781**	777	770	**1**	1
Latin America	**1,728**	1,415	1,318	**22**	7
EMEA	**8,757**	6,849	6,512	**28**	5
Japan	**1,052**	1,224	817	**(14)**	50
Asia	**4,714**	3,697	3,408	**28**	8
Total revenues	**$ 27,187**	$ 23,863	$ 21,786	**14%**	10%
Net income by region:					
U.S.	**$ 2,209**	$ 2,950	$ (2,190)	**(25)%**	NM
Mexico	**346**	450	659	**(23)**	(32)%
Latin America	**638**	619	813	**3**	(24)
EMEA	**2,011**	1,130	1,136	**78**	(1)
Japan	**272**	498	334	**(45)**	49
Asia	**1,651**	1,248	1,290	**32**	(3)
Total net income	**$ 7,127**	$ 6,895	$ 2,042	**3%**	NM
Average risk capital [(1)]	**$ 21,627**	$ 21,226	$ 19,047	**2%**	11%
Return on risk capital [(1)]	**33%**	32%	11%		
Return on invested capital [(1)]	**24%**	24%	8%		

(1) See footnote 6 to the table on page 3.
NM Not meaningful.

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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	**2006**	2005	2004	**% Change 2006 vs. 2005**	% Change 2005 vs. 2004
Net interest revenue	**$ 5,483**	$ 5,804	$ 7,314	**(6)%**	(21)%
Non-interest revenue	**15,735**	13,166	9,792	**20**	34
Revenues, net of interest expense	**$ 21,218**	$ 18,970	$ 17,106	**12%**	11%
Operating expenses	**13,136**	11,501	9,959	**14**	15
Provision for credit losses	**323**	(61)	(777)	**NM**	92
Income before taxes and minority interest	**$ 7,759**	$ 7,530	$ 7,924	**3%**	(5)%
Income taxes	**1,944**	2,145	2,440	**(9)**	(12)
Minority interest, net of taxes	**52**	58	89	**(10)**	(35)
Net income	**$ 5,763**	$ 5,327	$ 5,395	**8%**	(1)%
Revenues, net of interest expense, by region:					
U.S.	**$ 8,888**	$ 8,860	$ 8,116		9%
Mexico	**578**	586	594	**(1)%**	(1)
Latin America	**1,091**	896	883	**22**	1
EMEA	**6,611**	5,093	4,393	**30**	16
Japan	**942**	1,140	744	**(17)**	53
Asia	**3,108**	2,395	2,376	**30**	1
Total revenues	**$ 21,218**	$ 18,970	$ 17,106	**12%**	11%
Net income by region:					
U.S.	**$ 2,176**	$ 2,422	$ 2,502	**(10)%**	(3)%
Mexico	**281**	376	544	**(25)**	(31)
Latin America	**442**	466	621	**(5)**	(25)
EMEA	**1,549**	810	486	**91**	67
Japan	**249**	485	322	**(49)**	51
Asia	**1,066**	768	920	**39**	(17)
Total net income	**5,763**	$ 5,327	$ 5,395	**8%**	(1)%
Average risk capital (1)	**$ 20,141**	$ 19,898	$ 17,667	**1%**	13%
Return on risk capital (1)	**29%**	27%	31%		
Return on invested capital (1)	**21%**	20%	24%		
Revenue details:					
Investment banking revenue:					
Advisory and other fees	**$ 1,329**	$ 1,212	$ 927	**10%**	31%
Equity underwriting	**1,237**	1,136	1,108	**9**	3
Debt underwriting	**2,688**	2,151	2,187	**25**	(2)
Revenue allocated to the Global Wealth Management Segment:					
Equity underwriting	**(261)**	(309)	(316)	**16**	2
Debt underwriting	**(195)**	(113)	(99)	**(73)**	(14)
Total investment banking revenue	**$ 4,798**	$ 4,077	$ 3,807	**18%**	7%
Lending	**1,987**	2,265	1,986	**(12)**	14
Equity markets	**3,892**	3,074	2,308	**27**	33
Fixed income markets	**10,974**	9,599	9,148	**14**	5
Other Capital Markets and Banking (2)	**(433)**	(45)	(143)	**NM**	69
Total Capital Markets and Banking Revenue (2)	**$ 21,218**	$ 18,970	$ 17,106	**12%**	11%

(1) See footnote 6 to the table on page 3.

(2) *Capital Markets and Banking* revenues reflect Citigroup s portion (49%) of the results of the Nikko Citigroup Joint Venture on each respective line with an offset in Other Capital Markets and Banking to conform to the GAAP presentation.

NM Not meaningful.

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2006 vs. 2005

Revenues, *net of interest expense*, increased, driven by broad-based growth across products, particularly in *EMEA, Asia* and *Latin America*. 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. These gains were partially offset by a revenue decline in Lending, as improved credit conditions led to lower hedging results, the 2005 $386 million pretax gain on the sale of Nikko Cordial Shares and lower revenue in Commodities.

Operating expenses were impacted by $737 million of SFAS 123(R) charges and higher production-related incentive compensation, as well as a growth in headcount and increased investment spending on strategic growth initiatives.

The *provision for credit losses* increased, driven by a $372 million pretax charge to increase loan loss reserves, reflecting growth in loans and unfunded lending 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 (the impact from SFAS 123(R) charges) as well as lower revenues in Commodities and Lending, partially offset by higher Fixed Income and Equity Markets revenues and tax benefits from the resolution of the Federal Tax Audit and the New York Tax Audits.

Mexico net income was down, as growth in Fixed Income Markets revenues was offset by lower equity underwriting and lending revenues. Lower net income also reflected the absence of a $39 million tax benefit from provisions of the Homeland Investment Act, as well as higher compensation expense and the absence of loan loss recoveries recorded in the prior-year period.

Latin America net income declined on an increase in credit costs due to the absence of loan loss recoveries recorded in the prior-year period, higher investment spending, and the impact of SFAS 123(R) charges. These declines were partially offset by strong revenue growth in Equity and Fixed Income Markets in Brazil Investment Banking and by the tax benefits from the resolution of the Federal Tax Audit.

EMEA net income increased on double-digit growth across all major product lines in the region from 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, and higher credit costs on growth in loans and unfunded loan commitments.

Net income in *Japan* declined as strong growth in Fixed Income was offset by a decrease in equities, the absence of a $248 million after-tax gain on the sale of Nikko Cordial shares in the 2005 fourth quarter, and higher expenses.

Net income in *Asia* increased, driven by broad-based double-digit growth across several products, including Fixed Income and Equity Markets and Advisory. Continued benign credit conditions and incremental tax benefits from APB 23 in Australia, and globally the resolution of the Federal Tax Audit, further bolstered full-year results.

2005 vs. 2004

Revenues, *net of interest expense*, increased, driven by growth across all products. Equity Markets revenues increased, driven by growth in cash trading, alternative execution and derivatives products. Fixed Income Markets revenue increases reflected growth in interest rate products, commodity derivatives, foreign exchange, and securitized markets. Investment Banking revenue growth was driven by increased advisory fees on strong growth in completed M&A transactions and growth in equity underwriting. Lending revenue growth was mainly due to hedging gains in credit derivatives. Revenues also include a $386 million pretax gain on the sale of Nikko Cordial shares.

Operating expenses increased due to higher incentive compensation, including repositioning costs of $212 million pretax (in the 2005 first quarter), increased investment spending on strategic growth initiatives, and the impact of the acquisitions of Knight and Lava Trading. Expenses included a $160 million pretax charge to increase reserves for previously disclosed legal matters recorded in the 2005 fourth quarter.

The provision for credit losses increased, reflecting an increase to loan loss reserves in 2005 and the absence of loan loss reserve releases recorded in the prior year. The provision for credit losses in 2005 included $289 million to increase loan loss reserves for increases in off-balance sheet exposure, and a slight decline in credit quality.

Net income in the *U.S.* decreased primarily due to an increased provision for credit losses.

The negative impact of a flat yield curve on revenues and the absence of loan loss reserve releases recorded in the prior year caused a decline in Mexican net income.

Latin America net income decreased primarily due to the absence of loan loss reserve releases recorded in 2004 and a decline in revenues from completed corporate finance transactions. Credit quality in Argentina and Brazil improved.

EMEA net income increased as a result of strong revenues across all businesses and lower credit provisions. Revenues increased in Fixed Income Markets, Equity Markets, Investment Banking, and Lending, on higher volumes and growth in customer activity.

Net income in *Japan* increased due to strong growth in Equity Markets and Fixed Income Markets revenues and a $248 million after-tax gain on the sale of Nikko Cordial shares recorded in the 2005 fourth quarter.

Net income in *Asia* decreased primarily due to lower Fixed Income Markets revenues, mainly in global distressed debt trading and foreign exchange trading.

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Transaction Services

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

				% Change	% Change
In millions of dollars	**2006**	2005	2004	**2006 vs. 2005**	2005 vs. 2004
Net interest revenue	**$ 3,009**	$ 2,296	$ 1,745	**31%**	32%
Non-interest revenue	**2,962**	2,595	2,333	**14**	11
Revenues, net of interest expense	**$ 5,971**	$ 4,891	$ 4,078	**22%**	20%
Operating expenses	**3,950**	3,316	2,846	**19**	17
Provision for credit losses	**36**	19	(198)	**89**	NM
Income before taxes and minority interest	**$ 1,985**	$ 1,556	$ 1,430	**28%**	9%
Income taxes	**557**	420	381	**33**	10
Minority interest, net of taxes	**2**	1	4	**100**	(75)
Net income	**$ 1,426**	$ 1,135	$ 1,045	**26%**	9%
Revenues, net of interest expense, by region:					
U.S.	**$ 1,265**	$ 1,039	$ 827	**22%**	26%
Mexico	**203**	191	176	**6**	9
Latin America	**637**	519	435	**23**	19
EMEA	**2,146**	1,756	1,535	**22**	14
Japan	**110**	84	73	**31**	15
Asia	**1,610**	1,302	1,032	**24**	26
Total revenues	**$ 5,971**	$ 4,891	$ 4,078	**22%**	20%
Net income by region:					
U.S.	**$ 90**	$ 95	$ 84	**(5)%**	13%
Mexico	**68**	74	115	**(8)**	(36)
Latin America	**192**	153	192	**25**	(20)
EMEA	**465**	320	272	**45**	18
Japan	**23**	13	12	**77**	8
Asia	**588**	480	370	**23**	30
Total net income	**$ 1,426**	$ 1,135	$ 1,045	**26%**	9%
Average risk capital (1)	**$ 1,486**	$ 1,328	$ 1,380	**12%**	(4)%
Return on risk capital (1)	**96%**	85%	76%		
Return on invested capital (1)	**54%**	47%	46%		
Key indicators:					
Average deposits and other customer liability balances *(in billions of dollars)*	**$ 203**	$ 164	$ 146	**24%**	12%
Assets under custody at year-end (*in trillions of dollars)*	**10.4**	8.6	7.9	**21%**	9%
Revenue details:					
Cash management	**$ 3,505**	$ 2,864	$ 2,345	**22%**	22%
Securities and funds services	**1,844**	1,437	1,149	**28%**	25%
Trade services	**622**	590	584	**5%**	1%
Total revenue, net of interest expense	**$ 5,971**	$ 4,891	$ 4,078	**22%**	20%

(1) See footnote 6 to the table on page 3.
NM Not meaningful.

2006 vs. 2005

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

Cash Management s revenue reflected growth across all regions, driven by 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, increasing interest rates, and the impact of acquisitions. Assets under custody reached $10.4 trillion, an increase of $1.8 trillion, or 21%, on strong momentum from new business activities and improved 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 *Latin America* region.

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

The change in the *provision for credit losses* of $17 million was primarily attributable to a reserve increase of $10 million in 2006 compared with 2005.

Regional Net Income

Net income in the *U.S.* declined, primarily due to continued investment spending, offset by growth in liability balances, and rising interest rates.

Mexico net income decreased primarily due to the absence of an $8 million tax benefit from provisions of the Homeland Investment Act, as well as a $2 million VAT refund and higher expenses, offset by growth in liability balances and rising interest rates.

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

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

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

2005 vs. 2004

Revenues, *net of interest expense*, increased, reflecting growth in Cash Management and Global Securities Services. Average liability balances grew 20%, primarily due to increases in *Asia, EMEA* and the *U.S.*, reflecting positive flow from new and existing customers. Average liability balances reached $164 billion in the fourth quarter.

Cash Management revenue increased mainly due to growth in liability balances, improved spreads, and increased fees from new sales. Revenue growth was at a double-digit rate across all regions.

Securities and Funds Services revenue increased, primarily reflecting growth in *Latin America, Asia* and the *U.S.*; higher assets under custody and fees; and the impact of acquisitions. Assets under custody reached $8.6 trillion, an increase of $0.7 trillion, or 9%, on strong momentum from record sales, equity markets, and the inclusion of ABN AMRO and UNISEN assets under custody. This was partially offset by a strengthened U.S. dollar and a slowdown in fixed income markets.

Trade Services revenue increased, due to growth in *Asia* and *EMEA*, partially offset by spread compression in *Mexico* and *Latin America*.

Operating expenses increased on higher business volumes, acquisitions, and investments in growth opportunities.

The change in *the provision for credit losses* was attributable to a reserve release of $163 million in 2004; this compared to reserve increases of $18 million in 2005.

Net income in the *U.S.* increased, due to growth in liability balances, improved spreads, and an increase in assets under custody, partially offset by higher expenses due to acquisitions and continued investment spending.

Mexico net income decreased, due primarily to loan loss reserve releases in 2004. Adjusting for the reserve releases in 2004, net income momentum was strong.

Latin America net income decreased, due primarily to the impact of loan loss reserve releases in 2004.

EMEA net income increased, mainly due to increases in liability balances and assets under custody, which drove strong revenues in Cash Management and Global Securities Services.

Asia net income rose in 2005, driven by new sales, increased fees from higher customer volumes, the impact of the KorAm acquisition, and growth in liability balances.

Japan net income increased, mainly due to increases in liability balances and assets under custody.

Cash-basis loans, which in the *Transaction Services* businesses are primarily trade finance receivables, were $81 million and $112 million at December 31, 2005 and 2004, respectively. The decrease of $31 million in 2005 was primarily due to a decline in Brazil.

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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	**2006**	2005	2004
Net interest revenue	**$**	$	$ (9)
Non-interest revenue	**(2)**	2	611
Revenues, net of interest expense	**$ (2)**	$ 2	$ 602
Operating expenses	**33**	(684)	7,725
Income (loss) before income taxes (benefits)	**$ (35)**	$ 686	$ (7,123)
Income taxes (benefits)	27	253	(2,725)
Net income (loss)	**$ (62)**	$ 433	$ (4,398)

2006 vs. 2005

Net income declined due to the absence of the 2005 fourth quarter WorldCom/Research litigation reserve release of $375 million after tax and the $120 million after tax insurance recovery in 2005 related to WorldCom and Enron legal matters.

2005 vs. 2004

Net income of $433 million in 2005, compared to a net loss of $4.398 billion in 2004, is primarily the result of the $4.95 billion after-tax WorldCom and Litigation Reserve Charge recorded in 2004 and the release of WorldCom/ Research litigation reserves of $375 million after-tax in the 2005 fourth quarter. Results in 2004 included a $378 million after-tax gain on the sale of Samba recorded in *EMEA*. Results in 2005 included a $120 million after-tax insurance recovery related to WorldCom and Enron legal matters recorded in the 2005 fourth quarter.

CORPORATE AND INVESTMENT BANKING OUTLOOK

Certain of the statements below are forward-looking statements within the meaning of the Private Securities Litigation Reform Act. See Forward-Looking Statements on page 97.

CIB is significantly affected by the levels of activity in the global capital markets, which are influenced by macro-economic and political developments, among other factors, in the approximately 100 countries in which the business operates. Global economic and market events can have both positive and negative effects on the revenue and credit performance of the businesses.

As 2007 begins, the credit environment is expected to remain stable; however, 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. In 2007, the business expects to benefit from a higher level of APB 23 tax benefits than it realized in 2006.

In 2007, *Capital Markets and Banking* initiatives will continue to focus on the delivery of financial solutions tailored to clients needs and the targeting of client segments with strong growth prospects. The business intends to leverage its position in certain products and client relationships to increase its share of higher-margin structured products, for which

continued demand is expected. The business will continue its multi-year build-out of structured products capabilities in credit, commodities and currencies, which should become a platform for future growth. We began to see a contribution to our growth in 2006 and expect a continued growth in revenues in 2007. Banking is expected to continue to see growth, particularly from the rapidly expanding Small and Medium Enterprises (SME) business segment in the emerging markets and by expanding the successful National Corporate Bank model (an initiative to expand corporate banking customers to the next level down by size of clients) to other countries. In parallel, leveraging the CIB s global network, client teams will seek to further strengthen client relationships and increase market share and revenues.

In 2007, *Transaction Services* will focus on generating organic revenue and earnings growth. The arising needs of emerging markets and of the world s increasingly sophisticated capital markets will continue to drive part of this growth. Management expects to sustain earnings growth by leveraging its global reach and economies of scale, which will help offset spread compression. Management will also focus on business opportunities in the U.S. by broadening its footprint through domestic relationships.

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GLOBAL WEALTH MANAGEMENT

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

In millions of dollars	**2006**	2005	2004	**% Change 2006 vs. 2005**	% Change 2005 vs. 2004
Net interest revenue	**$ 1,922**	$ 1,695	$ 1,676	**13%**	1%
Non-interest revenue	**8,255**	6,989	6,853	**18**	2
Revenues, net of interest expense	**$ 10,177**	$ 8,684	$ 8,529	**17%**	2%
Operating expenses	**8,006**	6,696	6,666	**20**	
Provision for loan losses	**24**	29	(5)	**(17)**	NM
Income before taxes	**$ 2,147**	$ 1,959	$ 1,868	**10%**	5%
Income taxes	**703**	715	659	**(2)**	8
Net income	**$ 1,444**	$ 1,244	$ 1,209	**16%**	3%
Revenues, net of interest expense by region:					
U.S.	**$ 8,793**	$ 7,628	$ 7,241	**15%**	5%
Mexico	**129**	124	138	**4**	(10)
Latin America	**186**	203	227	**(8)**	(11)
EMEA	**331**	295	291	**12**	1
Japan		(6)	200	**100**	NM
Asia	**738**	440	432	**68**	2
Total revenues	**$ 10,177**	$ 8,684	$ 8,529	**17%**	2%
Net income (loss) by region:					
U.S.	**$ 1,210**	$ 1,141	$ 1,179	**6%**	(3)%
Mexico	**36**	44	52	**(18)**	(15)
Latin America	**12**	17	43	**(29)**	(60)
EMEA	**23**	8	15	**NM**	(47)
Japan		(82)	(205)	**100**	60
Asia	**163**	116	125	**41**	(7)
Total net income	**$ 1,444**	$ 1,244	$ 1,209	**16%**	3%
Average risk capital (1)	**$ 2,489**	$ 2,113	$ 1,907	**18%**	11%
Return on risk capital (1)	**58%**	59%	63%		
Return on invested capital (1)	**36%**	46%	52%		
Key indicators: (*in billions of dollars)*					
Total assets under fee-based management	**$ 399**	$ 346	$ 292	**15%**	18%
Total client assets	**1,438**	1,310	1,160	**10%**	13%
Net client asset flows	**14**	29	32	**(52)%**	(9)%
Financial advisors (FA) / bankers *(actual number)*	**13,694**	13,916	12,728	**(2)%**	9%
Annualized revenue per FA / banker *(in thousands of dollars)*	**$ 740**	$ 679	$ 672	**9%**	1%
Average deposits and other customer liability balances	**$ 104**	$ 93	$ 94	**12%**	(1)%
Average loans	**$ 42**	$ 40	$ 38	**5%**	5%

(1) See footnote 6 to the table on page 3.
NM Not meaningful.

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Smith Barney

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

In millions of dollars	**2006**	2005	2004	**% Change 2006 vs. 2005**	% Change 2005 vs. 2004
Net interest revenue	**$ 965**	$ 625	$ 606	**54%**	3%
Non-interest revenue	**7,195**	6,200	5,879	**16**	5
Revenues, net of interest expense	**$ 8,160**	$ 6,825	$ 6,485	**20%**	5%
Operating expenses	**6,619**	5,405	5,016	**22**	8
Provision for loan losses		12		**(100)**	
Income before taxes	**$ 1,541**	$ 1,408	$ 1,469	**9%**	(4)%
Income taxes	**536**	537	578		(7)
Net income	**$ 1,005**	$ 871	$ 891	**15%**	(2)%
Revenues, net of interest expense, by region:					
U.S.	**$ 7,971**	$ 6,825	$ 6,485	**17%**	5%
Mexico					
Latin America					
EMEA	**26**				
Japan					
Asia	**163**				
Total revenues	**$ 8,160**	$ 6,825	$ 6,485	**20%**	5%
Net income by region:					
U.S.	**$ 985**	$ 871	$ 891	**13%**	(2)%
Mexico					
Latin America					
EMEA	**5**				
Japan					
Asia	**15**				
Total net income	**$ 1,005**	$ 871	$ 891	**15%**	(2)%
Average risk capital [(1)]	**$ 1,491**	$ 938	$ 1,156	**59%**	(19)%
Return on risk capital [(1)]	**67%**	93%	77%		
Return on invested capital [(1)]	**35%**	59%	57%		
Key indicators: *(in billions of dollars)*					
Total assets under fee-based management	**$ 343**	$ 298	$ 240	**15%**	24%
Total client assets	**1,230**	1,130	978	**9%**	16%
Net client asset flows	**9**	28	24	**(68)%**	17%
Financial advisors (FA) *(actual number)*	**13,143**	13,414	12,138	**(2)%**	11%
Annualized revenue per FA *(in thousands of dollars)*	**$ 617**	$ 556	$ 536	**11%**	4%
Average deposits and other customer liability balances	**$ 51**	$ 45	$ 44	**13%**	2%

(1) See footnote 6 to the table on page 3.

2006 vs. 2005

Revenues, net of interest expense, increased primarily due to a 32% increase in fee-based revenues, reflecting the continued shift toward offering fee-based advisory products and services. The launch of the Tiered-Pricing Program in September 2006 also drove revenue growth, along with strength in the Managed Accounts, Mutual Fund and Annuity businesses. Transactional revenues increased 3% due to increased customer trading volumes. Results also reflected the acquisition of Legg Mason in December 2005.

Operating expenses increased primarily due to higher compensation expense, including $344 million of SFAS 123(R) costs, and integration costs of the Legg Mason retail brokerage business.

Total assets under fee-based management were up from the prior-year period, driven by net client asset flows and positive market action. Net flows were down compared to the prior year primarily on client attrition.

2005 vs. 2004

Revenues, net of interest expense, increased primarily due to a $459 million increase in asset-based revenue. Lower client trading volumes drove a decline in transactional revenue, which decreased by $119 million.

Operating expenses increased, primarily due to higher production-related compensation as a result of increased revenue. The increase also included repositioning charges of $28 million pretax in the 2005 first quarter, higher legal costs, and integration costs related to the acquisition of the Legg Mason retail brokerage business.

Provision for loan loss increased, primarily reflecting the impact of growth in tailored loans.

On December 1, 2005, *Smith Barney* completed the acquisition of Legg Mason s private client business, which added 124 branches, approximately $100 billion of assets under management and more than 1,200 financial advisors, primarily in the Mid-Atlantic and Southeastern states. These branches and financial advisors were converted to *Smith Barney s* operating platform during the 2006 first quarter.

Total assets under fee-based management increased, reflecting organic growth and the addition of Legg Mason. Total client assets, including assets under fee-based management, increased primarily due to higher equity market values, the acquisition of Legg Mason and positive net flows of $28 billion.

Citigroup Investment Research

Citigroup Investment Research provides independent client-focused research to individuals and institutions around the world. The majority of expense for this organization is charged to the Global Equities business in *Capital Markets and Banking* and to *Smith Barney*.

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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, 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	**2006**	2005	2004	**% Change 2006 vs. 2005**	% Change 2005 vs. 2004
Net interest revenue	**$ 957**	$ 1,070	$ 1,070	**(11)%**	%
Non-interest revenue	**1,060**	789	974	**34**	(19)%
Revenues, net of interest expense	**$ 2,017**	$ 1,859	$ 2,044	**8%**	(9)%
Operating expenses	**1,387**	1,291	1,650	**7**	(22)
Provision for loan losses	**24**	17	(5)	**41**	NM
Income before taxes	**$ 606**	$ 551	$ 399	**10%**	38%
Income taxes	**167**	178	81	**(6)**	NM
Net income	**$ 439**	$ 373	$ 318	**18%**	17%
Revenues, net of interest expense, by region:					
U.S.	**$ 822**	$ 803	$ 756	**2%**	6%
Mexico	**129**	124	138	**4**	(10)
Latin America	**186**	203	227	**(8)**	(11)
EMEA	**305**	295	291	**3**	1
Japan		(6)	200	**100**	NM
Asia	**575**	440	432	**31**	2
Total revenues	**$ 2,017**	$ 1,859	$ 2,044	**8%**	(9)%
Net income (loss) by region:					
U.S.	**$ 225**	$ 270	$ 288	**(17)%**	(6)%
Mexico	**36**	44	52	**(18)**	(15)
Latin America	**12**	17	43	**(29)**	(60)
EMEA	**18**	8	15	**NM**	(47)
Japan		(82)	(205)	**100**	60
Asia	**148**	116	125	**28**	(7)
Total net income	**$ 439**	$ 373	$ 318	**18%**	17%
Average risk capital (1)	**$ 998**	$ 1,175	$ 751	**(15)%**	56%
Return on risk capital (1)	**44%**	32%	42%		
Return on invested capital (1)	**41%**	29%	40%		
Key indicators: *(in billions of dollars)*					
Total assets under fee-based management	**56**	48	52	**17%**	(8)%
Total client assets	**208**	180	182	**16%**	(1)%
Net client asset flows	**5**	1	8	**NM**	(88)%
Bankers *(actual number)*	**551**	502	590	**10%**	(15)%
Annualized revenue per banker *(in thousands of dollars)*	**3,897**	3,696	3,515	**5%**	5%
Average deposits and other customer liability balances	**53**	48	50	**10%**	(4)%
Average loans	**40**	39	37	**3%**	5%

(1) See footnote 6 to the table on page 3.
NM Not meaningful.

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2006 vs. 2005

Revenues, net of interest expense, increased due to strong growth in *Asia*.

U.S. revenue increased, primarily driven by an increase in banking spreads and lending volumes, 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 declined, primarily driven by lower spreads in the banking and lending portfolios, partially offset by higher trust revenue.

EMEA revenue increased, driven by higher capital markets and investments revenue.

Asia revenue increased, reflecting strong capital markets activity.

Operating expenses increased by $96 million as the absence of *Japan* expenses was offset by SFAS 123(R) charges, higher expenses due to increased professional staffing and investment spending to expand on-shore markets. SFAS 123(R) charges in 2006 totaled $29 million.

Provision for loan losses was $24 million in 2006, as compared to $17 million in 2005. The provision in 2006 was primarily due to reserve builds of $28 million, partially offset by a $5 million recovery in *Asia*. 2005 includes reserve builds of $24 million, offset by recoveries in *Asia* and *EMEA* of $9 million.

Client business volumes increased $32 billion, or 14%. Growth was led by $14 billion in banking, primarily in *EMEA* and the *U.S*. Investment Finance volumes increased $4 billion, mainly driven by growth in the *U.S*. Custody assets grew by $6 billion, primarily driven by *U.S., EMEA* and *Asia*. Managed assets increased by $8 billion due to increases in the *U.S.* and *EMEA*.

2005 vs. 2004

Revenues, net of interest expense, decreased due to the closure of the Japan *Private Bank* business. Revenue in *Japan* included losses of $82 million from foreign exchange and interest rate hedges on anticipated client settlements for which reserves were established in the 2004 fourth quarter.

U.S. revenue increased, primarily driven by increased banking spreads and growth in lending volumes, combined with growth in fee income from discretionary and custody assets. Growth in the *U.S.* was negatively impacted by net interest revenue compression.

Mexico revenue decreased as lower client transactional activity was partially offset by increased banking volumes.

Latin America revenue decreased, primarily driven by lower client transactional activity, a decline in fee income from discretionary and trust assets, and net interest revenue compression.

EMEA revenue increased, primarily driven by growth in fee income from discretionary assets and growth in banking volumes.

Asia revenue increased, reflecting higher banking volumes and increased fee income from discretionary, trust and custody assets.

Operating expenses decreased, primarily due to a $400 million pretax exit plan charge in *Japan* recorded in the 2004 fourth quarter. Increased expenses in other regions reflected higher employee-related costs, including investments in front office sales and support.

Provision for loan losses included net recoveries in *Asia* and *Europe*, net write-offs in the *U.S.* and increases in the allowance for loan losses. The allowance reflected an increase in *Japan,* and changes in the application of environmental factors for all regions. Net credit recoveries were (0.02%) of average loans outstanding in both 2005 and 2004.

Client business volumes increased $2 billion in 2005, as a decline of $14 billion in *Japan* was offset by growth of $16 billion, or 8%, in other regions. Growth was led by an increase of $3 billion in custody assets, which were higher in the *U.S.* and *Latin America*, offsetting the decline in *Japan*. Assets managed on a fee-basis were flat due to the decline in *Japan*, offset predominantly by the impact of positive net flows in the *U.S.* Investment finance volumes were flat, reflecting the decline in *Japan* offset by growth in real-estate-secured loans in the *U.S.* Banking and fiduciary deposits decreased $1 billion, with double-digit growth in *Asia* and *Europe* offset by the decline in *Japan.*

GLOBAL WEALTH MANAGEMENT OUTLOOK

Certain of the statements below are forward-looking statements within the meaning of the Private Securities Litigation Reform Act. See Forward-Looking Statements on page 97.

Global Wealth Management is affected by the levels of activity in the capital markets, which are influenced by macro-economic and political developments, among other factors. Global economic and market events can have both positive and negative effects on the revenue and credit performance of the businesses.

Smith Barney In 2007, *Smith Barney* expects to see continued asset and revenue growth resulting from the 2006 investments in its wealth management platform, as well as from the acquisition of the Quilter private client business from Morgan Stanley.

Investments are expected to continue in 2007 and will include additional initiatives intended to improve our client and Financial Advisor experience, significant resources allocated to *Smith Barney s* partnership with the U.S. Consumer business, continued investment in the advisory platform, and continued increases in Financial Advisor hiring.

In *Citigroup Investment Research*, major initiatives include expanding client relationships, broadening research coverage in emerging markets, differentiating research product and service and continuing productivity improvements.

Private Bank Leveraging Citigroup s onshore and institutional capabilities, the Private Bank is building onshore franchises focused on wealth-creating individuals in key markets such as the U.S., the U.K., India and Brazil.

In 2007, the Private Bank expects growth in both annuity and transactional revenue across the product set, from investments to capital raising. In addition, investments in origination, product and onshore market build-outs are expected to have a positive impact on 2007 net income growth.

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ALTERNATIVE INVESTMENTS

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

In millions of dollars	**2006**	2005	2004	**% Change 2006 vs. 2005**	% Change 2005 vs. 2004
Net interest revenue	**$ 259**	$ 261	$ 298	**(1)%**	(12)%
Non-interest revenue	**2,642**	3,169	1,405	**(17)**	NM
Total revenues, net of interest expense	**$ 2,901**	$ 3,430	$ 1,703	**(15)%**	NM
Net realized and net change in unrealized gains	**$ 2,107**	$ 2,582	$ 1,039	**(18)%**	NM
Fees, dividends and interest	**449**	509	269	**(12)**	89%
Other	**(118)**	(1)	122	**NM**	NM
Total proprietary investment activities revenues	**$ 2,438**	$ 3,090	$ 1,430	**(21)%**	NM
Client revenues [1]	**463**	340	273	**36**	25%
Total revenues, net of interest expense	**$ 2,901**	$ 3,430	$ 1,703	**(15)%**	NM
Operating expenses	**763**	633	462	**21**	37%
Provision for loan losses	**(13)**	(2)		**NM**	
Income before taxes and minority interest	**$ 2,151**	$ 2,799	$ 1,241	**(23)%**	NM
Income taxes	**$ 706**	$ 950	$ 398	**(26)%**	NM
Minority interest, net of taxes	**169**	412	75	**(59)**	NM
Net income	**$ 1,276**	$ 1,437	$ 768	**(11)%**	87%
Revenue by product:					
Client [1]	**$ 463**	$ 340	$ 273	**36%**	25%
Private Equity	**$ 1,743**	$ 2,563	$ 1,324	**(32)%**	94%
Hedge Funds	**211**	69	12	**NM**	NM
Other	**484**	458	94	**6**	NM
Proprietary	**$ 2,438**	$ 3,090	$ 1,430	**(21)%**	NM
Total	**$ 2,901**	$ 3,430	$ 1,703	**(15)%**	NM
Average risk capital [2]	**$ 4,171**	$ 4,264	$ 3,669	**(2)%**	16%
Return on risk capital [2]	**31%**	34%	21%		
Return on invested capital [2]	**27%**	31%	19%		
Key indicators: *(in billions of dollars)*					
Capital under management:					
Client	**$ 38.5**	$ 25.4	$ 20.4	**52%**	25%
Proprietary	**10.7**	12.2	8.1	**(12)**	51
Total	**$ 49.2**	$ 37.6	$ 28.5	**31%**	32%

(1) Includes fee income. Prior to 2005, revenue was reported net of profit sharing (profit sharing was reflected in the internal Citigroup distributor s revenues).
(2) See footnote 6 to the table on page 3.
NM Not meaningful.

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The *Proprietary Portfolio* of Alternative Investments consists of private equity, single- and multi-manager hedge funds, real estate and Legg Mason, Inc. (Legg Mason) preferred shares. Private equity, which constitutes the largest proprietary investments on both a direct and indirect basis, is in the form of equity and mezzanine debt financing in companies across a broad range of industries worldwide, including investments in developing economies. Such investments include Citigroup Venture Capital International Brazil, LP (CVC/Brazil, formerly CVC/Opportunity Equity Partners, LP), which has invested primarily in companies privatized by the government of Brazil in the mid-1990s.

The *Client Portfolio* is comprised of single- and multi-manager hedge funds, real estate, managed futures, private equity, and a variety of leveraged fixed income products (credit structures). Products are distributed to investors directly by AI and through Citigroup s *Private Bank* and *Smith Barney* businesses. Revenue includes management and performance fees earned on the portfolio. Prior to 2005, the pretax profits from managing capital on behalf of Global Wealth Management clients were recorded in the respective Citigroup distributor s income statement as a component of revenues.

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.* Certain private equity investments in companies located in developing economies that are not held in investment company subsidiaries are either carried at cost or accounted for by the equity method, with unrealized losses recognized in income for other-than-temporary declines in value. Investments classified as available-for-sale are carried at fair value with the net change in unrealized gains and losses recorded in equity as Accumulated other comprehensive income. All other investment activities are primarily carried at fair value, with the net change in unrealized gains and losses recorded in income.

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 Legg Mason equity securities are classified on Citigroup s Consolidated Balance Sheet as Investments (available-for-sale).

* This is a forward-looking statement within the meaning of the Private Securities Litigation Reform Act. See Forward-Looking Statements on page 97.

Legg Mason Equity Securities

Company	Type of Ownership	Shares owned on December 31, 2006	Sale Restriction	Market Value as of December 31, 2006 *($ millions)*	Pretax Unrealized Gains (Losses) as of December 31, 2006 *($ millions)*
Legg Mason, Inc.	Non-voting convertible preferred stock representing approximately 5.9% ownership	8.4 shares (convertible into 8.4 million shares of common stock upon sale to non-affiliate)	Subsequent to December 1, 2006, all 8.4 shares may be sold publicly at any time.	$797	$(232)
Total				**$797**	**$(232)**

2006 vs. 2005

Total proprietary revenues, net of interest expense, were comprised of revenues from private equity of $1.7 billion, other investment activity of $484 million and hedge funds of $211 million. Private equity revenue declined $820 million from 2005, primarily driven by the absence of prior-year gains from the sale of portfolio assets. Other investment activities revenue increased $26 million from 2005, largely due to realized gains from the liquidation of Citigroup s investment in MetLife shares and real estate investment returns, partially offset by lower realized gains from the sale of Citigroup s investment in St. Paul shares. Hedge fund revenue increased $142 million, led by higher investment performance and an increased asset base. Client revenues increased $123 million, reflecting increased management and performance fees from a 39% growth in average client capital under management.

Operating expenses in 2006 increased from 2005, primarily due to higher employee-related expenses including the impact of SFAS 123(R).

Minority interest, net of taxes, declined on the absence of prior-year private equity gains related to underlying investments held by consolidated majority-owned legal entities. The impact of minority interest is reflected in fees, dividends, and interest, and net realized and net change in unrealized gains/(losses) consistent with proceeds received by minority interests.

Proprietary capital under management declined $1.5 billion, primarily driven by the sale of Citigroup s remaining holdings of St. Paul and MetLife shares and the partial sell-down of Legg Mason shares in the first quarter of 2006, which were partially offset by investments in private equity and hedge funds.

Client capital under management increased $13.1 billion due to inflows from institutional and high-net-worth clients in private equity, real estate and hedge funds.

2005 vs. 2004

Total proprietary revenues, net of interest expense, were comprised of revenues from private equity of $2.6 billion, other investment activity of $458 million and hedge funds of $69 million. Private equity revenue increased $1.2 billion, primarily driven by gains realized through the sale of portfolio investments. Other investment activities revenue increased $364 million, due to realized gains from the sale of a portion of Citigroup s investment in St. Paul shares, while hedge fund revenue increased $57 million due to a higher net change in unrealized gains on a substantially increased asset base. Client revenues increased $67 million, reflecting increased management fees from 25% growth in client capital under management.

Operating expenses increased due primarily to increased performance-driven compensation and higher investment spending in hedge funds and real estate.

Minority interest, net of tax, increased, primarily due to private equity gains related to underlying investments held by consolidated legal entities. The impact of minority interest is reflected in fees, dividends, and interest, and net realized gains/(losses) consistent with cash proceeds received by minority interest.

Proprietary capital under management increased $4.1 billion, primarily driven by the MetLife and Legg Mason shares acquired during 2005, as well as the funding of proprietary investments in hedge funds and real estate, partially offset by the sale of a portion of Citigroup s holdings of St. Paul shares.

Client capital under management increased $5.0 billion due to inflows from institutional and high-net-worth clients, and the inclusion of $1.4 billion in assets for the former Travelers Life & Annuities business, following the July 1, 2005 sale to MetLife.

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CORPORATE/OTHER

Corporate/Other includes net treasury results, unallocated corporate expenses, offsets to certain line-item reclassifications reported in the business segments (intersegment eliminations), the results of discontinued operations, the cumulative effect of accounting change and unallocated taxes.

In millions of dollars	**2006**	2005	2004
Net interest revenue	**$ (486)**	$ (342)	$ (173)
Non-interest revenue	**(463)**	(238)	(97)
Revenues, net of interest expense	**$ (949)**	$ (580)	$ (270)
Operating expenses	**200**	383	(27)
Provisions for loan losses and for benefits and claims	**6**	(2)	
Income (loss) from continuing operations before taxes and minority interest and cumulative effect of accounting change	**$ (1,155)**	$ (961)	$ (243)
Income tax benefits	**(502)**	(309)	(281)
Minority interest, net of taxes	**1**	15	(10)
Income (loss) from continuing operations before cumulative effect of accounting change	**$ (654)**	$ (667)	$ 48
Income from discontinued operations	**289**	4,832	992
Cumulative effect of accounting change		(49)	
Net income (loss)	**$ (365)**	$ 4,116	$ 1,040

2006 vs. 2005

Revenues, net of interest expense, declined primarily due to lower intersegment eliminations.

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

Income tax benefits increased due to a higher pretax loss in the current year, a tax reserve release of $61 million relating to the resolution of the Federal Tax Audit and a release of $8 million relating to the resolution of the New York Tax Audits.

Discontinued operations represent the operations in the Company s Sale of the Asset Management Business and the Sale of the Life Insurance and Annuities Business. For 2006, income from discontinued operations included gains and tax benefits relating to the final settlement of the Life Insurance and Annuities and Asset Management Sale Transactions and a gain from the Sale of the Asset Management Business in Poland. Tax benefits included a tax reserve release of $59 million relating to the resolution of the Federal Tax Audit and a tax benefit of $17 million related to the resolution of the New York Tax Audits. See Note 3 to the Consolidated Financial Statements on page 118.

2005 vs. 2004

Revenues, net of interest expense, decreased, primarily due to the absence of the prior-year gain on the sale of EFS and lower treasury results, partially offset by higher intersegment eliminations. Higher short-term interest rates, partially offset by lower funding balances, drove a decline in treasury results.

Operating expenses increased, primarily due to higher intersegment eliminations and unallocated employee-related costs, increased staffing and technology costs, and increased Citigroup Foundation contributions. These were partially offset by a reserve release associated with the shutdown of the Private Bank in Japan.

Income tax benefits increased, due to the higher pretax loss in 2005, offset by the $147 million tax reserve release due to the closing of a tax audit in 2004.

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 2005, income from discontinued operations included a $2.082 billion, after-tax gain from the

Sale of the Asset Management Business, as well as a $2.120 billion, after-tax gain from the Sale of the Life Insurance and Annuities Business. See Note 3 to the Consolidated Financial Statements on page 118.

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RISK FACTORS

The following discussion sets forth certain risks that the Company believes could cause its actual future results to differ materially from expected results.

Economic conditions. The profitability of Citigroup s businesses may be affected by global and local economic conditions, such as the liquidity of the global financial markets, the level and volatility of interest rates and equity prices, investor sentiment, inflation, and the availability and cost of credit.

The Company generally maintains large trading portfolios in the fixed income, currency, commodity and equity markets and has significant investment positions, including investments held by its private equity business. The revenues derived from these portfolios are directly affected by economic conditions.

The credit quality of Citigroup s on-balance sheet assets and off-balance sheet exposures is also affected by economic conditions, as more loan delinquencies would likely result in a higher level of charge-offs and increased provisions for credit losses, adversely affecting the Company s earnings. The Company s consumer businesses are particularly affected by factors such as prevailing interest rates, the rate of unemployment, the level of consumer confidence, changes in consumer spending and the number of personal bankruptcies.

Credit, market and liquidity risk. As discussed above, the Company s earnings may be impacted through its market risk and credit risk positions and by changes in economic conditions. In addition, Citigroup s earnings are dependent upon the extent to which management can successfully manage its positions within the global markets. In particular environments, the Company may not be able to mitigate its risk exposures as effectively as desired, and may have unwanted exposures to certain risk factors.

The Company s earnings are also dependent upon its ability to properly value financial instruments. In certain illiquid markets, judgmental estimates of value may be required. The Company s earnings are also dependent upon how effectively it assesses the cost of credit and manages its portfolio of risk concentrations. In addition to the direct impact of the successful management of these risk factors, management effectiveness is taken into consideration by the rating agencies, which determine the Company s own credit ratings and thereby affect the Company s cost of funds.

Competition. Merger activity in the financial services industry has produced companies that are capable of offering a wide array of financial products and services at competitive prices. Globalization of the capital markets and financial services industries exposes Citigroup to competition both at the global and local level. In addition, technological advances and the growth of e-commerce have made it possible for non-depository institutions to offer products and services that traditionally were banking products. Citigroup s ability to grow its businesses, and therefore its earnings, is affected by these competitive pressures.

Country risk. Citigroup s international revenues are subject to risk of loss from unfavorable political and diplomatic developments, currency fluctuations, social instability, and changes in governmental policies, including expropriation, nationalization, international ownership legislation, interest rate caps and tax policies. In addition, revenues from the trading of international securities and investment in international securities may be subject to negative fluctuations as a result of the above factors. The impact of these fluctuations could be accentuated because certain international trading markets, particularly those in emerging market

countries, are typically smaller, less liquid and more volatile than U.S. trading markets.

For geographic distributions of net income, see page 17. For a discussion of international loans, see Note 16 to the Consolidated Financial Statements on page 136 and Country and Cross-Border Risk Management Process on page 76.

Operational risk. Citigroup is exposed to many types of operational risk, including the risk of fraud by employees and outsiders, clerical and record-keeping errors, and computer/telecommunications systems malfunctions. Given the high volume of transactions at Citigroup, certain errors may be repeated or compounded before they are discovered and rectified. In addition, the Company s necessary dependence upon automated systems to record and process its transaction volume may further increase the risk that technical system flaws or employee tampering or manipulation of those systems will result in losses that are difficult to detect. The Company may also be subject to disruptions of its operating systems arising from events that are wholly or partially beyond its control (for example, natural disasters, acts of terrorism, epidemics, computer viruses, and electrical/ telecommunications outages), which may give rise to losses in service to customers and/or monetary loss to the Company. All of these risks are also applicable where the Company relies on outside vendors to provide services to it and its customers.

U.S. fiscal policies. The Company s businesses and earnings are affected by the fiscal policies adopted by regulatory authorities of the United States. For example, in the United States, policies of the Federal Reserve Board directly influence the rate of interest paid by commercial banks on their interest-bearing deposits and also may affect the value of financial instruments held by the Company. In addition, such changes in fiscal policy may affect the credit quality of the Company s customers. The actions of the Federal Reserve Board directly impact the Company s cost of funds for lending, capital raising and investment activities.

Reputational and legal risk. Various issues may give rise to reputational risk and cause harm to the Company and its business prospects. These issues include appropriately dealing with potential conflicts of interest; legal and regulatory requirements; ethical issues; money laundering laws; privacy laws; information security policies; sales and trading practices; and conduct by companies in which we hold strategic investments or joint venture partners. Failure to address these issues appropriately could also give rise to additional legal risk to the Company, which could increase the number of litigation claims and the amount of damages asserted against the Company, or subject the Company to regulatory enforcement actions, fines and penalties.

Certain regulatory considerations. As a worldwide business, Citigroup and its subsidiaries are subject to extensive regulation, new legislation and changing accounting standards and interpretations thereof. Legislation is introduced, including tax consumer protection, privacy and other legislation, from time to time in Congress, in the states and in foreign jurisdictions that may change banking and financial services laws and the operating environment of the Company and its subsidiaries in substantial and unpredictable ways. The Company cannot determine whether such legislation will be enacted and the ultimate effect that would have on the Company s results.

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MANAGING GLOBAL RISK

Citigroup s risk management framework balances strong corporate oversight with well-defined independent risk management functions within each business.

The Citigroup Senior Risk Officer is responsible for:

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

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

RISK CAPITAL

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

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

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

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

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

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

- Credit risk losses primarily result from a borrower s or counterparty s inability to meet its obligations.
- Market risk losses arise from fluctuations in the market value of trading and non-trading positions, including changes in value resulting from fluctuations in rates.
- Operational risk losses result from inadequate or failed internal processes, people, systems or from external events.

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

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

In billions of dollars	**Dec. 31, 2006**	Dec. 31, 2005
Credit risk	**$ 36.7**	$ 36.2
Market risk	**21.5**	13.6
Operational risk	**8.0**	8.1
Intersector diversification (1)	**(6.4)**	(4.7)
Total Citigroup	**$ 59.8**	$ 53.2
Return on risk capital	**38%**	37%
Return on invested capital	**19%**	22%

(1) Reduction in risk from diversification between sectors.

The increase in Citigroup s risk capital from December 31, 2005 was primarily driven by portfolio growth, particularly in *U.S. Consumer Lending* and CIB, as well as the year-end methodology update. Average risk capital, return on risk capital and return on invested capital are provided for each segment and product and are disclosed on pages 40 74. The increase in average risk capital in 2006 was driven by increases across Citigroup businesses. The $700 million, or 39%, increase in *U.S. Commercial Business* and the $650 million, or 22%, increase in *U.S. Retail Distribution* were driven by refinements in risk capital methodologies. The $1.5 billion, or 46%, increase in *U.S. Consumer Lending* was primarily due to portfolio growth and refinements in risk capital methodologies. The $350 million, or 17%, increase in *International Cards* was primarily due to portfolio growth. The $250 million, or 29%, increase in *International Consumer Finance* and the $650 million, or 67%, increase in *Smith Barney* were primarily due to refinements in the risk capital methodologies.

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Citigroup updates risk capital methodologies in the first quarter of each year. For 2007, Citigroup will be updating the methodologies for market risk for proprietary investments, the implementation of SFAS 158 and operational risk. To evaluate the impact of the refinements, risk capital as of year-end is calculated under both existing and revised methodologies. Measured under the revised methodologies, the total risk capital as of December 31, 2006 is $63.1 billion, $3.3 billion, or 5%, higher than the $59.8 billion reported under the legacy methodology. RORC and ROIC for the 2007 first quarter will be measured using average risk capital based on the revised methodologies.

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.

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LOANS OUTSTANDING

In millions of dollars at year end	**2006**	2005	2004	2003	2002
Consumer loans					
In U.S. offices:					
Mortgage and real estate	**$ 225,944**	$ 192,108	$ 161,832	$ 129,507	$ 121,178
Installment, revolving credit, and other	**131,399**	127,789	134,784	136,725	113,620
Lease financing	**4,743**	5,095	6,030	8,523	12,027
	$ 362,086	$ 324,992	$ 302,646	$ 274,755	$ 246,825
In offices outside the U.S.:					
Mortgage and real estate	**$ 44,457**	$ 39,619	$ 39,601	$ 28,743	$ 26,564
Installment, revolving credit, and other [1]	**105,393**	89,559	92,647	76,037	64,817
Lease financing	**960**	866	1,619	2,216	2,123
	$ 150,810	$ 130,044	$ 133,867	$ 106,996	$ 93,504
	$ 512,896	$ 455,036	$ 436,513	$ 381,751	$ 340,329
Unearned income [1]	**25**	(416)	(1,287)	(1,819)	(2,648)
Consumer loans net	**$ 512,921**	$ 454,620	$ 435,226	$ 379,932	$ 337,681
Corporate loans					
In U.S. offices:					
Commercial and industrial	**$ 27,437**	$ 22,081	$ 14,437	$ 15,207	$ 22,041
Lease financing	**2,101**	1,952	1,879	2,010	2,017
Mortgage and real estate	**168**	29	100	95	2,573
	$ 29,706	$ 24,062	$ 16,416	$ 17,312	$ 26,631
In offices outside the U.S.:					
Commercial and industrial	**$ 105,872**	$ 80,116	$ 77,052	$ 62,884	$ 67,456
Mortgage and real estate	**5,334**	5,206	3,928	1,751	1,885
Loans to financial institutions	**21,827**	16,889	12,921	12,063	8,583
Lease financing	**2,024**	2,082	2,485	2,859	2,784
Governments and official institutions	**1,857**	882	1,100	1,496	3,081
	$ 136,914	$ 105,175	$ 97,486	$ 81,053	$ 83,789
	$ 166,620	$ 129,237	$ 113,902	$ 98,365	$ 110,420
Unearned income	**(349)**	(354)	(299)	(291)	(296)
Corporate loans net	**$ 166,271**	$ 128,883	$ 113,603	$ 98,074	$ 110,124
Total loans net of unearned income	**$ 679,192**	$ 583,503	$ 548,829	$ 478,006	$ 447,805
Allowance for loan losses on drawn exposures	**(8,940)**	(9,782)	(11,269)	(12,643)	(11,101)
Total loans net of unearned income and allowance for credit losses	**$ 670,252**	$ 573,721	$ 537,560	$ 465,363	$ 436,704
Allowance for loan losses as a percentage of total loans net of unearned income	**1.32%**	1.68%	2.05%	2.64%	2.48%

(1) Reclassified to conform to current year s presentation.

OTHER REAL ESTATE OWNED AND OTHER REPOSSESSED ASSETS

In millions of dollars at year end	**2006**	2005	2004	2003	2002
Other real estate owned [1]					
Consumer	**$ 385**	$ 279	$ 320	$ 437	$ 495
Corporate	**316**	150	126	105	75
Total other real estate owned	**$ 701**	$ 429	$ 446	$ 542	$ 570
Other repossessed assets [2]	**$ 75**	$ 62	$ 93	$ 151	$ 230

(1) Represents repossessed real estate, carried at lower of cost or fair value, less costs to sell.
(2) Primarily commercial transportation equipment and manufactured housing, carried at lower of cost or fair value, less costs to sell.

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DETAILS OF CREDIT LOSS EXPERIENCE

In millions of dollars at year end	**2006**	2005	2004	2003	2002
Allowance for loan losses at beginning of year	**$ 9,782**	$ 11,269	$ 12,643	$ 11,101	$ 9,688
Provision for loan losses					
Consumer	**$ 6,636**	$ 8,224	$ 7,205	$ 7,316	$ 7,714
Corporate	**102**	(295)	(972)	730	2,281
	$ 6,738	$ 7,929	$ 6,233	$ 8,046	$ 9,995
Gross credit losses					
Consumer (1)					
In U.S. offices	**$ 4,510**	$ 5,922	$ 6,937	$ 5,783	$ 5,826
In offices outside the U.S.	**4,717**	4,664	3,304	3,270	2,865
Corporate					
Mortgage and real estate					
In U.S. offices					5
In offices outside the U.S.	**1**		6	27	23
Governments and official institutions outside the U.S.				111	
Loans to financial institutions					
In U.S. offices					
In offices outside the U.S.	**6**	10	3	13	4
Commercial and industrial					
In U.S. offices	**85**	78	52	383	825
In offices outside the U.S.	**222**	287	571	939	1,018
	$ 9,541	$ 10,961	$ 10,873	$ 10,526	$ 10,566
Credit recoveries					
Consumer (1)					
In U.S. offices	**$ 691**	$ 1,061	$ 1,079	$ 763	$ 729
In offices outside the U.S.	**1,274**	842	691	735	510
Corporate (2)					
Mortgage and real estate					
In U.S. offices	**1**				1
In offices outside the U.S.	**18**	5	3	1	
Governments and official institutions outside the U.S.	**7**	55	1		2
Loans to financial institutions					
In U.S. offices			6		
In offices outside the U.S.	**4**	15	35	12	6
Commercial and industrial					
In U.S. offices	**20**	104	100	34	147
In offices outside the U.S.	**182**	473	357	215	168
	$ 2,197	$ 2,555	$ 2,272	$ 1,760	$ 1,563
Net credit losses					
In U.S. offices	**$ 3,883**	$ 4,835	$ 5,804	$ 5,369	$ 5,779
In offices outside the U.S.	**3,461**	3,571	2,797	3,397	3,224
Total	**$ 7,344**	$ 8,406	$ 8,601	$ 8,766	$ 9,003
Other net (3)	**$ (236)**	$ (1,010)	$ 994	$ 2,262	$ 421
Allowance for loan losses at end of year	**$ 8,940**	$ 9,782	$ 11,269	$ 12,643	$ 11,101
Allowance for unfunded lending commitments (4)	**$ 1,100**	$ 850	$ 600	$ 600	$ 567
Total allowance for loans, leases and unfunded lending commitments	**$ 10,040**	$ 10,632	$ 11,869	$ 13,243	$ 11,668
Net consumer credit losses	**$ 7,262**	$ 8,683	$ 8,471	$ 7,555	$ 7,452
As a percentage of average consumer loans	**1.52%**	2.01%	2.13%	2.22%	2.55%
Net corporate credit losses/(recoveries)	**$ 82**	$ (277)	$ 130	$ 1,211	$ 1,551
As a percentage of average corporate loans	**0.05%**	NM	0.11%	1.17%	1.44%

(1) Consumer credit losses and recoveries primarily relate to revolving credit and installment loans.
(2) Amounts in 2003 and 2002 include $12 million (through the 2003 third quarter) and $114 million, respectively, of collections from credit default swaps purchased from third parties. From the 2003 fourth quarter forward, collections from credit default swaps are included within Principal Transactions on the Consolidated Statement of Income.
(3)

2006 primarily includes reductions to the loan loss reserve of $429 million related to securitizations and portfolio sales and the addition of $84 million related to the acquisition of the CrediCard portfolio. 2005 primarily includes reductions to the loan loss reserve of $584 million related to securitizations and portfolio sales, a reduction of $110 million related to purchase accounting adjustments from the KorAm acquisition, and a reduction of $90 million from the sale of CitiCapital s transportation portfolio. 2004 primarily includes the addition of $715 million of loan loss reserves related to the acquisition of KorAm and the addition of $148 million of loan loss reserves related to the acquisition of WMF. 2003 primarily includes the addition of $2.1 billion of loan loss reserves related to the acquisition of the Sears credit card business. 2002 primarily includes the addition of $452 million of loan loss reserves related to the acquisition of Golden State Bancorp (GSB).

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

NM Not meaningful.

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CASH-BASIS, RENEGOTIATED, AND PAST DUE LOANS

In millions of dollars at year end	**2006**	2005	2004	2003	2002
Corporate cash-basis loans [(1)]					
Collateral dependent (at lower of cost or collateral value) [(2)]	**$ 19**	$ 6	$ 7	$ 8	$ 64
Other	**516**	998	1,899	3,411	3,931
Total	**$ 535**	$ 1,004	$ 1,906	$ 3,419	$ 3,995
Corporate cash-basis loans [(1)]					
In U.S. offices	**$ 128**	$ 81	$ 254	$ 640	$ 887
In offices outside the U.S.	**407**	923	1,652	2,779	3,108
Total	**$ 535**	$ 1,004	$ 1,906	$ 3,419	$ 3,995
Renegotiated loans (includes Corporate and Commercial Business Loans)					
In U.S. offices	**$ 4**	$ 22	$ 63	$ 107	$ 115
In offices outside the U.S.	**18**	10	20	33	55
Total	**$ 22**	$ 32	$ 83	$ 140	$ 170
Consumer loans on which accrual of interest had been suspended [(3)]					
In U.S. offices	**$ 2,490**	$ 2,307	$ 2,485	$ 3,127	$ 3,114
In offices outside the U.S.	**2,022**	1,713	2,978	2,958	2,792
Total	**$ 4,512**	$ 4,020	$ 5,463	$ 6,085	$ 5,906
Accruing loans 90 or more days delinquent [(4)] [(5)]					
In U.S. offices	**$ 2,260**	$ 2,886	$ 3,153	$ 3,298	$ 2,639
In offices outside the U.S.	**524**	391	401	576	447
Total	**$ 2,784**	$ 3,277	$ 3,554	$ 3,874	$ 3,086

(1) Excludes purchased distressed loans as they are accreting interest in accordance with Statement of Position 03-3, Accounting for Certain Loans on Debt Securities Acquired in a Transfer (SOP 03-3). Prior to 2004, these loans were classified with other assets. The carrying value of these loans was $949 million at December 31, 2006, $1,120 million at December 31, 2005 and $1,213 million at December 31, 2004. Prior to 2004, the balances were immaterial.
(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) From December 31, 2005 forward, balance includes the impact of the change in the *EMEA* Consumer Write-Off Policy.
(4) The December 31, 2004 balance includes the PRMI data. The December 31, 2003 balance includes the Sears and Home Depot data. The December 31, 2002 balance includes GSB data.
(5) Substantially comprised of consumer loans of which $1.436 billion, $1.591 billion, $1.867 billion, $1.643 billion, and $1.764 billion are government-guaranteed student loans and Federal Housing Authority mortgages at December 31, 2006, 2005, 2004, 2003, and 2002, respectively.

FOREGONE INTEREST REVENUE ON LOANS [(1)]

	In U.S.	**In non-U.S.**	**2006**
In millions of dollars	**offices**	**offices**	**total**
Interest revenue that would have been accrued at original contractual rates [(2)]	$ 253	$ 415	**$ 668**
Amount recognized as interest revenue [(2)]	37	168	**205**
Foregone interest revenue	$ 216	$ 247	**$ 463**

(1) Relates to corporate cash-basis, renegotiated loans and consumer loans on which accrual of interest had been suspended.
(2) Interest revenue in offices outside the U.S. may reflect prevailing local interest rates, including the effects of inflation and monetary correction in certain countries.

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CONSUMER CREDIT RISK

Within Global Consumer, independent credit risk management is responsible for establishing the Global Consumer Credit Policy, approving business-specific policies and procedures, monitoring business risk management performance, providing ongoing assessment of portfolio credit risk, and approving new products and new risks.

Approval policies for a product or business are tailored to internal audit ratings, profitability, and credit risk portfolio performance.

CONSUMER PORTFOLIO REVIEW

Citigroup s consumer loan portfolio is well diversified by both product and location.

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

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

The following table summarizes delinquency and net credit loss experience in both the managed and on-balance sheet consumer loan portfolios. The managed loan portfolio includes held-for-sale and securitized credit card receivables. 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 22 to the Consolidated Financial Statements on page 143.

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Consumer Loan Delinquency Amounts, Net Credit Losses, and Ratios

In millions of dollars, except total and average loan amounts in billions	**Total loans**	**90 days or more past due (1)**			**Average loans**	**Net credit losses (1)**		
Product View:	**2006**	**2006**	2005	2004	**2006**	**2006**	2005	2004
U.S.:								
U.S. Cards	**$ 44.5**	**$ 718**	$ 1,161	$ 1,271	**$ 42.3**	**$ 1,788**	$ 2,737	$ 3,526
Ratio		**1.61%**	2.56%	2.25%		**4.23%**	5.83%	6.30%
U.S. Retail Distribution	**48.3**	**834**	818	814	**44.4**	**1,186**	1,404	1,330
Ratio		**1.73%**	1.94%	2.06%		**2.67%**	3.48%	3.51%
U.S. Consumer Lending	**211.4**	**2,870**	2,624	2,888	**198.5**	**787**	673	809
Ratio		**1.36%**	1.45%	1.86%		**0.40%**	0.40%	0.58%
U.S. Commercial Business	**36.3**	**149**	155	188	**34.9**	**57**	48	198
Ratio		**0.41%**	0.46%	0.58%		**0.16%**	0.15%	0.62%
International:								
International Cards	**31.0**	**709**	469	345	**26.9**	**1,300**	667	613
Ratio		**2.29%**	1.95%	1.61%		**4.84%**	2.97%	3.33%
International Consumer Finance	**25.1**	**608**	442	494	**23.8**	**1,411**	1,284	1,386
Ratio		**2.43%**	2.03%	2.13%		**5.92%**	5.75%	6.36%
International Retail Banking	**68.7**	**667**	779	2,086	**64.1**	**737**	1,882	615
Ratio		**0.97%**	1.29%	3.36%		**1.15%**	3.05%	1.15%
Private Bank (2)	**43.0**	**21**	79	127	**40.3**	**(4)**	(8)	(5)
Ratio		**0.05%**	0.20%	0.33%		**(0.01)%**	(0.02)%	(0.02)%
Other Consumer Loans	**2.5**		47		**2.2**		(4)	(1)
On-Balance Sheet Loans (3)	**$ 510.8**	**$ 6,576**	$ 6,574	$ 8,213	**$ 477.4**	**$ 7,262**	$ 8,683	$ 8,471
Ratio		**1.29%**	1.46%	1.91%		**1.52%**	2.01%	2.13%
Securitized receivables (all in *U.S. Cards*)	**$ 99.5**	**$ 1,616**	$ 1,314	$ 1,296	**$ 96.4**	**$ 3,985**	$ 5,326	$ 4,865
Credit card receivables held-for-sale (4)				32	**0.3**	**5**	28	214
Managed Loans (5)	**$ 610.3**	**$ 8,192**	$ 7,888	$ 9,541	**$ 574.1**	**$ 11,252**	$ 14,037	$ 13,550
Ratio		**1.34%**	1.44%	1.84%		**1.96%**	2.69%	2.84%
Regional View:								
U.S.	**$ 370.9**	**$ 4,584**	$ 4,857	$ 5,216	**$ 348.4**	**$ 3,820**	$ 4,860	$ 5,862
Ratio		**1.24%**	1.47%	1.70%		**1.10%**	1.56%	2.05%
Mexico	**16.5**	**625**	624	563	**15.3**	**511**	284	100
Ratio		**3.78%**	4.21%	4.65%		**3.34%**	2.13%	0.95%
EMEA	**43.6**	**574**	499	1,785	**39.7**	**1,065**	2,132	877
Ratio		**1.32%**	1.39%	4.44%		**2.68%**	5.62%	2.40%
Japan	**11.3**	**235**	182	308	**11.7**	**1,033**	1,016	1,210
Ratio		**2.08%**	1.56%	1.91%		**8.83%**	7.43%	7.22%
Asia	**62.0**	**439**	376	309	**57.1**	**644**	404	413
Ratio		**0.71%**	0.70%	0.58%		**1.13%**	0.75%	0.93%
Latin America	**6.5**	**119**	36	32	**5.2**	**189**	(13)	9
Ratio		**1.84%**	0.93%	0.94%		**3.63%**	(0.38)%	0.30%
On-Balance Sheet Loans (3)	**$ 510.8**	**$ 6,576**	$ 6,574	$ 8,213	**$ 477.4**	**$ 7,262**	$ 8,683	$ 8,471
Ratio		**1.29%**	1.46%	1.91%		**1.52%**	2.01%	2.13%
Securitized receivables (all in *U.S. Cards*)	**$ 99.5**	**$ 1,616**	$ 1,314	$ 1,296	**$ 96.4**	**$ 3,985**	$ 5,326	$ 4,865
Credit card receivables held-for-sale (4)				32	**0.3**	**5**	28	214
Managed Loans (5)	**$ 610.3**	**$ 8,192**	$ 7,888	$ 9,541	**$ 574.1**	**$ 11,252**	$ 14,037	$ 13,550
Ratio		**1.34%**	1.44%	1.84%		**1.96%**	2.69%	2.84%

(1) The ratios of 90 days or more past due and net credit losses are calculated based on end-of-period and average loans, respectively, both net of unearned income.
(2) *Private Bank* results are reported as part of the Global Wealth Management segment.
(3) Total loans and total average loans exclude certain interest and fees on credit cards of approximately $2 billion and $3 billion, respectively, which are included in Consumer Loans on the Consolidated Balance Sheet.
(4) Included in Other Assets on the Consolidated Balance Sheet.
(5)

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 affected. 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 64.

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Consumer Loan Balances, Net of Unearned Income

In billions of dollars	End of period 2006	2005	2004	Average 2006	2005	2004
On-balance sheet [(1)]	**$ 510.8**	$ 450.6	$ 430.7	**$ 477.4**	$ 432.8	$ 396.9
Securitized receivables (all in *U.S. Cards*)	**99.5**	96.2	85.3	**96.4**	89.2	77.9
Credit card receivables held-for-sale [(2)]			2.5	**0.3**	0.4	3.1
Total managed [(3)]	**$ 610.3**	$ 546.8	$ 518.5	**$ 574.1**	$ 522.4	$ 477.9

(1) Total loans and total average loans exclude certain interest and fees on credit cards of approximately $2 billion and $3 billion, respectively for 2006, and $4 billion and $4 billion, respectively for 2005 and 2004, which are included in Consumer Loans on the Consolidated Balance Sheet.
(2) Included in Other Assets on the Consolidated Balance Sheet.
(3) This table presents loan information on a held basis and shows the impact of securitization to reconcile to a managed basis. Managed-basis reporting is a non-GAAP measure. Held-basis reporting is the related GAAP measure. See a discussion of managed-basis reporting on page 64.

Citigroup s total allowance for loans, leases and unfunded lending commitments of $10.040 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 $6.006 billion at December 31, 2006, $6.922 billion at December 31, 2005 and $8.379 billion at December 31, 2004. The decrease in the allowance for credit losses from December 31, 2005 of $916 million included:

- reserve releases, primarily related to a decline in bankruptcy filings due to the impact of the change in bankruptcy legislation on *U.S. Cards* in 2005, and stable credit conditions in the U.S. and internationally;
- $429 million of reductions related to securitizations and sales of portfolios in the *U.S. Cards* business;
- a $200 million release related to Hurricane Katrina.

Offsetting these reductions in the allowance for credit losses was the impact of reserve builds of $660 million, primarily related to increased reserves in *Mexico*; increased reserves in *Asia*, primarily related to industry-wide credit conditions in the Taiwan cards market; and increased reserves in *Japan* primarily related to the change in the operating environment in the consumer finance business, and the passage on December 13, 2006, of changes to Japan s consumer lending laws. The acquisition of the CrediCard portfolio increased the allowance for credit losses by $84 million in *Latin America*.

On-balance sheet consumer loans of $510.8 billion increased $60.2 billion, or 13%, from December 31, 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*. 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.

Consumer Credit Outlook

Consumer credit losses in 2007 are expected to moderately deteriorate from prior-year levels due to the following:

- Increased bankruptcy write-offs in *U.S. Cards* and *U.S. Retail Distribution*.
- Increased credit costs due to seasoning of the rapidly growing Home Equity portfolio in *U.S. Consumer Lending*.
- Increased credit costs in *International Cards*, *International Consumer Finance*, excluding *Japan*, and *International Retail Banking* as the growing portfolio in all businesses seasons, although the underlying credit environment in all businesses are forecast to remain stable.

In *International Consumer Finance Japan* the impact of the changes to consumer lending laws enacted in 2006 will continue to affect the credit environment.

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CORPORATE CREDIT RISK

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

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

The following table represents the corporate credit portfolio, before consideration of collateral, by maturity at December 31, 2006. The Corporate portfolio is broken out by direct outstandings (which include drawn loans, overdrafts, interbank placements, banker s acceptances, certain investment securities and leases) and unfunded commitments (which include unused commitments to lend, letters of credit and financial guarantees).

Corporate Credit Portfolio

In billions of dollars at December 31, 2006	**Due within 1 year**	**Greater than 1 year but within 5 years**	**Greater than 5 years**	**Total exposure**
Direct outstandings	$ 157	$ 74	$ 9	$ 240
Unfunded lending commitments	230	154	9	393
Total	**$ 387**	**$ 228**	**$ 18**	**$ 633**

In billions of dollars at December 31, 2005	**Due within 1 year**	**Greater than 1 year but within 5 years**	**Greater than 5 years**	**Total exposure**
Direct outstandings	$ 106	$ 56	$ 22	$ 184
Unfunded lending commitments	194	131	7	332
Total	**$ 300**	**$ 187**	**$ 29**	**$ 516**

Portfolio Mix

The corporate credit portfolio is geographically diverse across counterparty, industry and region. The following table shows direct outstandings and unfunded commitments by region:

	Dec. 31, 2006	Dec. 31, 2005
U.S.	**46%**	47%
EMEA	**29**	26
Japan	**2**	2
Asia	**14**	15
Latin America	**4**	4

Mexico	**5**	6
Total	**100%**	100%

The maintenance of accurate and consistent risk ratings across the corporate credit portfolio facilitates the comparison of credit exposure across all lines of business, geographic regions and products.

Obligor risk ratings reflect an estimated probability of default for an obligor, and are derived primarily through the use of statistical models (which are validated periodically), external rating agencies (under defined circumstances), or approved scoring methodologies. Facility risk ratings are assigned, using the obligor risk rating, and then factors that affect the loss-given-default of the facility such as support or collateral are taken into account.

Internal obligor ratings equivalent to BBB and above are considered investment-grade. Ratings below the equivalent of BBB are considered non-investment-grade.

The following table presents the corporate credit portfolio by facility risk rating at December 31, 2006 and 2005, as a percentage of the total portfolio:

	Direct outstandings and unfunded commitments	
	2006	2005
AAA/AA/A	**53%**	54%
BBB	**27**	29
BB/B	**18**	15
CCC or below	**1**	1
Unrated	**1**	1
Total	**100%**	100%

The corporate credit portfolio is diversified by industry, with a concentration only to the financial sector, including banks, other financial institutions, investment banks, and government and central banks. The following table shows the allocation of direct outstandings and unfunded commitments to industries as a percentage of the total Corporate portfolio:

	Direct outstandings and unfunded commitments	
	2006	2005
Banks	**9%**	7%
Government and central banks	**7**	8
Other financial institutions	**6**	8
Investment banks	**6**	5
Utilities	**6**	5
Insurance	**5**	4
Petroleum	**4**	5
Agriculture and food preparation	**4**	4
Telephone and cable	**3**	4
Industrial machinery and equipment	**3**	3
Metals	**3**	2
Autos	**2**	2
Freight transportation	**2**	2
Global information technology	**2**	2
Chemicals	**2**	2
Retail	**2**	2
Other industries (1)	**34**	35
Total	**100%**	100%

(1) Includes all other industries, none of which exceeds 2% of total outstandings.

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Credit Risk Mitigation

As part of its overall risk management activities, the Company uses credit derivatives and other risk mitigants to hedge portions of the credit risk in its portfolio, in addition to outright asset sales. The effect of these transactions is to transfer credit risk to credit worthy, independent third parties. Beginning in the 2003 fourth quarter, the results of the mark-to-market and any realized gains or losses on credit derivatives are reflected in the Principal Transactions line on the Consolidated Statement of Income. At December 31, 2006 and 2005, $93.0 billion and $40.7 billion, respectively, of credit risk exposure was economically hedged. Our expected loss model used in the calculation of our loan loss reserve does not include the favorable impact of credit derivatives and other risk mitigants. The reported amounts of direct outstandings and unfunded commitments in this report do not reflect the impact of these hedging transactions. At December 31, 2006 and 2005, the credit protection was economically hedging underlying credit exposure with the following risk rating distribution:

Rating of Hedged Exposure

	2006	2005
AAA/AA/A	**49%**	48%
BBB	**41**	43
BB/B	**10**	6
CCC or below		3
Total	**100%**	100%

At December 31, 2006 and 2005, the credit protection was economically hedging underlying credit exposure with the following industry distribution:

Industry of Hedged Exposure

	2006	2005
Utilities	**10%**	10%
Telephone and cable	**9**	8
Agriculture and food preparation	**7**	7
Petroleum	**6**	6
Autos	**5**	7
Other financial institutions	**5**	6
Retail	**5**	4
Industrial machinery and equipment	**4**	5
Chemicals	**4**	4
Pharmaceuticals	**4**	4
Insurance	**4**	4
Natural gas distribution	**3**	5
Airlines	**3**	4
Global information technology	**3**	3
Metals	**3**	3
Investment banks	**3**	3
Business services	**3**	2
Forest products	**2**	3
Banks	**2**	2
Freight transportation	**2**	2
Entertainment	**2**	2
Other industries (1)	**11**	6
Total	**100%**	100%

(1) Includes all other industries, none of which is greater than 2% of the total hedged amount.

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, investment banks, governments and central banks, and other financial institutions.

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

For asset/liability management hedges, 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 December 31, 2006 and December 31, 2005. See Note 23 to the Consolidated Financial Statements on page 148 for a discussion regarding the accounting for derivatives.

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CITIGROUP DERIVATIVES

Notionals [1]

In millions of dollars As of December 31	Trading Derivatives [2] 2006	2005	Asset/Liability Management Hedges [3] 2006	2005
Interest rate contracts				
Swaps	**$ 14,196,404**	$ 12,677,814	**$ 561,376**	$ 403,576
Futures and forwards	**1,824,205**	2,090,844	**75,374**	18,425
Written options	**3,054,990**	1,949,501	**12,764**	5,166
Purchased options	**2,953,122**	1,633,983	**35,420**	53,920
Total interest rate contract notionals	**$ 22,028,721**	$ 18,352,142	**$ 684,934**	$ 481,087
Foreign exchange contracts				
Swaps	**$ 722,063**	$ 563,888	**$ 53,216**	$ 37,418
Futures and forwards	**2,068,310**	1,508,754	**42,675**	53,757
Written options	**416,951**	249,725	**1,228**	
Purchased options	**404,859**	253,089	**1,246**	808
Total foreign exchange contract notionals	**$ 3,612,183**	$ 2,575,456	**$ 98,365**	$ 91,983
Equity contracts				
Swaps	**$ 104,320**	$ 70,188	**$**	$
Futures and forwards	**36,362**	14,487		
Written options	**387,781**	213,383		
Purchased options	**355,891**	193,248		
Total equity contract notionals	**$ 884,354**	$ 491,306	**$**	$
Commodity and other contracts				
Swaps	**$ 35,611**	$ 20,486	**$**	$
Futures and forwards	**17,433**	10,876		
Written options	**11,991**	9,761		
Purchased options	**16,904**	12,240		
Total commodity and other contract notionals	**$ 81,939**	$ 53,363	**$**	$
Credit derivatives	**$ 1,944,980**	$ 1,030,745	**$**	$
Total derivative notionals	**$ 28,552,177**	$ 22,503,012	**$ 783,299**	$ 573,070

Mark-to-Market (MTM) Receivables/Payables

in millions of dollars As of December 31	Derivatives Receivables MTM 2006	2005	Derivatives Payable MTM 2006	2005
Trading Derivatives [2]				
Interest rate contracts	**$ 167,521**	$ 192,761	**$ 166,119**	$ 188,182
Foreign exchange contracts	**52,297**	42,749	**47,469**	41,474
Equity contracts	**26,883**	18,633	**52,980**	32,313
Commodity and other contracts	**5,387**	7,332	**5,776**	6,986
Credit derivatives	**14,069**	8,106	**15,081**	9,279
Total	**$ 266,157**	$ 269,581	**$ 287,425**	$ 278,234
Less: Netting agreements, cash collateral and market value adjustments	**(216,616)**	(222,167)	**(212,621)**	(216,906)
Net Receivables/Payables	**$ 49,541**	$ 47,414	**$ 74,804**	$ 61,328
Asset/Liability Management Hedges [3]				
Interest rate contracts	**$ 1,801**	$ 3,775	**$ 3,327**	$ 1,615
Foreign exchange contracts	**3,660**	1,385	**947**	1,137
Total	**$ 5,461**	$ 5,160	**$ 4,274**	$ 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.

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The following table presents the global derivatives portfolio by internal obligor credit rating at December 31, 2006 and 2005, as a percentage of credit exposure:

	2006	2005
AAA/AA/A	**79%**	80%
BBB	**11**	11
BB/B	**8**	8
CCC or below		
Unrated	**2**	1
Total	**100%**	100%

The following table presents the global derivatives portfolio by industry of the obligor as a percentage of credit exposure:

	2006	2005
Financial institutions	**67%**	67%
Governments	**11**	12
Corporations	**22**	21
Total	**100%**	100%

GLOBAL CORPORATE PORTFOLIO REVIEW

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

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

In millions of dollars	2006	2005	2004
Corporate cash-basis loans			
Capital Markets and Banking	**$ 500**	$ 923	$ 1,794
Transaction Services	**35**	81	112
Total corporate cash-basis loans (1)	**$ 535**	$ 1,004	$ 1,906
Net credit losses (recoveries)			
Capital Markets and Banking	**$ 63**	($ 268)	$ 148
Transaction Services	**25**	(9)	(18)
Alternative Investments	**(12)**		
Corporate/Other	**6**		
Total net credit losses (recoveries)	**$ 82**	($ 277)	$ 130
Corporate allowance for loan losses	**$ 2,934**	$ 2,860	$ 2,890
Corporate allowance for credit losses on unfunded lending commitments (2)	**1,100**	850	600
Total corporate allowance for loans, leases and unfunded lending commitments	**$ 4,034**	$ 3,710	$ 3,490
As a percentage of total corporate loans (3)	**1.76%**	2.22%	2.54%

(1) Excludes purchased distressed loans as they are accreting interest in accordance with SOP 03-3 in 2005. In prior years, these loans were classified in Other Assets. The carrying value of these loans was $949 million at December 31, 2006, $1,120 million at December 31, 2005 and $1,213 million at December 31, 2004.
(2) Represents additional reserves recorded in Other Liabilities on the Consolidated Balance Sheet.
(3) Does not include the allowance for unfunded lending commitments.

Cash-basis loans on December 31, 2006 decreased $469 million from 2005; $423 million of the decrease was in *Capital Markets and Banking* and $46 million was in *Transaction Services*. *Capital Markets and Banking* decreased primarily due to the absence of cash-basis portfolios in Russia and Australia and decreases in portfolios in Poland and Korea. The decrease in *Transaction Services* was primarily related to decreases in *Mexico*.

Cash-basis loans decreased $902 million in 2005 due to decreases of $871 million in *Capital Markets and Banking* and $31 million in *Transaction Services. Capital Markets and Banking* primarily reflected decreases in Brazil, Argentina, KorAm and Europe. *Transaction Services* decreased primarily due to charge-offs in Brazil.

Total corporate Other Real Estate Owned (OREO) was $316 million, $150 million and $126 million at December 31, 2006, December 31, 2005, and December 31, 2004, respectively. The $166 million increase from December 31, 2005 reflects net foreclosures in the U.S. real estate portfolio.

Total corporate loans outstanding at December 31, 2006 were $166 billion as compared to $129 billion at December 31, 2005.

Total corporate net credit losses of $82 million in 2006 increased $359 million compared to the net credit recovery of $277 million in 2005, primarily attributable to the absence of gross credit recoveries experienced in 2005. Total corporate net credit recoveries of $277 million in 2005 improved $407 million compared to 2004 as higher recoveries more than offset credit losses.

Citigroup s total allowance for credit losses for loans, leases and unfunded lending commitments of $10.040 billion at December 31, 2006 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 $4.034 billion at December 31, 2006, $3.710 billion at December 31, 2005, and $3.490 billion at December 31, 2004. The $324 million increase in the corporate allowance at December 31, 2006 from December 31, 2005 primarily reflects $250 million in reserve builds related to increases in off-balance sheet exposures and a slight decline in credit quality. The $220 million increase in the corporate allowance at December 31, 2005 from December 31, 2004 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.

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LOAN MATURITIES AND FIXED/VARIABLE PRICING

In billions of dollars at year end	Due within 1 year	Over 1 year but within 5 years	Over 5 years	Total
Corporate loan portfolio maturities				
In U.S. offices:				
Commercial and industrial loans	$ 18,883	$ 3,373	$ 5,180	$ 27,436
Mortgage and real estate	115	21	32	168
Lease financing	1,446	258	397	2,101
In offices outside the U.S.	80,704	43,178	13,033	136,915
Total corporate loans	$ 101,148	$ 46,830	$ 18,642	$ 166,620
Fixed/variable pricing of corporate loans with maturities due after one year (1)				
Loans at fixed interest rates		$ 9,248	$ 4,959	
Loans at floating or adjustable interest rates		37,582	13,683	
Total		$ 46,830	$ 18,642	

(1) Based on contractual terms. Repricing characteristics may effectively be modified from time to time using derivative contracts. See Note 23 to the Consolidated Financial Statements on page 148.

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 86. Price risk is the earnings risk from changes in interest rates, foreign exchange rates, equity and commodity prices, and in their implied volatilities. Price risk arises in non-trading portfolios, as well as in trading portfolios.

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

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

Non-Trading Portfolios

Interest Rate Risk

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

- At any given time, there may be an unequal amount of assets and liabilities, which are subject to market rates due to maturation or repricing. Whenever the amount of liabilities subject to repricing exceeds the amount of assets subject to repricing, a company is considered liability sensitive. In this case, a company s NIR will deteriorate in a rising rate environment.
- The assets and liabilities of a company may reprice at different speeds or mature at different times, subjecting both liability sensitive and asset sensitive companies to NIR sensitivity from changing interest rates. For example, a company may have a large amount of loans that are subject to repricing this period, but the majority of deposits are not scheduled for repricing until the following period. That company would suffer from NIR deterioration if interest rates were to fall.

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

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

Interest Rate Risk Governance

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

Interest Rate Risk Measurement

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

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

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

Mitigation and Hedging of Risk

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

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

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

	December 31, 2006		December 31, 2005	
In millions of dollars	**Increase**	**Decrease**	Increase	Decrease
U.S. dollar				
Instantaneous change	**$ (728)**	**$ 627**	$ (155)	$ 284
Gradual change	**$ (349)**	**$ 360**	$ (73)	$ 66
Mexican peso				
Instantaneous change	**$ 42**	**$ (43)**	$ 63	$ (64)
Gradual change	**$ 41**	**$ (41)**	$ 34	$ (34)
Euro				
Instantaneous change	**$ (91)**	**$ 91**	$ (40)	$ 40
Gradual change	**$ (38)**	**$ 38**	$ (19)	$ 19
Japanese yen				
Instantaneous change	**$ (32)**	**NM**	$ (16)	NM
Gradual change	**$ (21)**	**NM**	$ (11)	NM
Pound sterling				
Instantaneous change	**$ (41)**	**$ 41**	$ 3	$ (3)
Gradual change	**$ (21)**	**$ 21**	$ 9	$ (9)

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

The changes in the U.S. dollar interest rate exposures from the prior year reflect changes in customer-related asset and liability balances, additional available-for-sale securities as well as Citigroup s view of prevailing interest rates.

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

	Scenario 1	Scenario 2	Scenario 3	Scenario 4	Scenario 5	Scenario 6
Overnight rate change (bp)		100	200	(200)	(100)	
10-year rate change (bp)	(100)		100	(100)		100
Impact to net interest revenue *(in millions of dollars)*	$ 119	($ 366)	($ 821)	$ 728	$ 381	($ 296)

Trading Portfolios

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

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

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

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

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

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

Risk capital for market risk in trading portfolios is based on an annualized VAR figure, with adjustments for intra-day trading activity.

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. In 2006, negative trading-related revenue (net losses) were recorded for 25 of 251 trading days. Of the 25 days on which negative revenue (net losses) was recorded, only four were greater than $30 million. The following histogram of total daily revenue or loss captures trading volatility and shows the number of days in which the Company s trading-related revenues fell within particular ranges.

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

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

For Citigroup s major trading centers, the aggregate pretax VAR in the trading portfolios was $106 million at December 31, 2006 and $93 million at December 31, 2005. Daily exposures averaged $99 million in 2006 and ranged from $71 million to $133 million.

The following table summarizes VAR to Citigroup in the trading portfolios as of December 31, 2006 and 2005, including the Total VAR, the specific risk only component of VAR, and Total General market factors only, along with the yearly averages:

In millions of dollars	**December 31, 2006**	**2006 Average**	December 31, 2005	2005 Average
Interest rate	**$ 81**	**$ 87**	$ 83	$ 100
Foreign exchange	**27**	**27**	17	14
Equity	**62**	**48**	50	40
Commodity	**18**	**15**	8	15
Covariance adjustment	**(82)**	**(78)**	(65)	(60)
Total All market risk factors, including general and specific risk	**$ 106**	**$ 99**	$ 93	$ 109
Specific risk only component	**$ 8**	**$ 10**	$ 12	$ 6
Total General market factors only	**$ 98**	**$ 89**	$ 81	$ 103

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 2006 and 2005:

		2006		2005
In millions of dollars	**Low**	**High**	Low	High
Interest rate	**$ 64**	**$ 125**	$ 62	$ 155
Foreign exchange	**16**	**45**	9	23
Equity	**35**	**68**	27	63
Commodity	**5**	**25**	5	24

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OPERATIONAL RISK MANAGEMENT PROCESS

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

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

Framework

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

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

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

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

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

Measurement and Basel II

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

Information Security and Continuity of Business

During 2006, Citigroup continued to enhance 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 continues to implement tools to increase the effectiveness of its data protection and entitlement management programs. Additional monthly Information Security metrics were established to better assist the Information Technology Risk Officer in managing enterprise-wide risk. The Information Security Program complies with the Gramm-Leach-Bliley Act and other regulatory guidance.

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

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COUNTRY AND CROSS-BORDER RISK

MANAGEMENT PROCESS

Country Risk

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

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

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

Cross-border Risk

Cross-border risk is the risk that actions taken by a non-U.S. government may prevent the conversion of local currency into non-local currency and/or the transfer of funds outside of the country, thereby impacting the ability of the Company and its customers to transact business across borders.

Examples of cross-border risk include actions taken by foreign governments such as exchange controls, debt moratoria, or restrictions on the remittance of funds. These actions might restrict the transfer of funds or the ability of the Company to obtain payment from customers on their contractual obligations.

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

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

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

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

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

	December 31, 2006								December 31, 2005	
	Cross-border claims on third parties									
In millions 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
Germany	**$ 21.8**	**$ 5.0**	**$ 11.7**	**$ 38.5**	**$ 35.1**	**$ 0.1**	**$ 38.6**	**$ 43.6**	$ 14.8	$ 25.0
India	**1.4**	**0.1**	**8.2**	**9.7**	**7.8**	**15.1**	**24.8**	**0.7**	6.5	0.7
Netherlands	**5.9**	**3.6**	**10.6**	**20.1**	**17.6**		**20.1**	**10.5**	15.8	9.2
France	**8.5**	**2.2**	**9.1**	**19.8**	**17.9**		**19.8**	**60.8**	14.9	33.5
Spain	**2.7**	**5.6**	**6.8**	**15.1**	**14.6**	**4.6**	**19.7**	**6.8**	7.4	2.8
South Korea	**0.8**	**0.2**	**3.1**	**4.1**	**4.0**	**15.6**	**19.7**	**11.4**	14.8	5.2
Italy	**3.4**	**8.3**	**5.7**	**17.4**	**16.8**	**1.2**	**18.6**	**4.0**	10.9	3.0
United Kingdom (3)	**7.6**		**10.8**	**18.4**	**13.6**		**18.4**	**192.8**	10.3	103.8
Canada	**1.4**	**0.1**	**3.8**	**5.3**	**4.9**	**5.6**	**10.9**	**9.5**	9.1	2.9

(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 to be funded with local currency local liabilities.
(3) Reclassified to conform to the current period s presentation.

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BALANCE SHEET REVIEW

	December 31		Increase	%
In billions of dollars	**2006**	2005 [(1)]	(Decrease)	Change
Assets				
Loans, net of unearned income and allowance for loan losses	**$ 670**	$ 574	$ 96	17%
Trading account assets	**394**	296	98	33
Federal funds sold and securities borrowed or purchased under agreements to resell	**283**	217	66	30
Investments	**274**	181	93	51
All other assets	**263**	226	37	16
Total assets	**$ 1,884**	$ 1,494	$ 390	26%
Liabilities				
Deposits	**$ 712**	$ 592	$ 120	20%
Federal funds purchased and securities loaned or sold under agreements to repurchase	**349**	242	107	44
Brokerage payables	**85**	71	14	20
Short-term borrowings and long-term debt	**389**	284	105	37
Trading account liabilities	**146**	121	25	21
Other liabilities	**83**	71	12	17
Total liabilities	**$ 1,764**	$ 1,381	$ 383	28%
Stockholders equity	**$ 120**	$ 113	$ 7	6%
Total liabilities and stockholders equity	**$ 1,884**	$ 1,494	$ 390	26%

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

Loans

Loans are an extension of credit to individuals, corporations, and government institutions. Loans vary across regions and industry and primarily include credit cards, mortgages, other real estate lending, personal loans, auto loans, student loans, and corporate loans.

Consumer and corporate loans comprised 76% and 24%, respectively, of total loans (net of unearned income and before the allowance for loan losses).

Consumer loans increased by $58 billion, or 13%, primarily due to:

- $39 billion, or 17%, increase in mortgage and real estate loans;
- $19 billion, or 9%, increase in installment and revolving credit; which was partially driven by the following acquisitions:
  - The $3 billion Federated credit card portfolio;
  - The $1 billion in loans from Brazil s CrediCard consolidation; and
  - The $1 billion Exxon Mobil private label credit card receivables.

Corporate Loans increased $38 billion, or 29%, primarily driven by increases of:

- $31 billion, or 30%, in commercial and industrial loans; and
- $5 billion, or 29%, in loans to financial institutions.

During 2006, average consumer loans (net of unearned income) of $480 billion yielded an average rate of 9.0%, compared to $437 billion and 9.0% in the prior year. Average corporate loans of $153 billion yielded an average rate of 7.7% in 2006, compared to $120 billion and 6.6% in the prior year.

For further information, see Loans Outstanding on page 61 and Note 16 to the Consolidated Financial Statements on page 136.

Trading Account Assets (Liabilities)

Trading account assets include U.S. Government securities, corporate securities, equities, derivatives, and other securities acquired for the purpose of facilitating customer transactions and proprietary risk-taking. Trading account liabilities include short positions arising from sales of securities and other assets, and the fair value of derivative contracts held for trading that are in a loss position.

All trading account assets and liabilities are reported at their fair value with unrealized gains and losses recognized in current income.

Trading account assets increased by $98 billion, or 33%, due to:

- $34 billion, or 56%, increase in corporate and other debt securities;
- $28 billion, or 43%, increase in equity securities;
- $12 billion, or 55%, increase in foreign government securities;
- $9 billion, or 33%, increase in mortgage loans and collateralized mortgage securities (CMOs);
- $6 billion, or 15%, increase in U.S. Treasury and federal agency securities;
- $2 billion, or 4%, increase in revaluation gains primarily consisting of increases from foreign exchange, equity, and credit derivative contracts, a decrease in netting permitted under master netting agreements, and an offset from a decrease in gains related to interest rate contracts; and
- $7 billion, or 20%, net increase in other trading securities.

Total average trading account assets were $290 billion in 2006, compared to $235 billion in 2005, yielding average rates of 4.1%, and 3.5%, respectively.

Trading account liabilities increased by $25 billion, or 21%, due to:

- $14 billion, or 22%, increase in revaluation losses primarily consisting of increases from equity, foreign exchange and credit derivative contracts, a decrease in netting permitted under master netting agreements, and an offset from a decrease in losses related to interest rate contracts; and
- $11 billion, or 19%, increase in securities sold, not yet purchased comprising of a $9 billion increase in debt securities and a $2 billion increase in U.S. treasury securities.

In 2006, average trading account liabilities were $75 billion, yielding an average rate of 1.5%, compared to $74 billion and 0.9% in the prior year.

For further discussion regarding trading account assets and liabilities, see Note 14 to the Consolidated Financial Statements on page 133.

Federal Funds Sold (Purchased) and Securities Borrowed (Loaned) or Purchased (Sold) Under Agreements to Resell (Repurchase)

Federal funds sold and federal funds purchased consist of unsecured advances of excess balances in reserve accounts held at Federal Reserve Banks. When the Company advances federal funds to a third party, it is selling its excess reserves. Similarly, when the Company receives federal funds, the Company is purchasing reserves from a third party. These interest-bearing transactions typically have an original maturity of one business day.

Securities borrowed and securities loaned are recorded at the amount of cash advanced or received. With respect to securities borrowed, the Company pays cash collateral in an amount in excess of the market value of securities borrowed, and receives excess in the case of securities loaned. The Company monitors the market value of securities borrowed and loaned on a daily basis with additional collateral advanced or obtained as necessary. Interest received or paid for these transactions are recorded in interest income or interest expense.

Securities purchased under agreements to resell and securities sold under agreements to repurchase are treated as collateralized financing transactions and are carried at the amounts at which the securities will be subsequently reacquired or resold, including accrued interest, as specified in the respective agreements. The Company s policy is to take possession of securities purchased under agreements to resell. The market value of securities to be repurchased and resold is monitored, and additional collateral is obtained where appropriate to protect against credit exposure.

The increase of $66 billion, or 30%, in federal funds sold and securities borrowed or purchased under agreements to resell was primarily driven by a shift from securities purchased under agreements to resell to securities borrowed. This resulted in a decline in the netting benefits permissible under FIN 41 as securities borrowed do not qualify for FIN 41 netting. Securities purchased under agreements to resell remained relatively unchanged on a net basis, while securities borrowed increased.

The increase of $107 billion, or 44%, in federal funds purchased and securities loaned or sold under agreements to repurchase was primarily due to a $65 billion decrease in FIN 41 netting, as well as a $27 billion increase in securities loaned, which was driven by the funding needs for the increases in trading assets.

For further information regarding these balance sheet categories, see Note 12 to the Consolidated Financial Statements on page 132.

Investments

Investments consist of fixed income and equity securities. Fixed income includes bonds, notes and redeemable preferred stock, as well as loan-backed securities (such as mortgage-backed securities) and other structured notes. Equity securities include common and nonredeemable preferred stocks. These instruments provide the Company with long-term investment opportunities while in most cases remaining relatively liquid.

These investments are primarily carried at fair value with the changes in fair value generally recognized in stockholders equity (Accumulated other comprehensive income). Declines in fair value that are deemed other-than-temporary are recognized in current earnings, as well as gains and losses from the sale of these investment securities.

Investments increased by $93 billion, or 51%, due to the following increases:

- $69 billion in mortgage-backed securities, which is primarily due to the expansion of a Mortgage-Backed Securities Program in the *U.S. Consumer Lending* business;
- $7 billion in U.S. corporate securities;
- $6 billion in foreign government securities; and
- net $11 billion for all other securities.

For further information regarding investments, see Note 15 to the Consolidated Financial Statements on page 134.

Deposits

Deposits represent customer funds that are payable on demand or upon maturity. They can be interest-bearing or non-interest-bearing. Interest-bearing deposits payable by foreign and U.S. domestic banking subsidiaries of the Company comprise 62% and 27% of total deposits, respectively, while non-interest-bearing deposits comprise 5% and 6% of total deposits, respectively.

Total deposits increased by $120 billion, or 20%, primarily due to:

- Strong growth in corporate interest-bearing deposits in all regions, notably in Europe, North America and Asia. Increases reflected the impact of rising short-term interest rates, as well as increased client transactional volumes; and
- Growth in retail deposits primarily from high-yield savings accounts, time deposits and money market accounts in the consumer businesses. U.S. deposits grew in interest-bearing time deposits, CDs, money market and e-savings accounts, driven by internal growth through branch expansion, competitive interest rates, and marketing campaigns of new products. In regions outside of the U.S., deposits grew as a result of continued branch and client acquisition and servicing channel expansion, competitive interest rates and marketing campaigns of new products.

Average deposits increased $80 billion to $587 billion in 2006, yielding an average rate of 3.7%, compared to 2.7% in the prior year.

For more information on deposits, see Capital Resources and Liquidity on page 86.

Brokerage Payables

Brokerage Payables include payables arising from unsettled trades including securities purchased, but not yet received by the Company as of the settlement date (fails to receive).

These payables increased by $14 billion, or 20%. The brokerage payables balance fluctuates based upon investment security inventory levels, trade activity, and the timing of trade settlements.

See Note 13 to the Consolidated Financial Statements on page 133.

Debt

Debt is comprised of both short-term and long-term borrowings. It includes commercial paper, borrowings from unaffiliated banks, senior notes (including collateralized advances from the Federal Home Loan Bank), subordinated notes, and trust preferred securities.

Debt increased by $105 billion, or 37%, as short-term borrowings increased $34 billion, or 51%, and long-term debt increased $71 billion, or 33%.

The increase in short-term borrowings included an increase of $10 billion in commercial paper, and an increase of $24 billion in other funds borrowed. The increase was used to fund both trading and non-trading activities.

Average commercial paper outstanding in 2006 was $32 billion and yielded an average rate of 5.0%, compared to $26 billion and 3.1% in 2005. Average other funds borrowed in 2006 was $39 billion, yielding an average rate of 4.1%, compared to $32 billion and 4.1% in the prior year.

As for long-term debt, the Company took advantage of flattening yield curves and the positive credit environment experienced during 2006 to extend the maturities of new borrowings and issued/acquired additional debt from new acquisitions as U.S. dollar and non-U.S. dollar-denominated fixed and variable rate senior debt increased by $62 billion, while subordinated debt increased by $6 billion. These increases were driven by new issuances of $114 billion, offset by repayments/redemptions and maturities totaling $46 billion. The increase in long-term debt was primarily used to fund growth in the mortgage loan portfolio and to fund the mortgage-backed securities investment portfolios. Additionally, trust preferred securities increased by $3 billion.

Average long-term debt outstanding during 2006 was $245 billion, compared to $212 billion in 2005, yielding an average rate of 4.9% and 3.7%, respectively.

For more information on debt, see Note 19 to the Consolidated Financial Statements on page 139 and Capital Resources and Liquidity on page 86.

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SEGMENT BALANCE SHEETS AT DECEMBER 31, 2006

In millions of dollars	Global consumer	Corporate and investment banking	Global wealth management	Alternative investments	Corporate/other & consolidating eliminations	Total Citigroup consolidated
Assets:						
Cash and due from banks	$ 10,084	$ 14,887	$ 263	$ 138	$ 1,142	$ 26,514
Deposits with banks	9,128	31,990	54		1,350	42,522
Federal funds sold and securities borrowed or purchased under agreements to resell	489	281,088	1,240			282,817
Brokerage receivables		30,738	13,707			44,445
Trading account assets	6,064	386,873	988			393,925
Investments	118,777	132,421	239	10,758	11,396	273,591
Loans, net of unearned income						
Consumer	467,327		45,594			512,921
Corporate		166,165		106		166,271
Loans, net of unearned income	$ 467,327	$ 166,165	$ 45,594	$ 106	$	$ 679,192
Allowance for credit losses	(5,872)	(2,934)	(134)			(8,940)
Total loans, net	$ 461,455	$ 163,231	$ 45,460	$ 106	$	$ 670,252
Goodwill	26,130	6,165	1,120			33,415
Intangible assets	15,274	289	338			15,901
Other assets	54,444	30,105	2,507	934	12,946	100,936
Total assets	$ 701,845	$ 1,077,787	$ 65,916	$ 11,936	$ 26,834	$ 1,884,318
Liabilities and Equity:						
Total deposits	$ 279,499	$ 335,356	$ 97,041	$ 87	$ 58	$ 712,041
Federal funds purchased and securities loaned or sold under agreements to repurchase	7,264	339,551	2,420			349,235
Brokerage payables	5,363	75,237	4,169		350	85,119
Trading account liabilities	36	145,411	440			145,887
Short-term borrowings	5,256	43,364	10,443		41,770	100,833
Long-term debt	93,712	61,371	431		132,980	288,494
Other liabilities	33,872	37,247	3,176	2,088	6,543	82,926
Net intersegment funding/(lending)	276,843	40,250	(52,204)	9,761	(274,650)	
Stockholders equity					119,783	119,783
Total liabilities and stockholders equity	**$ 701,845**	**$ 1,077,787**	**$ 65,916**	**$ 11,936**	**$ 26,834**	**$ 1,884,318**

The above supplemental information reflects the Company s consolidated GAAP balance sheet by reporting segment. The respective segment information closely depicts the assets and liabilities managed by each segment. While this presentation is not defined by GAAP, the Company believes that these non-GAAP financial measures enhance investors understanding of the balance sheet components managed by the underlying business segments as well as the beneficial interrelationship of the asset and liability dynamics of the balance sheet components among the Company s business segments. The Company believes that investors may find it useful to see these non-GAAP financial measures to analyze financial performance.

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Interest Revenue/Expense and Yields

In millions of dollars	2006	2005	2004	% Change 2006 vs. 2005	% Change 2005 vs. 2004
Interest Revenue (1) (2)	**$ 96,431**	$ 75,916	$ 63,621	27%	19%
Interest Expense	**56,943**	36,676	22,004	55	67
Net Interest Revenue (1) (2)	**$ 39,488**	$ 39,240	$ 41,617	1%	(6)%
Interest Revenue Average Rate (2)	**6.48%**	5.93%	5.56%	55 bps	37 bps
Interest Expense Average Rate	**4.24%**	3.19%	2.12%	105 bps	107 bps
Net Interest Margin (2)	**2.65%**	3.06%	3.64%	(41) bps	(58) bps
Interest Rate Benchmarks:					
Federal Funds Rate End of Period	**5.25%**	4.25%	2.25%	100 bps	200 bps
2-Year U.S. Treasury Note Average Rate	**4.81%**	3.85%	2.38%	96 bps	147 bps
10-Year U.S. Treasury Note Average Rate	**4.79%**	4.28%	4.27%	51 bps	1 bps
10-Year vs. 2-Year Spread	**(2) bps**	43bps	189bps		

(1) Excludes taxable equivalent adjustment based on the U.S. Federal statutory tax rate of 35%.
(2) 2006 includes a $(666) million reduction of interest revenue related to consumer lending in Japan. This impacted the average rate on average interest-earning assets by 4 basis points and the net interest margin by 5 basis points.

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

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

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

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

In millions of dollars	Average Volume 2006	2005	2004	Interest Revenue 2006	2005	2004	% Average Rate 2006	2005	2004
Assets									
Deposits with banks [(5)]	**$ 37,977**	$ 34,211	$ 28,339	**$ 2,289**	$ 1,537	$ 536	**6.03%**	4.49%	1.89%
Federal funds sold and securities borrowed or purchased under agreements to resell [(6)]									
In U.S. offices	**$ 166,202**	$ 154,578	$ 129,538	**$ 10,258**	$ 7,041	$ 2,979	**6.17%**	4.55%	2.30%
In offices outside the U.S. [(5)]	**85,200**	74,728	73,829	**3,941**	2,749	2,043	**4.63**	3.68	2.77
Total	**$ 251,402**	$ 229,306	$ 203,367	**$ 14,199**	$ 9,790	$ 5,022	**5.65%**	4.27%	2.47%
Trading account assets [(7) (8)]									
In U.S. offices	**$ 188,985**	$ 154,716	$ 125,597	**$ 8,537**	$ 5,678	$ 4,435	**4.52%**	3.67%	3.53%
In offices outside the U.S. [(5)]	**100,634**	80,367	70,458	**3,328**	2,459	2,034	**3.31**	3.06	2.89
Total	**$ 289,619**	$ 235,083	$ 196,055	**$ 11,865**	$ 8,137	$ 6,469	**4.10%**	3.46%	3.30%
Investments [(1)]									
In U.S. offices									
Taxable	**$ 106,136**	$ 77,000	$ 70,861	**$ 4,799**	$ 2,623	$ 2,143	**4.52%**	3.41%	3.02%
Exempt from U.S. income tax	**14,023**	10,852	8,582	**661**	481	410	**4.71**	4.43	4.78
In offices outside the U.S. [(5)]	**98,640**	81,309	74,665	**4,939**	4,234	3,650	**5.01**	5.21	4.89
Total	**$ 218,799**	$ 169,161	$ 154,108	**$ 10,399**	$ 7,338	$ 6,203	**4.75%**	4.34%	4.03%
Loans (net of unearned income) [(9)]									
Consumer loans									
In U.S. offices	**$ 341,315**	$ 306,396	$ 283,659	**$ 28,472**	$ 24,874	$ 23,991	**8.34%**	8.12%	8.46%
In offices outside the U.S. [(5)]	**138,978**	130,550	117,476	**14,773**	14,238	12,650	**10.63**	10.91	10.77
Total consumer loans	**$ 480,293**	$ 436,946	$ 401,135	**$ 43,245**	$ 39,112	$ 36,641	**9.00%**	8.95%	9.13%
Corporate loans									
In U.S. offices	**$ 28,113**	$ 19,200	$ 16,030	**$ 1,941**	$ 1,134	$ 918	**6.90%**	5.91%	5.73%
In offices outside the U.S. [(5)]	**124,462**	101,262	91,644	**9,836**	6,837	6,175	**7.90**	6.75	6.74
Total corporate loans	**$ 152,575**	$ 120,462	$ 107,674	**$ 11,777**	$ 7,971	$ 7,093	**7.72%**	6.62%	6.59%
Total loans	**$ 632,868**	$ 557,408	$ 508,809	**$ 55,022**	$ 47,083	$ 43,734	**8.69%**	8.45%	8.60%
Other interest-earning assets	**$ 57,472**	$ 56,095	$ 53,741	**$ 2,657**	$ 2,031	$ 1,657	**4.62%**	3.62%	3.08%
Total interest-earning assets	**$ 1,488,137**	$ 1,281,264	$ 1,144,419	**$ 96,431**	$ 75,916	$ 63,621	**6.48%**	5.93%	5.56%
Non-interest-earning assets [(7)]	**191,408**	165,604	175,620						
Total assets from discontinued operations		51,270	96,734						
Total assets	**$ 1,679,545**	$ 1,498,138	$ 1,416,773						

(1) Interest revenue excludes the taxable equivalent adjustments (based on the U.S. federal statutory tax rate of 35%) of $98 million, $158 million, and $150 million for 2006, 2005, and 2004, respectively.
(2) Interest rates and amounts include the effects of risk management activities associated with the respective asset and liability categories. See Note 23 to the Consolidated Financial Statements on page 148.
(3) Monthly or quarterly averages have been used by certain subsidiaries where daily averages are unavailable.
(4) Detailed average volume, interest revenue and interest expense exclude discontinued operations. See Note 3 to the Consolidated Financial Statements on page 118.
(5) Average rates reflect prevailing local interest rates, including inflationary effects and monetary corrections in certain countries.
(6) Average volumes of securities borrowed or purchased under agreements to resell are reported net pursuant to FIN 41 and interest revenue excludes the impact of FIN 41.
(7) The fair value carrying amounts of derivative and foreign exchange contracts are reported in non-interest-earning assets and other non-interest bearing liabilities.
(8) Interest expense on trading account liabilities of CIB is reported as a reduction of interest revenue. Interest revenue and interest expense on cash collateral positions are reported in trading account assets and trading account liabilities, respectively.
(9) Includes cash-basis loans.
Reclassified to conform to the current period s presentation.

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AVERAGE BALANCES AND INTEREST RATES LIABILITIES AND EQUITY, AND NET INTEREST REVENUE [1] [2] [3] [4]

	Average volume			Interest expense			% Average rate		
In millions of dollars	**2006**	2005	2004	**2006**	2005	2004	**2006**	2005	2004
Liabilities									
Deposits									
In U.S. offices									
Savings deposits [5]	**$ 134,761**	$ 127,783	$ 120,426	**$ 4,056**	$ 2,411	$ 1,077	**3.01%**	1.89%	0.89%
Other time deposits	**48,559**	35,754	30,544	**2,471**	1,247	961	**5.09**	3.49	3.15
In offices outside the U.S. [6]	**403,645**	343,647	306,633	**15,130**	9,844	6,752	**3.75**	2.86	2.20
Total	**$ 586,965**	$ 507,184	$ 457,603	**$ 21,657**	$ 13,502	$ 8,790	**3.69%**	2.66%	1.92%
Federal funds purchased and securities loaned or sold under agreements to repurchase [7]									
In U.S. offices	**$ 194,726**	$ 173,674	$ 145,326	**$ 11,857**	$ 7,737	$ 3,053	**6.09%**	4.45%	2.10%
In offices outside the U.S. [6]	**95,937**	71,921	66,806	**5,591**	4,118	2,821	**5.83**	5.73	4.22
Total	**$ 290,663**	$ 245,595	$ 212,132	**$ 17,448**	$ 11,855	$ 5,874	**6.00%**	4.83%	2.77%
Trading account liabilities [8] [9]									
In U.S. offices	**$ 36,983**	$ 34,935	$ 37,233	**$ 891**	$ 544	$ 238	**2.41%**	1.56%	0.64%
In offices outside the U.S. [6]	**37,802**	38,737	39,669	**228**	125	68	**0.60**	0.32	0.17
Total	**$ 74,785**	$ 73,672	$ 76,902	**$ 1,119**	$ 669	$ 306	**1.50%**	0.91%	0.40%
Short-term borrowings									
In U.S. offices	**$ 120,123**	$ 94,342	$ 86,056	**$ 4,195**	$ 2,054	$ 1,178	**3.49%**	2.18%	1.37%
In offices outside the U.S. [6]	**24,841**	18,128	18,174	**614**	688	499	**2.47**	3.80	2.75
Total	**$ 144,964**	$ 112,470	$ 104,230	**$ 4,809**	$ 2,742	$ 1,677	**3.32%**	2.44%	1.61%
Long-term debt									
In U.S. offices	**$ 215,192**	$ 180,167	$ 161,700	**$ 10,596**	$ 6,756	$ 4,429	**4.92%**	3.75%	2.74%
In offices outside the U.S. [6]	**29,932**	31,843	26,650	**1,314**	1,152	928	**4.39**	3.62	3.48
Total	**$ 245,124**	$ 212,010	$ 188,350	**$ 11,910**	$ 7,908	$ 5,357	**4.86%**	3.73%	2.84%
Total interest-bearing liabilities	**$ 1,342,501**	$ 1,150,931	$ 1,039,217	**$ 56,943**	$ 36,676	$ 22,004	**4.24%**	3.19%	2.12%
Demand deposits in U.S. offices	**10,994**	10,050	9,154						
Other non-interest bearing liabilities [8]	**210,484**	180,070	179,717						
Total liabilities from discontinued operations		46,011	87,489						
Total liabilities	**$ 1,563,979**	$ 1,387,062	$ 1,315,577						
Total stockholders equity [10]	**$ 115,566**	$ 111,076	$ 101,196						
Total liabilities and stockholders equity	**$ 1,679,545**	$ 1,498,138	$ 1,416,773						
Net interest revenue as a percentage of average interest-earning assets [11]									
In U.S. offices	**$ 893,879**	$ 769,148	$ 679,929	**$ 19,391**	$ 21,386	$ 25,244	**2.17%**	2.78%	3.71%
In offices outside the U.S. [6]	**594,258**	512,116	464,490	**20,097**	17,854	16,373	**3.38**	3.49	3.52
Total	**$ 1,488,137**	$ 1,281,264	$ 1,144,419	**$ 39,488**	$ 39,240	$ 41,617	**2.65%**	3.06%	3.64%

(1) Interest revenue excludes the taxable equivalent adjustments (based on the U.S. federal statutory tax rate of 35%) of $98 million, $158 million, and $150 million for 2006, 2005, and 2004, respectively.
(2) Interest rates and amounts include the effects of risk management activities associated with the respective asset and liability categories. See Note 23 to the Consolidated Financial Statements on page 148.
(3) Monthly or quarterly averages have been used by certain subsidiaries where daily averages are unavailable.
(4) Detailed average volume, interest revenue and interest expense exclude discontinued operations. See Note 3 to the Consolidated Financial Statements on page 118.
(5) Savings deposits consist of Insured Money Market Rate accounts, NOW accounts, and other savings deposits.
(6) Average rates reflect prevailing local interest rates, including inflationary effects and monetary corrections in certain countries.
(7) Average volumes of securities loaned or sold under agreements to repurchase are reported net pursuant to FIN 41 and interest expense excludes the impact of FIN 41.
(8) The fair value carrying amounts of derivative and foreign exchange contracts are reported in non-interest-earning assets and other non-interest bearing liabilities.
(9) Interest expense on trading account liabilities of CIB is reported as a reduction of interest revenue. Interest revenue and interest expense on cash collateral positions are reported in trading account assets and trading account liabilities, respectively.

(10) Includes stockholders equity from discontinued operations.
(11) Includes allocations for capital and funding costs based on the location of the asset.

Reclassified to conform to the current period s presentation.

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

	2006 vs. 2005			2005 vs. 2004		
	Increase (decrease) due to change in:			Increase (decrease) due to change in:		
In millions of dollars	Average Volume	Average Rate	Net Change (2)	Average Volume	Average Rate	Net Change (2)
Deposits with banks (4)	$ 183	$ 569	$ 752	$ 131	$ 870	$ 1,001
Federal funds sold and securities borrowed or purchased under agreements to resell						
In U.S. offices	$ 562	$ 2,655	$ 3,217	$ 669	$ 3,393	$ 4,062
In offices outside the U.S. (4)	420	772	1,192	25	681	706
Total	$ 982	$ 3,427	$ 4,409	$ 694	$ 4,074	$ 4,768
Trading account assets (5)						
In U.S. offices	$ 1,400	$ 1,459	$ 2,859	$ 1,063	$ 180	$ 1,243
In offices outside the U.S. (4)	658	211	869	298	127	425
Total	$ 2,058	$ 1,670	$ 3,728	$ 1,361	$ 307	$ 1,668
Investments (1)						
In U.S. offices	$ 1,325	$ 1,031	$ 2,356	$ 284	$ 267	$ 551
In offices outside the U.S. (4)	873	(168)	705	337	247	584
Total	$ 2,198	$ 863	$ 3,061	$ 621	$ 514	$ 1,135
Loans consumer						
In U.S. offices	$ 2,898	$ 700	$ 3,598	$ 1,872	$ (989)	$ 883
In offices outside the U.S. (4)	902	(367)	535	1,424	164	1,588
Total	$ 3,800	$ 333	$ 4,133	$ 3,296	$ (825)	$ 2,471
Loans corporate						
In U.S. offices	$ 592	$ 215	$ 807	$ 186	$ 30	$ 216
In offices outside the U.S. (4)	1,720	1,279	2,999	649	13	662
Total	$ 2,312	$ 1,494	$ 3,806	$ 835	$ 43	$ 878
Total loans	$ 6,112	$ 1,827	$ 7,939	$ 4,131	$ (782)	$ 3,349
Other interest-earning assets	$ 51	$ 575	$ 626	$ 75	$ 299	$ 374
Total interest revenue	$ 11,584	$ 8,931	$ 20,515	$ 7,013	$ 5,282	$ 12,295

(1) The taxable equivalent adjustment is based on the U.S. Federal statutory tax rate of 35%, and is excluded from this presentation.
(2) Rate/volume variance is allocated based on the percentage relationship of changes in volume and changes in rate to the total net change.
(3) Detailed average volume, interest revenue and interest expense exclude discontinued operations. See Note 3 to the Consolidated Financial Statements on page 118.
(4) Changes in average rates reflect changes in prevailing local interest rates, including inflationary effects and monetary corrections in certain countries.
(5) Interest expense on trading account liabilities of CIB is reported as a reduction of interest revenue. Interest revenue and interest expense on cash collateral positions are reported in trading account assets and trading account liabilities, respectively.

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

	2006 vs. 2005			2005 vs. 2004		
	Increase (decrease) due to change in:			Increase (decrease) due to change in:		
In millions of dollars	**Average Volume**	**Average Rate**	**Net Change (2)**	Average Volume	Average Rate	Net Change (2)
Deposits						
In U.S. offices	**$ 487**	**$ 2,382**	**$ 2,869**	$ 182	$ 1,438	$ 1,620
In offices outside the U.S. (4)	**1,910**	**3,376**	**5,286**	885	2,207	3,092
Total	**$ 2,397**	**$ 5,758**	**$ 8,155**	$ 1,067	$ 3,645	$ 4,712
Federal funds purchased and securities loaned or sold under agreements to repurchase						
In U.S. offices	**$ 1,023**	**$ 3,097**	**$ 4,120**	$ 694	$ 3,990	$ 4,684
In offices outside the U.S. (4)	**1,398**	**75**	**1,473**	230	1,067	1,297
Total	**$ 2,421**	**$ 3,172**	**$ 5,593**	$ 924	$ 5,057	$ 5,981
Trading account liabilities (5)						
In U.S. offices	**$ 34**	**$ 313**	**$ 347**	$ (16)	$ 322	$ 306
In offices outside the U.S. (4)	**(3)**	**106**	**103**	(2)	59	57
Total	**$ 31**	**$ 419**	**$ 450**	$ (18)	$ 381	$ 363
Short-term borrowings						
In U.S. offices	**$ 667**	**$ 1,474**	**$ 2,141**	$ 123	$ 753	$ 876
In offices outside the U.S. (4)	**209**	**(283)**	**(74)**	(1)	190	189
Total	**$ 876**	**$ 1,191**	**$ 2,067**	$ 122	$ 943	$ 1,065
Long-term debt						
In U.S. offices	**$ 1,471**	**$ 2,369**	**$ 3,840**	$ 550	$ 1,777	$ 2,327
In offices outside the U.S. (4)	**(72)**	**234**	**162**	187	37	224
Total	**$ 1,399**	**$ 2,603**	**$ 4,002**	$ 737	$ 1,814	$ 2,551
Total interest expense	**$ 7,124**	**$ 13,143**	**$ 20,267**	$ 2,832	$ 11,840	$ 14,672
Net interest revenue	**$ 4,460**	**$ (4,212)**	**$ 248**	$ 4,181	$ (6,558)	$ (2,377)

(1) The taxable equivalent adjustment is based on the U.S. Federal statutory tax rate of 35%, and is excluded from this presentation.
(2) Rate/volume variance is allocated based on the percentage relationship of changes in volume and changes in rate to the total net change.
(3) Detailed average volume, interest revenue and interest expense exclude discontinued operations. See Note 3 to the Consolidated Financial Statements on page 118.
(4) Changes in average rates reflect changes in prevailing local interest rates, including inflationary effects and monetary corrections in certain countries.
(5) Interest expense on trading account liabilities of CIB is reported as a reduction of interest revenue. Interest revenue and interest expense on cash collateral positions are reported in trading account assets and trading account liabilities, respectively.

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CAPITAL RESOURCES AND LIQUIDITY

CAPITAL RESOURCES

Overview

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

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

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

Capital Ratios

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

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

Historically, Citigroup has maintained a Leverage Ratio above 5%. As Citigroup adds low risk-weighted, secured financing assets in the CIB business, the Leverage Ratio at the holding company level is expected to decline below 5%, but remain above 4%. The Leverage Ratio at each of the regulated U.S. banks is not expected to decline below 5%. The addition of these assets is not expected to materially affect any of Citigroup s risk-based capital ratios. These statements are forward-looking statements within the meaning of the Private Securities Litigation Reform Act. See Forward-Looking Statements on page 97.

As noted in the following table, Citigroup maintained a well capitalized position during both 2006 and 2005.

Citigroup Regulatory Capital Ratios

At year end	**2006**	2005
Tier 1 Capital (1)	**8.59%**	8.79%
Total Capital (Tier 1 and Tier 2) (1)	**11.65**	12.02
Leverage (1)(2)	**5.16**	5.35

(1) The FRB granted interim capital relief for the impact of adopting SFAS 158, *Employer s Accounting for Defined Benefit Pensions and Other Postretirement Benefits* (SFAS 158), at December 31, 2006.
(2) Tier 1 Capital divided by adjusted average assets.

Components of Capital Under Regulatory Guidelines

In millions of dollars at year end	**2006**	2005
Tier 1 Capital		
Common stockholders equity	**$ 118,783**	$ 111,412
Qualifying perpetual preferred stock	**1,000**	1,125
Qualifying mandatorily redeemable securities of subsidiary trusts	**9,579**	6,264
Minority interest	**1,107**	512
Less: Net unrealized gains on securities available-for-sale [1]	**(943)**	(1,084)
Less: Accumulated net losses/(gains) on cash flow hedges, net of tax	**61**	(612)
Less: Minimum pension liability losses, net of tax [2]	**1,647**	
Less: Intangible assets:		
Goodwill	**(33,415)**	(33,130)
Other disallowed intangible assets	**(6,127)**	(6,163)
Other	**(793)**	(500)
Total Tier 1 Capital	**$ 90,899**	$ 77,824
Tier 2 Capital		
Allowance for credit losses [3]	**$ 10,034**	$ 10,602
Qualifying debt [4]	**21,891**	17,368
Unrealized marketable equity securities gains [1]	**436**	608
Total Tier 2 Capital	**$ 32,361**	$ 28,578
Total Capital (Tier 1 and Tier 2)	**$ 123,260**	$ 106,402
Risk-Adjusted Assets [5]	**$ 1,057,872**	$ 885,472

(1) Tier 1 Capital excludes unrealized gains and losses on debt securities available-for-sale in accordance with regulatory risk-based capital guidelines. The federal bank regulatory agencies permit institutions to include in Tier 2 Capital up to 45% of pretax net unrealized holding gains on available-for-sale equity securities with readily determinable fair values, net of tax. Institutions are required to deduct from Tier 1 Capital net unrealized holding losses on available-for-sale equity securities with readily determinable fair values, net of tax.
(2) The FRB granted interim capital relief for the impact of adopting SFAS 158 at December 31, 2006.
(3) Includable up to 1.25% of risk-adjusted assets. Any excess allowance is deducted from risk-adjusted assets.
(4) Includes qualifying subordinated debt in an amount not exceeding 50% of Tier 1 Capital.
(5) Includes risk-weighted credit equivalent amounts, net of applicable bilateral netting agreements, of $77.1 billion for interest rate, commodity and equity derivative contracts and foreign-exchange contracts as of December 31, 2006, compared with $56.5 billion as of December 31, 2005. Market risk-equivalent assets included in risk-adjusted assets amounted to $40.1 billion and $40.6 billion at December 31, 2006 and 2005, respectively. Risk-adjusted assets also include the effect of other off-balance sheet exposures, such as unused loan commitments and letters of credit, and reflects deductions for certain intangible assets and any excess allowance for credit losses.

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Common Equity

Common stockholders equity increased approximately $7.4 billion during the year to $118.8 billion at December 31, 2006, representing 6.3% of assets. This compares to $111.4 billion and 7.5% at year-end 2005.

The table below summarizes the change in common stockholders equity during 2006:

In billions of dollars	
Common Equity, December 31, 2005	**$ 111.4**
Net income	**21.5**
Employee benefit plans and other activities	**3.8**
Dividends	**(9.8)**
Treasury stock acquired	**(7.0)**
After-tax net change in Accumulated other comprehensive income (loss)	**(1.1)**
Common Equity, December 31, 2006	**$ 118.8**

The decrease in the common stockholders equity ratio during 2006 reflected the above items and a 26.1% increase in total assets.

Additionally, on February 15, 2006, Citigroup redeemed for cash all the outstanding shares of its Fixed/Adjustable Rate Cumulative Preferred Stock, Series V. The redemption price was $50.00 per depositary share, plus accrued dividends to the date of redemption. At the date of redemption, the value of the Series V Preferred Stock was $125 million.

On April 17, 2006, the Board of Directors authorized up to an additional $10 billion in share repurchases. As of December 31, 2006, $7.4 billion remained under authorized repurchase programs after the repurchase of $7.0 billion and $12.8 billion in shares during 2006 and 2005, respectively. For further details, see Unregistered Sales of Equity Securities and Use of Proceeds on page 174.

On February 15, 2006, Citigroup redeemed for cash all outstanding shares of its Fixed/Adjustable Rate Cumulative Preferred Stock, Series V. The redemption price was $50.00 per depositary share, plus accrued dividends to the date of redemption.

The table below summarizes the Company s repurchase activity during 2006:

In millions, except per share amounts	**Total Common Shares Repurchased**	**Dollar Value of Shares Repurchased**	**Average Price Paid per Share**	**Dollar Value of Remaining Authorized Repurchase Program**
First quarter 2006	42.9	$ 2,000	$ 46.58	$ 2,412
Second quarter 2006	40.8	2,000	48.98	10,412(1)
Third quarter 2006	40.9	2,000	48.90	8,412
Fourth quarter 2006	19.4	1,000	51.66	7,412
Total 2006	**144.0**	**$ 7,000**	**$ 48.60**	**$ 7,412**
Total 2005	**277.9**	**$ 12,794**	**$ 46.03**	**$ 4,412**

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

Mandatorily Redeemable Securities of Subsidiary Trusts

Total mandatorily redeemable securities of subsidiary trusts (trust preferred securities), which qualify as Tier 1 Capital, were $9.579 billion at December 31, 2006, as compared to $6.264 billion at December 31, 2005. In 2006, Citigroup issued $1.600 billion, $1.185 billion, and $565 million of Enhanced Trust Preferred Securities through Citigroup Capital XVI, Citigroup Capital XV, and Citigroup Capital XIV, respectively. On December 8, 2006, Citigroup redeemed for cash all of the $25 million Trust Preferred Securities of Adam Capital Trust I, at the redemption price of $1,000 per preferred security plus any accrued distribution up to, but excluding, the date of redemption. See Note 19 to the Consolidated Financial Statements on page 139 for details on Citigroup Capital XIV, Citigroup Capital XV, and Citigroup Capital XVI.

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

The FRB has issued a final rule, with an effective date of April 11, 2005, which retains trust preferred securities in Tier 1 Capital of Bank Holding Companies (BHCs), but with stricter quantitative limits and clearer qualitative standards. Under the rule, after a five-year transition period, the aggregate amount of trust preferred securities and certain other capital elements included in Tier 1 Capital of internationally active banking organizations, such as Citigroup, would be limited to 15% of Tier 1 Capital elements, net of goodwill less any associated deferred tax liability. The amount of trust preferred securities and certain other elements in excess of the limit could be included in Tier 2 Capital, subject to restrictions. Under this rule, Citigroup currently would have less than 13% against the limit. The FRB granted interim capital relief for the impact of adopting SFAS 158 at December 31, 2006.

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

* This is a forward-looking statement within the meaning of the Private Securities Litigation Reform Act. See Forward-Looking Statements on page 97.

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Capital Resources of Citigroup s Depository Institutions

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

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

Capital Ratios of Depository Institutions: Citigroup s subsidiary depository institutions in the United States are subject to risk-based capital guidelines issued by their respective primary federal bank regulatory agencies, which are similar to the FRB s guidelines. To be well capitalized under federal bank regulatory agency definitions, Citigroup s depository institutions must have a Tier 1 Capital Ratio of at least 6%, a Total Capital (Tier 1 + Tier 2 Capital) Ratio of at least 10% and a Leverage Ratio of at least 5%, and not be subject to a regulatory directive to meet and maintain higher capital levels. At December 31, 2006, all of Citigroup s subsidiary depository institutions were well capitalized under the federal regulatory agencies definitions, including Citigroup s primary depository institution, Citibank, N.A., as noted in the following table:

Citibank, N.A. Regulatory Capital Ratios

At year end	**2006**
Tier 1 Capital [1]	**8.32%**
Total Capital (Tier 1 and Tier 2) [1]	**12.39**
Leverage [1][2]	**6.09**

(1) The U.S. Banking Agencies granted interim capital relief for the impact of adopting SFAS 158 at December 31, 2006.
(2) Tier 1 Capital divided by adjusted average assets.

Citibank, N.A. Components of Capital Under Regulatory Guidelines

In billions of dollars at year end	**2006**
Tier 1 Capital [1]	**$ 59.9**
Total Capital (Tier 1 and Tier 2) [1]	**89.1**

(1) The U.S. Banking Agencies granted interim capital relief for the impact of adopting SFAS 158 at December 31, 2006.

Citibank, N.A. had net income for 2006 amounting to $9.3 billion. During 2006, Citibank, N.A. paid dividends of $3.0 billion.

During 2006, Citibank, N.A. issued an additional $7.8 billion of subordinated notes that qualify for inclusion in Citibank, N.A. s Tier 2 Capital. Total subordinated notes that were outstanding at December 31, 2006 and included in Citibank, N.A. s Tier 2 Capital amounted to $23.0 billion.

Broker-Dealer Subsidiaries

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

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

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

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

At December 31, 2006, CGMI had net capital, computed in accordance with the Net Capital Rule, of $8.0 billion, which exceeded the minimum requirement by $7.3 billion.

In addition, certain of the Company s broker-dealer subsidiaries are subject to regulation in the other countries in which they do business, including requirements to maintain specified levels of net capital or its equivalent. The Company s broker-dealer subsidiaries were in compliance with their capital requirements at December 31, 2006. See further discussions on Capital Requirements on page 169.

Regulatory Capital Standards Developments

Citigroup generally supports the move to a new set of risk-based regulatory capital standards, published on June 26, 2004 (and subsequently amended in November 2005) by the Basel Committee on Banking Supervision (the Basel Committee), consisting of central banks and bank supervisors from 13 countries. The international version of the Basel II framework will allow

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

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

LIQUIDITY

Overview

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

Management of Liquidity

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

The basis of Citigroup s liquidity management is strong decentralized liquidity management at each of its principal operating subsidiaries and in each of its countries, combined with an active corporate oversight function. As discussed in Capital Resources and Liquidity on page 86, Citigroup s FinALCO undertakes this oversight responsibility, along with the Head of Corporate Finance and Treasury. One of the objectives of the FinALCO is to monitor and review the overall liquidity and balance sheet positions of Citigroup and its principal subsidiaries. Similarly, Asset and Liability Committees are also established for each country and/or major line of business.

Monitoring Liquidity

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

Liquidity Limits

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

Liquidity Ratios

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

Market Triggers

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

Stress Testing

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

CGMHI monitors liquidity by tracking asset levels, collateral and funding availability to maintain flexibility to meet its financial commitments. As a policy, CGMHI attempts to maintain sufficient capital and funding sources in order to have the capacity to finance itself on a fully collateralized basis in the event that its access to uncollateralized financing is temporarily impaired. This is documented in CGMHI s contingency funding plan. This plan is reviewed periodically to keep the funding options current and in line with market conditions. The management of this plan includes an analysis used to determine CGMHI s ability to withstand varying levels of stress,

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including rating downgrades, which could impact its liquidation horizons and required margins. CGMHI maintains liquidity reserves of cash and loan value of unencumbered securities in excess of its outstanding short-term uncollateralized liabilities. This is monitored on a daily basis. CGMHI also ensures that long-term illiquid assets are funded with long-term liabilities.

FUNDING

Overview

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

Banking Subsidiaries

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

As of December 31, 2006, Citigroup s subsidiary depository institutions can declare dividends to their parent companies, without regulatory approval, of approximately $17.7 billion. In determining the dividends, each depository institution must also consider its effect on applicable risk-based capital and Leverage Ratio requirements, as well as policy statements of the federal regulatory agencies that indicate that banking organizations should generally pay dividends out of current operating earnings. Consistent with these considerations, Citigroup estimates that, as of December 31, 2006, its subsidiary depository institutions can distribute dividends to Citigroup of approximately $11.0 billion of the available $17.7 billion.

Non-Banking Subsidiaries

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

As discussed in Capital Resources and Liquidity on page 86, the ability of CGMHI to declare dividends can be restricted by capital considerations of its broker-dealer subsidiaries.

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

Sources of Liquidity

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

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

Citigroup and its principal subsidiaries also generate funds through securitizing financial assets, including credit card receivables and single-family or multi-family residences. See Note 22 to the Consolidated Financial Statements on page 143 for additional information about securitization activities. Finally, Citigroup s net earnings provide a significant source of funding to the corporation.

Citigroup s funding sources are well diversified across funding types and geography, a benefit of the strength of the global franchise. Funding for the parent and its major operating subsidiaries includes a large geographically diverse retail and corporate deposit base of $712.0 billion. A significant portion of these deposits has been, and is expected to be, long-term and stable and is considered core.

Citigroup and its subsidiaries have a significant presence in the global capital markets. During the 2005 second quarter, Citigroup consolidated its capital markets funding activities into two legal entities: (i) Citigroup Inc., which issues long-term debt, medium-term notes, trust preferred securities, and preferred and common stock; and (ii) Citigroup Funding Inc. (CFI), a first-tier subsidiary of Citigroup, which issues commercial paper, medium- term notes and structured equity-linked and credit-linked notes, all of which are guaranteed by Citigroup. As part of the funding consolidation, Citigroup also guaranteed and continues to guarantee various debt obligations of CGMHI as well as all of the outstanding debt obligations under CGMHI s publicly-issued securities.

In August 2005, Citigroup merged its two intermediate bank holding companies, Citigroup Holdings Company and Citicorp, into Citigroup Inc. Coincident with this merger, Citigroup assumed all existing indebtedness and outstanding guarantees of Citicorp. As a result, Citigroup also guaranteed various debt obligations of Associates and of CitiFinancial Credit Company, each an indirect subsidiary of Citigroup. In addition, Citigroup guaranteed various debt obligations of Citigroup Finance Canada Inc. (CFCI), a wholly owned subsidiary of Associates. CFCI continues to issue debt in the Canadian market supported by a Citigroup guarantee. See Note 29 to the Consolidated Financial Statements on page 156 for further discussions. Other significant elements of long-term debt in the Consolidated Balance Sheet include collateralized advances from the Federal Home Loan Bank system, asset-backed outstandings, and certain borrowings of foreign subsidiaries.

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

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

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

* This is a forward-looking statement within the meaning of the Private Securities Litigation Reform Act. See Forward-Looking Statements on page 97.

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

At December 31, 2006, long-term debt and commercial paper outstanding for Citigroup Parent Company, CGMHI, Citigroup Funding Inc. and Citigroup s Subsidiaries were as follows:

In billions of dollars	Citigroup Parent Company	CGMHI	Citigroup Funding Inc.	Other Citigroup Subsidiaries
Long-term debt	$ 125.4	$ 28.7	$ 18.8	$ 115.6(1)
Commercial paper			$ 41.8	$ 1.9

(1) At December 31, 2006, approximately $81.5 billion relates to collateralized advances from the Federal Home Loan Bank.

See Note 19 to the Consolidated Financial Statements on page 139 for further detail on long-term debt and commercial paper outstanding.

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

Citigroup s Debt Ratings as of December 31, 2006

	Citigroup Inc.			Citigroup Funding Inc.			Citibank, N.A.	
	Senior debt	Subordinated debt	Commercial paper	Senior debt	Subordinated debt	Commercial paper	Long-term	Short-term
Fitch Ratings	AA+	AA	F1+	AA+	AA	F1+	AA+	F1+
Moody s Investors Service	Aa1	Aa2	P-1	Aa1	Aa2	P-1	Aaa	P-1
Standard & Poor s	AA-	A+	A-1+	AA-	A+	A-1+	AA	A-1+

On February 14, 2007, Standard & Poor s upgraded the ratings of Citigroup and certain rated subsidiaries. The senior debt ratings of Citigroup and Citigroup Funding Inc (CFI) were upgraded to AA from AA- . The subordinated debt ratings of Citigroup and Citigroup Funding Inc (CFI) were upgraded to AA- from A+ . The long-term rating of Citibank, N.A. was upgraded to AA+ from AA . On September 26, 2006, Moody s Investors Service upgraded Citibank, N.A. s long-term rating to Aaa from Aa1 . The outlook for all of Citigroup s ratings is stable .

Some of Citigroup s nonbank subsidiaries, including CGMHI, have credit facilities with Citigroup s subsidiary depository institutions, including Citibank, N.A. Borrowings under these facilities must be secured in accordance with Section 23A of the Federal Reserve Act. There are various legal restrictions on the extent to which a bank holding company and certain of its nonbank subsidiaries can borrow or obtain credit from Citigroup s subsidiary depository institutions or engage in certain other transactions with them. In general, these restrictions require that transactions be on arm s-length terms and be secured by designated amounts of specified collateral. See Note 19 to the Consolidated Financial Statements on page 139.

Contractual Obligations

The following table includes aggregated information about Citigroup s contractual obligations that impact its short- and long-term liquidity and capital needs. The table includes information about payments due under specified contractual obligations, aggregated by type of contractual obligation. It includes the maturity profile of the Company s consolidated long-term debt, operating leases and other long-term liabilities. The Company s capital lease obligations are not material and are included within purchase obligations in the table.

Citigroup s contractual obligations include purchase obligations that are enforceable and legally binding for the Company. For the purposes of the table below, purchase obligations are included through the termination date of the respective agreements, even if the contract is renewable. Many of the purchase agreements for goods or services include clauses that would allow the Company to cancel the agreement with specified notice; however, that impact is not included in the table (unless Citigroup has already notified the counterparty of its intention to terminate the agreement).

Other liabilities reflected on the Company s Consolidated Balance Sheet include obligations for goods and services that have already been received, litigation settlements, as well as other long-term liabilities that have been incurred and will ultimately be paid in cash. Excluded from the following table are obligations that are generally short-term in nature, including deposit liabilities and securities sold under agreements to repurchase. The table also excludes certain insurance and investment contracts subject to mortality and morbidity risks or without defined maturities, such that the timing of payments and withdrawals is uncertain. The liabilities related to these insurance and investment contracts are included on the Consolidated Balance Sheet as Insurance Policy and Claims Reserves, Contractholder Funds, and Separate and Variable Accounts.

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Citigroup s funding policy for pension plans is generally to fund to the minimum amounts required by the applicable laws and regulations. At December 31, 2006, there were no minimum required contributions, and no contributions are currently planned for the U.S. pension plans. Accordingly, no amounts have been included in the table below for future contributions to the U.S. pension plans. For the non-U.S. plans, discretionary contributions in 2007 are anticipated to be approximately $123 million and

this amount has been included within purchase obligations in the table below.* The estimated pension plan contributions are subject to change, since contribution decisions are affected by various factors such as market performance, regulatory and legal requirements, and management s ability to change funding policy. For additional information regarding the Company s retirement benefit obligations, see Note 9 to the Consolidated Financial Statements on page 124.

	Contractual Obligations by Year					
In millions of dollars at year end	**2007**	**2008**	**2009**	**2010**	**2011**	**Thereafter**
Long-term debt obligations (1)	$ 38,519	$ 49,212	$ 56,168	$ 24,563	$ 31,662	$ 88,370
Operating lease obligations	1,406	1,278	1,147	976	832	4,552
Purchase obligations	5,542	1,211	686	454	433	625
Business acquisitions	7,095					
Other liabilities reflected on the Company s Consolidated Balance Sheet (2)	49,612	166	142	143	118	864
Total	**$ 102,174**	**$ 51,867**	**$ 58,143**	**$ 26,136**	**$ 33,045**	**$ 94,411**

(1) For additional information about long-term debt and trust preferred securities, see Note 19 to the Consolidated Financial Statements on page 139.
(2) Relates primarily to accounts payable and accrued expenses included within Other Liabilities in the Company s Consolidated Balance Sheet. Also included are various litigation settlements.

OFF-BALANCE SHEET ARRANGEMENTS

Overview

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

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

Uses of SPEs

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

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

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

Securitization of Citigroup s Assets

In some of these off-balance sheet arrangements, including credit card receivable and mortgage loan securitizations, Citigroup is securitizing assets that were previously recorded on its Consolidated Balance Sheet. A summary of certain cash flows received from and paid to securitization trusts is included in Note 22 to the Consolidated Financial Statements on page 143.

Credit Card Receivables

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

* This is a forward-looking statement within the meaning of the Private Securities Litigation Reform Act. See Forward-Looking Statements on page 97.

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The following table reflects amounts related to the Company s securitized credit card receivables at December 31:

In billions of dollars	**2006**	2005
Principal amount of credit card receivables in trusts	**$ 112.4**	$ 107.7
Ownership interests in principal amount of trust credit card receivables:		
Sold to investors via trust-issued securities	**93.1**	92.1
Retained by Citigroup as trust-issued securities	**5.1**	4.0
Retained by Citigroup via non-certificated interest recorded as consumer loans	**14.2**	11.6
Total ownership interests in principal amount of trust credit card receivables	**$ 112.4**	$ 107.7
Other amounts recorded on the balance sheet related to interests retained in the trusts:		
Amounts receivable from trusts	**$ 4.5**	$ 3.4
Amounts payable to trusts	**1.7**	1.6
Residual interest retained in trust cash flows	**2.5**	2.1

The Company recorded net gains from securitization of credit card receivables of $1.0 billion and $1.0 billion during 2006 and 2005, respectively. Net gains reflect the following:

- incremental gains from new securitizations
- the reversal of the allowance for loan losses associated with receivables sold
- net gains on replenishments of the trust assets
- offset by other-than-temporary impairments.

See Note 22 to the Consolidated Financial Statements on page 143 for additional information regarding the Company s securitization activities.

Mortgages and Other Assets

The Company provides a wide range of mortgage and other loan products to its customers. In addition to providing a source of liquidity and less expensive funding, securitizing these assets also reduces the Company s credit exposure to the borrowers. The Company s mortgage loan securitizations are primarily non-recourse, thereby effectively transferring the risk of future credit losses to the purchasers of the securities issued by the trust. In addition to servicing rights, the Company also retains a residual interest in its student loan and other asset securitizations, consisting of securities and interest-only strips that arise from the calculation of gain or loss at the time assets are sold to the SPE. The Company recognized gains related to the securitization of mortgages and other assets of $388 million and $323 million in 2006 and 2005, respectively.

Securitization of Client Assets

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

In addition, Citigroup administers several third-party-owned, special purpose, multi-seller finance companies that purchase pools of trade receivables, credit card receivables, and other financial assets from its clients. As administrator, the Company provides accounting, funding, and operations services to these conduits but has no ownership interest. Generally, the clients continue to service the transferred assets. The conduits asset purchases are funded by issuing commercial paper and medium-term notes. Clients absorb the first losses of the conduits by providing collateral in

the form of excess assets or holding a residual interest. The Company, along with other financial institutions, provides liquidity facilities, such as commercial paper backstop lines of credit to the conduits. The Company also provides loss enhancement in the form of letters of credit and other guarantees. All fees are charged on a market basis. During 2003 many of the conduits issued first loss subordinated notes to third-party investors so that such investors in each conduit would be deemed the primary beneficiary under FIN 46-R, and would consolidate that conduit.

At December 31, 2006 and December 31, 2005, total assets and liabilities in the unconsolidated conduits were $66 billion and $55 billion, respectively.

Creation of Other Investment and Financing Products

In addition to securitizations of mortgage loans originated by the Company, the Company also securitizes purchased mortgage loans, creating collateralized mortgage obligations (CMOs) and other mortgage-backed securities (MBSs) and distributes them to investors. In 2006 and 2005, respectively, the Company organized 33 and 36 mortgage securitizations with assets of $24 billion and $25 billion. For 2006 and 2005, the Company s revenues for these activities were $758 million and $483 million, respectively, and estimated expenses before taxes were $151 million and $116 million. Expenses have been estimated based upon a percentage of product revenues to total business revenues.

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

See Note 22 to the Consolidated Financial Statements on page 143 for additional information about off-balance sheet arrangements.

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Credit Commitments and Lines of Credit

The table below summarizes Citigroup s credit commitments:

In millions of dollars at year end	**2006**	2005
Financial standby letters of credit and foreign office guarantees	**$ 72,548**	$ 52,384
Performance standby letters of credit and foreign office guarantees	**15,802**	13,946
Commercial and similar letters of credit	**7,861**	5,790
One- to four-family residential mortgages	**3,457**	3,343
Revolving open-end loans secured by one- to four-family residential properties	**32,449**	25,089
Commercial real estate, construction and land development	**4,007**	2,283
Credit card lines (1)	**987,409**	859,504
Commercial and other consumer loan commitments (2)	**439,931**	346,444
Total	**$ 1,563,464**	$ 1,308,783

(1) Credit card lines are unconditionally cancelable by the issuer.
(2) Includes commercial commitments to make or purchase loans, to purchase third-party receivables, and to provide note issuance or revolving underwriting facilities. Amounts include $251 billion and $179 billion with original maturity of less than one year at December 31, 2006 and 2005, respectively.

See Note 26 to the Consolidated Financial Statements on page 151 for additional information on credit commitments and lines of credit.

U.S. CONSUMER MORTGAGE LENDING

The following charts present the characteristics of Citigroup s first and second U.S. mortgage loan portfolio as of December 31, 2006:

Interest Rate Risk Associated with

Consumer Mortgage Lending Activity

Citigroup originates and funds mortgage loans. As with all other lending activity, this exposes Citigroup to several risks, including credit, liquidity and interest rate risks. To manage credit and liquidity risk, Citigroup sells most of the mortgage loans it originates, but retains the servicing. These sale transactions create an intangible asset referred to as mortgage servicing rights (MSRs). The fair value of this asset is primarily affected by changes in prepayments that result from shifts in mortgage interest rates. Thus, by retaining the servicing rights of sold mortgage loans, Citigroup is still exposed to interest rate risk.

In managing this risk, Citigroup hedges a significant portion of the value of its MSRs through the use of interest rate derivative contracts, forward purchase commitments of mortgage-backed securities, and purchased securities classified as available-for-sale or trading (primarily fixed income debt, such as U.S. government and agencies obligations, and mortgage-backed securities including principal-only strips).

Since the change in the value of these hedging instruments does not perfectly match the change in the value of the MSRs, Citigroup is still exposed to what is commonly referred to as basis risk. Citigroup manages this risk by reviewing the mix of the various hedging instruments referred to above on a daily basis.

Prior to January 1, 2006, the portion of the MSRs that were hedged with instruments qualifying for hedge accounting under SFAS 133 was recorded at fair value. The remaining portion of the MSRs, which was hedged with instruments that did not qualify for hedge accounting under SFAS 133 or were unhedged, were accounted for at the lower-of-cost-or-market. With the adoption of SFAS 156, *Accounting for Servicing of*

Financial Assets (SFAS 156) as of January 1, 2006, the Company records all MSRs at fair value.

Citigroup s MSRs totaled $5.439 billion and $4.339 billion, at December 31, 2006 and 2005, respectively. For additional information about the Company s MSRs, see Note 22 to the Consolidated Financial Statements on page 143.

As part of the mortgage lending activity, Citigroup commonly enters into purchase commitments to fund residential mortgage loans at specific interest rates within a given period of time, generally up to 60 days after the rate has been set. If the resulting loans from these commitments will be classified as loans-held-for-sale, Citigroup accounts for the commitments as derivatives under SFAS 133. Accordingly, changes in the fair value of these commitments, which are driven by changes in mortgage interest rates, are recognized in current earnings after taking into consideration the likelihood that the commitment will be funded. However, a value is not assigned to the MSRs until after the loans have been funded and sold.

Citigroup hedges its exposure to the change in the value of these commitments by utilizing hedging instruments similar to those referred to above.

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PENSION AND POSTRETIREMENT PLANS

The Company has several non-contributory defined benefit pension plans covering substantially all U.S. employees and has various defined benefit pension and termination indemnity plans covering employees outside the United States. The U.S. defined benefit plan provides benefits under a cash balance formula. Employees satisfying certain age and service requirements remain covered by a prior final pay formula. The Company also offers postretirement health care and life insurance benefits to certain eligible U.S. retired employees, as well as to certain eligible employees outside the United States.

The following table shows the pension expense and contributions for Citigroup s plans:

	U.S. Plans			Non-U.S. Plans		
In millions of dollars	**2006**	2005	2004	**2006**	2005	2004
Pension expense [1]	**$ 182**	$ 237	$ 196	**$ 115**	$ 182	$ 185
Company contributions [2]		160	400	**382**	379	524

(1) The 2006 expense for the U.S. plans includes an $80 million curtailment gain recognized as of September 30, 2006 relating to the Company s decision to freeze benefit accruals for all cash balance participants after 2007.

(2) In addition, the Company absorbed $20 million, $19 million and $18 million during 2006, 2005, and 2004, respectively, relating to certain investment management fees and administration costs for the U.S. plans, which are excluded from this table.

The following table shows the combined postretirement expense and contributions for Citigroup s U.S. and foreign plans:

	U.S. and Non-U.S. Plans		
In millions of dollars	**2006**	2005	2004
Postretirement expense	**$ 71**	$ 73	$ 75
Company contributions	**260**	226	216

Expected Rate of Return

Upon the adoption of SFAS 158 at December 31, 2006, the Company recorded an after-tax charge to equity of $1.647 billion, which corresponds to the plans net pension liability and the write-off of the existing prepaid asset, which relates to unamortized actuarial gains and losses, prior service costs/benefits and transition assets/liabilities.

Citigroup determines its assumptions for the expected rate of return on plan assets for its U.S. pension and postretirement plans using a building block approach, which focuses on ranges of anticipated rates of return for each asset class. A weighted range of nominal rates is then determined based on target allocations to each asset class. Citigroup considers the expected rate of return to be a long-term assessment of return expectations and does not anticipate changing this assumption annually unless there are significant changes in investment strategy or economic conditions. This contrasts with the selection of the discount rate, future compensation increase rate, and certain other assumptions, which are reconsidered annually in accordance with generally accepted accounting principles.

The expected rate of return was 8.0% at December 31, 2006, 2005 and 2004, reflecting the performance of the global capital markets. Actual returns in 2006, 2005 and 2004 were more than the expected returns. The expected returns impacted pretax earnings by 2.9%, 2.7% and 3.3%, respectively. This expected amount reflects the expected annual appreciation of the plan assets and reduces the obligation of the Company. It is deducted from the service cost, interest and other components of pension expense to arrive at the net pension expense. Net pension expense for 2006, 2005 and 2004 reflects deductions of $845 million, $806 million and $750 million of expected returns, respectively.

The following table shows the expected versus actual rate of return on plan assets for the U.S. pension and postretirement plans:

	2006	2005	2004
Expected rate of return	**8.0%**	8.0%	8.0%
Actual rate of return	**14.7%**	9.7%	11.5%

For the foreign plans, pension expense for 2006 was reduced by the expected return of $384 million, which impacted pretax earnings by 1.3%. Pension expense for 2005 and 2004 was reduced by expected returns of $315 million and $251 million, respectively. Actual returns were higher in 2006, 2005 and 2004 than the expected returns in those years.

Discount Rate

The 2006 discount rates for the U.S. pension and postretirement plans were selected by reference to a Citigroup-specific analysis using each plan s specific cash flows and compared with the Moody s Aa Long-Term Corporate Bond Yield for reasonableness. As of September 30, 2006, the U.S. pension plan was remeasured to reflect the freeze of benefits accruals for all non-grandfathered participants, effective January 1, 2008. Under the September 30th remeasurement and year-end analysis, the resulting plan-specific discount rate for the pension plan was 5.86%. Citigroup s policy is to round to the nearest tenth of a percent. Accordingly, at September 30, 2006 and December 31, 2006, the discount rate was set at 5.9% for the pension plans and, as of December 31, 2006, the discount rate was set at 5.7% for the postretirement welfare plans.

At December 31, 2005, the Moody s Aa Long-Term Corporate Bond Yield was 5.63% and the discount rate was set at 5.6% for the pension plans and 5.5% for the postretirement plans, rounding to the nearest tenth of a percent, after giving consideration to a Citigroup-specific cash flow analysis.

The discount rates for the foreign pension and postretirement plans are selected by reference to high-quality corporate bond rates in countries that have developed corporate bond markets. However, where developed corporate bond markets do not exist, the discount rates are selected by reference to local government bond rates with a premium added to reflect the additional risk for corporate bonds.

For additional information on the pension and postretirement plans, and on discount rates used in determining pension and postretirement benefit obligations and net benefit expense for the Company s plans, as well as the effects of a one percentage-point change in the expected rates of return and the discount rates, see Note 9 to the Company s Consolidated Financial Statements on page 124.

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CORPORATE GOVERNANCE AND CONTROLS AND PROCEDURES

Corporate Governance

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

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

Controls and Procedures

Disclosure

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

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

The Company s management, with the participation of the Company s CEO and CFO, has evaluated the effectiveness of the Company s disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) as of December 31, 2006 and, based on that evaluation, the CEO and CFO have concluded that at that date the Company s disclosure controls and procedures were effective.

Financial Reporting

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

- pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Company;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that the Company s receipts and expenditures are being made only in accordance with authorizations of the Company s management and directors; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company s assets that could have a material effect on the financial statements.

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

There were no changes in the Company s internal control over financial reporting during the fiscal quarter ended December 31, 2006 that materially affected, or are reasonably likely to materially affect, the Company s internal control over financial reporting.

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FORWARD-LOOKING STATEMENTS

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

These forward-looking statements involve external risks and uncertainties including, but not limited, to those described under Risk Factors on page 58. Other risks and uncertainties disclosed herein include, but are not limited to:

- The Company s ability to manage expenses and allocate capital in a disciplined manner;
- Whether the Company s investment initiatives, including recent and future targeted acquisitions, will generate a meaningful revenue contribution;
- The Company s ability to continue to re-weight its revenue mix towards International Consumer, CIB and Global Wealth Management;
- The Company s ability to establish a lower-cost platform for the consumer finance business in Japan;
- The Company s ability to accurately estimate probable losses inherent in the lending portfolio;
- The Consumer businesses ability to expand their customer base;
- The ability of *U.S. Cards* to grow managed receivables;
- The ability of *U.S. Retail Distribution* to: generate increases in loans, deposits and accounts; continue to expand its footprint; continue to grow its Citibank Direct business; and expand cross-marketing opportunities with Primerica Financial Services;
- The ability of *U.S. Consumer Lending* to generate earnings growth across its product lines;
- The ability of *U.S. Commercial Business* to expand its portfolio through leveraging distribution channels in *Smith Barney* and the expanded Retail Branch network;
- Whether *Smith Barney* will see continued asset and revenue growth from recent investments in its wealth management platform;
- The ability of the Private Bank to leverage Citigroup s onshore and institutional capabilities to build onshore franchises focused on wealth-creating individuals in key markets;
- The impact of a variety of unresolved matters involving some of the portfolio companies in CVC/Brazil;
- The effect that adding low risk-weighted, secured financing assets in the CIB business will have on Citigroup s capital adequacy ratios;
- Possible amendments to, and interpretations of, risk-based capital guidelines and reporting instructions; and
- The Company s subsidiaries dividending capabilities.

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GLOSSARY OF TERMS

Accumulated Benefit Obligation (ABO) The actuarial present value of benefits (vested and unvested) attributed to employee services rendered up to the calculation date.

Additional Minimum Liability (AML) Recognition of an additional minimum liability is required when the ABO exceeds pension plan assets and the liability for accrued pension cost already recognized is insufficient. Upon the adoption of SFAS 158 at December 31, 2006, AMLs are no longer required to be recognized.

APB 23 Benefit In accordance with paragraph 31a of SFAS 109, a deferred tax liability is not recognized for the excess of the amount for financial reporting over the tax basis of an investment in a foreign subsidiary unless it becomes apparent that the temporary difference will reverse in the foreseeable future.

Assets Under Management (AUMs) Assets held by Citigroup in a fiduciary capacity for clients. These assets are not included on Citigroup s balance sheet.

Bank Deposit Program *Smith Barney s* Bank Deposit Program provides eligible clients with FDIC insurance on their cash deposits. Accounts enrolled in the program automatically have their cash balances invested, or swept, into interest-bearing, FDIC-insured deposit accounts at Citigroup-affiliated banks.

Cash-Basis Formula A formula, within a defined benefit plan, that defines the ultimate benefit as a hypothetical account balance based on annual benefit credits and interest earnings.

Cash-Basis Loans Loans in which the borrower has fallen behind in interest payments are considered impaired and are classified as non-performing or non-accrual assets. In situations where the lender reasonably expects that only a portion of the principal and interest owed ultimately will be collected, all payments are credited directly to the outstanding principal.

Collateralized Debt Obligations (CDOs) An investment-grade security backed by a pool of bonds, loans, or other assets.

Credit Default Swap An agreement between two parties whereby one party pays the other a fixed coupon over a specified term. The other party makes no payment unless a specified credit event such as a default occurs, at which time a payment is made and the swap terminates.

Deferred Tax Asset An asset attributable to deductible temporary differences and carryforwards. A deferred tax asset is measured using the applicable enacted tax rate and provisions of the enacted tax law.

Deferred Tax Liability A liability attributable to taxable temporary differences. A deferred tax liability is measured using the applicable enacted tax rate and provisions of the enacted tax law.

Defined Benefit Plan A retirement plan under which the benefits paid are based on a specific formula. The formula is usually a function of age, service and compensation. A non-contributory plan does not require employee contributions.

Derivative A contract or agreement whose value is derived from changes in interest rates, foreign exchange rates, prices of securities or commodities, or financial or commodity indices.

Federal Funds Non-interest-bearing deposits held by member banks at the Federal Reserve Bank.

Foregone Interest Interest on cash-basis loans that would have been earned at the original contractual rate if the loans were on accrual status.

Generally Accepted Accounting Principles (GAAP) Accounting rules and conventions defining acceptable practices in preparing financial statements in the United States of America. The Financial Accounting Standards Board (FASB), an independent, self-regulatory organization, is the primary source of accounting rules.

Interest-Only (or IO) Strip A residual interest in securitization trusts representing the remaining value of expected net cash flows to the Company after payments to third party investors and net credit losses.

Leverage Ratio The Leverage Ratio is calculated by dividing Tier 1 Capital by leverage assets. Leverage assets are defined as quarterly average total assets, net of goodwill, intangibles and certain other items as required by the Federal Reserve.

Managed Average Yield Gross managed interest revenue earned, divided by average managed loans.

Managed Basis Managed basis presentation includes results from both on-balance sheet loans and off-balance sheet loans, and excludes the impact of card securitization activity. Managed basis disclosures assume that securitized loans have not been sold and present the result of the securitized loans in the same manner as the Company s owned loans.

Managed Loans Includes loans classified as Loans on the balance sheet plus loans held-for-sale that are included in other assets plus securitized receivables. These are primarily credit card receivables.

Managed Net Credit Losses Net credit losses adjusted for the effect of credit card securitizations. See Managed Loans.

Market-Related Value of Plan Assets A balance used to calculate the expected return on pension-plan assets. Market-related value can be either fair value or a calculated value that recognizes changes in fair value in a systematic and rational manner over not more than five years.

Minority Interest When a parent owns a majority (but less than 100%) of a subsidiary s stock, the Consolidated Financial Statements must reflect the minority s interest in the subsidiary. The minority interest as shown in the Consolidated Statement of Income is equal to the minority s proportionate share of the subsidiary s net income and, as included within other liabilities on the Consolidated Balance Sheet, is equal to the minority s proportionate share of the subsidiary s net assets.

Mortgage Servicing Rights (MSRs) An intangible asset representing servicing rights retained in the securitization of mortgage loans.

Net Credit Losses Gross credit losses (write-offs) less gross credit recoveries.

Net Credit Loss Ratio Annualized net credit losses divided by average loans outstanding.

Net Credit Margin Revenues less net credit losses.

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Net Excess Spread Revenue Net cash flows from our credit card securitization activities that are returned to the Company, less the amortization of previously recorded revenue (i.e., residual interest) related to prior periods securitizations. The net cash flows include collections of interest income and fee revenue in excess of the interest paid to securitization trust investors, reduced by net credit losses, servicing fees, and other costs related to the securitized receivables.

Net Interest Revenue (NIR) Interest revenue less interest expense.

Net Interest Margin Interest revenue less interest expense divided by average interest-earning assets.

Non-Qualified Plan A retirement plan that is not subject to certain Internal Revenue Code requirements and subsequent regulations. Contributions to non-qualified plans do not receive tax-favored treatment; the employer s tax deduction is taken when the benefits are paid to participants.

Notional Amount The principal balance of a derivative contract used as a reference to calculate the amount of interest or other payments.

On-Balance Sheet Loans Loans originated or purchased by the Company that reside on the balance sheet at the date of the balance sheet.

Projected Benefit Obligation (PBO) The actuarial present value of all pension benefits accrued for employee service rendered prior to the calculation date, including an allowance for future salary increases if the pension benefit is based on future compensation levels.

Purchase Sales Customers credit card purchase sales plus cash advances.

Qualified Plan A retirement plan that satisfies certain requirements of the Internal Revenue Code and provides benefits on a tax-deferred basis. Contributions to qualified plans are tax deductible.

Qualifying SPE (QSPE) A Special Purpose Entity that is very limited in its activities and in the types of assets it can hold. It is a passive entity and may not engage in active decision making. QSPE status allows the seller to remove assets transferred to the QSPE from its books, achieving sale accounting. QSPEs are not consolidated by the seller or the investors in the QSPE.

Return on Assets Annualized income divided by average assets.

Return on Common Equity Annualized income less preferred stock dividends, divided by average common equity.

Return on Invested Capital Annualized net income, adjusted to exclude the effects of capital charges on goodwill and intangibles, divided by average invested capital, which consists of risk capital plus goodwill and intangibles.

Return on Risk Capital Annualized net income, divided by average risk capital.

Risk Capital Risk capital is a management metric defined as the amount of capital required to absorb potential unexpected economic volatility.

Securities Purchased Under Agreements to Resell (Reverse Repo Agreements) An agreement between a seller and a buyer, generally of government or agency securities, whereby the buyer agrees to purchase the securities and the seller agrees to repurchase them at an agreed-upon price at a future date.

Securities Sold Under Agreements to Repurchase (Repurchase Agreements) An agreement between a seller and a buyer, generally of government or agency securities, whereby the seller agrees to repurchase the securities at an agreed-upon price at a future date.

Special Purpose Entity (SPE) An entity in the form of a trust or other legal vehicle, designed to fulfill a specific limited need of the company that organized it (such as a transfer of risk or desired tax treatment).

Standby Letter of Credit An obligation issued by a bank on behalf of a bank customer to a third party where the bank promises to pay the third party, contingent upon the failure by the bank s customer to perform under the terms of the underlying contract with the beneficiary, or it obligates the bank to guarantee or stand as a surety for the benefit of the third party to the extent permitted by law or regulation.

Securitizations A process by which a legal entity issues to investors certain securities which pay a return based on the principal and interest cash flows from a pool of loans or other financial assets.

Tier 1 and Tier 2 Capital Tier 1 Capital includes common stockholders equity (excluding certain components of other comprehensive income), qualifying perpetual preferred stock, qualifying mandatorily redeemable securities of subsidiary trusts, and minority interests that are held by others, less certain intangible assets. Tier 2 Capital includes, among other items, perpetual preferred stock to the extent that it does not qualify for Tier 1, qualifying senior and subordinated debt, limited-life preferred stock, and the allowance for credit losses, subject to certain limitations.

Unearned Compensation The unamortized portion of a grant to employees of restricted or deferred stock measured at the market value on the date of grant. Unearned compensation is displayed as a reduction of stockholders equity in the Consolidated Balance Sheet.

Unfunded Commitments Legally binding agreements to provide financing at a future date.

Variable Interest Entity (VIE) An entity that does not have enough equity to finance its activities without additional subordinated financial support from third parties. VIEs may include entities with equity investors that cannot make significant decisions about the entity s operations. A VIE must be consolidated by its primary beneficiary, if any, which is the party that has the majority of the expected losses or residual returns of the VIE or both.

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MANAGEMENT S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The management of Citigroup is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act). Citigroup s internal control system was designed to provide reasonable assurance to the Company s management and Board of Directors regarding the preparation and fair presentation of published financial statements in accordance with U.S. generally accepted accounting principles. All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Management maintains a comprehensive system of controls intended to ensure that transactions are executed in accordance with management s authorization, assets are safeguarded, and financial records are reliable. Management also takes steps to ensure that information and communication flows are effective, and to monitor performance, including performance of internal control procedures.

Citigroup management assessed the effectiveness of the Company s internal control over financial reporting as of December 31, 2006 based on the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control-Integrated Framework. Based on this assessment, management believes that, as of December 31, 2006, the Company s internal control over financial reporting is effective.

Management s assessment of the effectiveness of the Company s internal control over financial reporting as of December 31, 2006 has been audited by KPMG LLP, the Company s independent registered public accounting firm, as stated in their report appearing on page 101, which expressed unqualified opinions on management s assessment and on the effectiveness of the Company s internal control over financial reporting as of December 31, 2006.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM INTERNAL CONTROL OVER FINANCIAL REPORTING

The Board of Directors and Stockholders

Citigroup Inc.:

We have audited management s assessment, included in the accompanying Management s Report on Internal Control over Financial Reporting that Citigroup Inc. and subsidiaries (the Company or Citigroup) maintained effective internal control over financial reporting as of December 31, 2006, based on criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management s assessment and an opinion on the effectiveness of the Company s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management s assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in

accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management s assessment that Citigroup maintained effective internal control over financial reporting as of December 31, 2006, is fairly stated, in all material respects, based on criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Also, in our opinion, Citigroup maintained, in all material respects, effective internal control over financial reporting as of December 31, 2006, based on criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Citigroup as of December 31, 2006 and 2005, and the related consolidated statements of income, changes in stockholders equity and cash flows for each of the years in the three-year period ended December 31, 2006, and our report dated February 23, 2007 expressed an unqualified opinion on those consolidated financial statements.

New York, New York

February 23, 2007

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM CONSOLIDATED FINANCIAL STATEMENTS

The Board of Directors and Stockholders

Citigroup Inc.:

We have audited the accompanying consolidated balance sheets of Citigroup Inc. and subsidiaries (the Company or Citigroup) as of December 31, 2006 and 2005, the related consolidated statements of income, changes in stockholders equity and cash flows for each of the years in the three-year period ended December 31, 2006, and the related consolidated balance sheets of Citibank, N.A. and subsidiaries as of December 31, 2006 and 2005. These consolidated financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Citigroup as of December 31, 2006 and 2005, the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2006, and the financial position of Citibank, N.A. and subsidiaries as of December 31, 2006 and 2005, in conformity with U.S. generally accepted accounting principles.

As discussed in Note 1 to the consolidated financial statements, in 2006 the Company changed its methods of accounting for defined benefit pensions and other postretirement benefits, stock-based compensation, certain hybrid financial instruments and servicing of financial assets, and in 2005 the Company changed its method of accounting for conditional asset retirement obligations associated with operating leases.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of Citigroup s internal control over financial reporting as of December 31, 2006, based on criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated February 23, 2007 expressed an unqualified opinion on management s assessment of, and the effective operation of, internal control over financial reporting.

New York, New York

February 23, 2007

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CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF INCOME

Citigroup Inc. and Subsidiaries

	Year ended December 31		
In millions of dollars, except per share amounts	**2006**	2005 (1)	2004 (1)
Revenues			
Interest revenue	**$ 96,431**	$ 75,916	$ 63,621
Interest expense	**56,943**	36,676	22,004
Net interest revenue	**$ 39,488**	$ 39,240	$ 41,617
Insurance premiums	**$ 3,202**	$ 3,132	$ 2,726
Commissions and fees	**19,535**	17,143	15,981
Principal transactions	**7,708**	6,443	3,716
Administration and other fiduciary fees	**6,934**	6,119	5,524
Realized gains (losses) from sales of investments	**1,791**	1,962	833
Other revenue	**10,957**	9,603	9,238
Total non-interest revenues	**$ 50,127**	$ 44,402	$ 38,018
Total revenues, net of interest expense	**$ 89,615**	$ 83,642	$ 79,635
Provisions for credit losses and for benefits and claims			
Provision for loan losses	**$ 6,738**	$ 7,929	$ 6,233
Policyholder benefits and claims	**967**	867	884
Provision for unfunded lending commitments	**250**	250	
Total provisions for credit losses and for benefits and claims	**$ 7,955**	$ 9,046	$ 7,117
Operating expenses			
Compensation and benefits	**$ 30,277**	$ 25,772	$ 22,934
Net occupancy expense	**5,841**	5,141	4,791
Technology/communication expense	**3,762**	3,524	3,518
Advertising and marketing expense	**2,563**	2,533	2,653
Other operating expenses	**9,578**	8,193	15,886
Total operating expenses	**$ 52,021**	$ 45,163	$ 49,782
Income from continuing operations before income taxes, minority interest, and cumulative effect of accounting change	**$ 29,639**	$ 29,433	$ 22,736
Provision for income taxes	**8,101**	9,078	6,464
Minority interest, net of taxes	**289**	549	218
Income from continuing operations before cumulative effect of accounting change	**$ 21,249**	$ 19,806	$ 16,054
Discontinued operations			
Income from discontinued operations	**$ 27**	$ 908	$ 1,446
Gain on sale	**219**	6,790	
Provision (benefit) for income taxes and minority interest, net of taxes	**(43)**	2,866	454
Income from discontinued operations, net of taxes	**$ 289**	$ 4,832	$ 992
Cumulative effect of accounting change, net of taxes		(49)	
Net income	**$ 21,538**	$ 24,589	$ 17,046
Basic earnings per share			
Income from continuing operations	**$ 4.33**	$ 3.90	$ 3.13
Income from discontinued operations, net of taxes	**0.06**	0.95	0.19
Cumulative effect of accounting change, net of taxes		(0.01)	
Net income	**$ 4.39**	$ 4.84	$ 3.32
Weighted average common shares outstanding	**4,887.3**	5,067.6	5,107.2
Diluted earnings per share			
Income from continuing operations	**$ 4.25**	$ 3.82	$ 3.07
Income from discontinued operations, net of taxes	**0.06**	0.94	0.19
Cumulative effect of accounting change, net of taxes		(0.01)	
Net income	**$ 4.31**	$ 4.75	$ 3.26
Adjusted weighted average common shares outstanding	**4,986.1**	5,160.4	5,207.4

(1) Reclassified to conform to the current period s presentation.
See Notes to the Consolidated Financial Statements.

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CONSOLIDATED BALANCE SHEET

Citigroup Inc. and Subsidiaries

In millions of dollars, except shares	December 31 2006	2005 (1)
Assets		
Cash and due from banks (including segregated cash and other deposits)	**$ 26,514**	$ 23,632
Deposits with banks	**42,522**	31,645
Federal funds sold and securities borrowed or purchased under agreements to resell	**282,817**	217,464
Brokerage receivables	**44,445**	42,823
Trading account assets (including $125,231 and $92,495 pledged to creditors at December 31, 2006 and December 31, 2005, respectively)	**393,925**	295,820
Investments (including $16,355 and $15,819 pledged to creditors at December 31, 2006 and December 31, 2005, respectively, and $176 at December 31, 2006 at fair value)	**273,591**	180,597
Loans, net of unearned income		
Consumer	**512,921**	454,620
Corporate (including $384 at December 31, 2006 at fair value)	**166,271**	128,883
Loans, net of unearned income	**$ 679,192**	$ 583,503
Allowance for loan losses	**(8,940)**	(9,782)
Total loans, net	**$ 670,252**	$ 573,721
Goodwill	**33,415**	33,130
Intangible assets	**15,901**	14,749
Other assets	**100,936**	80,456
Total assets	**$ 1,884,318**	$ 1,494,037
Liabilities		
Non-interest-bearing deposits in U.S. offices	**$ 38,615**	$ 36,638
Interest-bearing deposits in U.S. offices (including $366 at December 31, 2006 at fair value)	**195,002**	169,277
Non-interest-bearing deposits in offices outside the U.S.	**35,149**	32,614
Interest-bearing deposits in offices outside the U.S. (including $472 at December 31, 2006 at fair value)	**443,275**	353,299
Total deposits	**$ 712,041**	$ 591,828
Federal funds purchased and securities loaned or sold under agreements to repurchase	**349,235**	242,392
Brokerage payables	**85,119**	70,994
Trading account liabilities	**145,887**	121,108
Short-term borrowings (including $2,012 at December 31, 2006 at fair value)	**100,833**	66,930
Long-term debt (including $9,439 at December 31, 2006 at fair value)	**288,494**	217,499
Other liabilities	**82,926**	70,749
Total liabilities	**$ 1,764,535**	$ 1,381,500
Stockholders equity		
Preferred stock ($1.00 par value; authorized shares: 30 million), at aggregate liquidation value	**$ 1,000**	$ 1,125
Common stock ($0.01 par value; authorized shares: 15 billion), issued shares: **2006** and 2005 **5,477,416,086 shares**	**55**	55
Additional paid-in capital	**18,253**	17,483
Retained earnings	**129,267**	117,555
Treasury stock, at cost: **2006 565,422,301 shares** and 2005 497,192,288 shares	**(25,092)**	(21,149)
Accumulated other comprehensive income (loss)	**(3,700)**	(2,532)
Total stockholders equity	**$ 119,783**	$ 112,537
Total liabilities and stockholders equity	**$ 1,884,318**	$ 1,494,037

(1) Reclassified to conform to the current period s presentation.
See Notes to the Consolidated Financial Statements.

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CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS EQUITY *Citigroup Inc. and Subsidiaries*

						Year ended December 31
			Amounts			Shares
In millions of dollars, except shares in thousands	**2006**	2005 (1)	2004 (1)	**2006**	2005	2004
Preferred stock at aggregate liquidation value						
Balance, beginning of year	**$ 1,125**	$ 1,125	$ 1,125	**4,250**	4,250	4,250
Redemption or retirement of preferred stock	**(125)**			**(250)**		
Balance, end of year	**$ 1,000**	$ 1,125	$ 1,125	**4,000**	4,250	4,250
Common stock and additional paid-in capital						
Balance, beginning of year	**$ 17,538**	$ 16,960	$ 15,736	**5,477,416**	5,477,416	5,477,416
Employee benefit plans	**769**	524	1,116			
Other	**1**	54	108			
Balance, end of year	**$ 18,308**	$ 17,538	$ 16,960	**5,477,416**	5,477,416	5,477,416
Retained earnings						
Balance, beginning of year	**$ 117,555**	$ 102,154	$ 93,483			
Net income	**21,538**	24,589	17,046			
Common dividends (2)	**(9,761)**	(9,120)	(8,307)			
Preferred dividends	**(65)**	(68)	(68)			
Balance, end of year	**$ 129,267**	$ 117,555	$ 102,154			
Treasury stock, at cost						
Balance, beginning of year	**$ (21,149)**	$ (10,644)	$ (11,524)	**(497,192)**	(282,774)	(320,467)
Issuance of shares pursuant to employee benefit plans	**3,051**	2,203	1,659	**75,631**	61,278	54,121
Treasury stock acquired (3)	**(7,000)**	(12,794)	(25)	**(144,033)**	(277,918)	(516)
Shares purchased from Employee Pension Fund			(502)			(10,001)
Other (4)	**6**	86	(252)	**172**	2,222	(5,911)
Balance, end of year	**$ (25,092)**	$ (21,149)	$ (10,644)	**(565,422)**	(497,192)	(282,774)
Accumulated other comprehensive income (loss)						
Balance, beginning of year	**$ (2,532)**	$ (304)	$ (806)			
Net change in unrealized gains and losses on investment securities, net of taxes	**(141)**	(1,549)	(275)			
Net change in cash flow hedges, net of taxes	**(673)**	439	(578)			
Net change in foreign currency translation adjustment, net of taxes	**1,294**	(980)	1,355			
Minimum pension liability adjustment, net of taxes (5)	**(1)**	(138)				
Adjustments to initially apply SFAS 158, net of taxes	**(1,647)**					
Net change in Accumulated other comprehensive income (loss)	**$ (1,168)**	$ (2,228)	$ 502			
Balance, end of year	**$ (3,700)**	$ (2,532)	$ (304)			
Total common stockholders equity and common shares outstanding	**$ 118,783**	$ 111,412	$ 108,166	**4,911,994**	4,980,224	5,194,642
Total stockholders equity	**$ 119,783**	$ 112,537	$ 109,291			
Comprehensive income						