FIRST BANCORP /NC/
Form 4
June 26, 2009

FORM 4

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

OMB APPROVAL
OMB Number: 3235-0287
Expires: January 31, 2005
Estimated average burden hours per response... 0.5

(Print or Type Responses)

1. Name and Address of Reporting Person *
WALLACE GOLDIE H

(Last) (First) (Middle)

(Street)

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
FIRST BANCORP /NC/ [FBNC]

3. Date of Earliest Transaction (Month/Day/Year)
06/26/2009

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

__X__ Director _____ 10% Owner
_____ Officer (give title below) _____ Other (specify below)

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Stock	06/26/2009		S		1,600	D	$ 14.42	137,032	D	
Common Stock	06/26/2009		S		200	D	$ 14.43	136,832	D	
Common Stock	06/26/2009		S		200	D	$ 14.465	136,632	D	

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)		8. Price of Derivative Security (Instr. 5)	9. Nu Deriv Secur Bene Owne Follo Repo Trans (Instr
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares		

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
WALLACE GOLDIE H	X			

Signatures

/s/ Timothy S. Maples, Attorney-in-fact	06/26/2009
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. =2 ALIGN="RIGHT" style="font-family:times;">

Income (loss) from discontinued operations, net (278)83 **$(266)**$127

Net Income (loss) $(2,495)$6,226 **$(7,606)**$11,238

Basic earnings per share(2)(3) Income (loss) from continuing operations **$(0.49)**$1.25 **$(1.50)**$2.27Income (loss) from discontinued operations **(0.05)** 0.02 **(0.05)** 0.03

Net Income (loss) (0.54)1.27 **$(1.55)**$2.29

Weighted average common shares outstanding **5,287.4** 4,898.3 **5,186.5** 4,887.7

Diluted earnings per share(2)(3) Income (loss) from continuing operations **$(0.49)**$1.23 **$(1.50)**$2.22Income (loss) from discontinued operations **(0.05)** 0.02 **(0.05)** 0.03

Net Income (loss) (0.54)1.24 **$(1.55)**$2.25

Adjusted weighted average common shares outstanding **5,800.0** 4,992.9 **5,695.6** 4,980.4

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

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

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

See Notes to the unaudited Consolidated Financial Statement

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CITIGROUP INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

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

In millions of dollars, except shares	June 30, 2008	December 31, 2007(1)
Stockholders' equity		
Preferred stock ($1.00 par value; authorized shares: 30 million), at aggregate liquidation value	**$ 27,424**	$
Common stock ($.01 par value; authorized shares: 15 billion), issued shares **5,671,743,807 at June 30, 2008** and 5,477,416,086 at December 31, 2007	**57**	55
Additional paid-in capital	**16,594**	18,007
Retained earnings	**110,290**	121,769
Treasury stock, at cost: **June 30, 2008 226,350,499 shares** and December 31, 2007 482,834,568 shares	**(9,911)**	(21,724)
Accumulated other comprehensive income (loss)	**(8,049)**	(4,660)
Total stockholders' equity	**$ 136,405**	$ 113,447
Total liabilities and stockholders' equity	**$ 2,100,385**	$ 2,187,480

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

See Notes to the unaudited Consolidated Financial Statements.

71

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72

CITIGROUP INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY (Unaudited)

In millions of dollars, except shares in thousands	Six Months Ended June 30, 2008	2007
Preferred stock at aggregate liquidation value		
Balance, beginning of period	$	$ 1,000
Issuance of preferred stock	**27,424**	
Redemption or retirement of preferred stock		(400)
Balance, end of period	**$ 27,424**	$ 600
Common stock and additional paid-in capital		
Balance, beginning of period	**$ 18,062**	$ 18,308
Employee benefit plans	**(2,695)**	(646)
Issuance of common stock	**4,911**	
Issuance of shares(1)	**(3,500)**	118
Other	**(127)**	
Balance, end of period	**$ 16,651**	$ 17,780
Retained earnings		
Balance, beginning of period, as previously reported	**$ 121,769**	$ 129,267
Prior period adjustment(2)		(151)
Balance, beginning of period, as restated	**$ 121,769**	$ 129,116
Adjustment to opening balance, net of tax(3)		(186)
Adjusted balance, beginning of period	**$ 121,769**	$ 128,930
Net income (loss)	**(7,606)**	11,238
Common dividends(4)	**(3,429)**	(5,353)
Preferred dividends	**(444)**	(34)
Balance, end of period	**$ 110,290**	$ 134,781
Treasury stock, at cost		
Balance, beginning of period	**$ (21,724)**	$ (25,092)
Issuance of shares pursuant to employee benefit plans	**3,941**	2,520
Treasury stock acquired(5)	**(6)**	(653)
Issuance of shares(1)	**7,858**	637
Other	**20**	
Balance, end of period	**$ (9,911)**	$ (22,588)
Accumulated other comprehensive income (loss)		
Balance, beginning of period	**$ (4,660)**	$ (3,700)
Adjustment to opening balance, net of tax(6)		149
Adjusted balance, beginning of period	**$ (4,660)**	$ (3,551)
Net change in unrealized gains and losses on investment securities, net of tax	**(3,715)**	(844)
Net change in cash flow hedges, net of tax	**(760)**	607
Net change in foreign currency translation adjustment, net of tax	**1,111**	697

	Six Months Ended June 30,	
Pension liability adjustment, net of tax	**(25)**	121
Net change in Accumulated other comprehensive income (loss)	**$ (3,389)**	$ 581
Balance, end of period	**$ (8,049)**	$ (2,970)
Total common stockholders' equity (shares outstanding: 5,445,393 at June 30, 2008 and 4,994,581 at December 31, 2007)	**$ 108,981**	$ 127,003
Total stockholders' equity	**$ 136,405**	$ 127,603
Comprehensive income (loss)		
Net income (loss)	**$ (7,606)**	$ 11,238
Net change in Accumulated other comprehensive income (loss)	**(3,389)**	581
Total comprehensive income (loss)	**$ (10,995)**	$ 11,819

(1) The issuance of shares for the six months ended June 30, 2008 related to the acquisition of the remaining stake in Nikko Cordial. The issuance of shares for the six months ended June 30, 2007 related to the acquisition of Grupo Cuscatlan.

(2) Citigroup's January 1, 2007 opening Retained earnings balance has been reduced by $151 million to reflect a prior period adjustment to goodwill. This reduction adjusts goodwill to reflect a portion of the losses incurred in January 2002, related to the sale of the Argentinean subsidiary of Banamex, Bansud, that was recorded as an adjustment to the purchase price of Banamex. There is no tax benefit and there is no income statement impact for the quarter and six-months ended June 30, 2008 and 2007 from this adjustment. See "Legal Proceedings" for further discussion.

(3) The adjustment to the opening balance of Retained earnings represents the total of the after-tax gain (loss) amounts for the adoption of the following accounting pronouncements:

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

See Notes 1 and 17 on pages 77 and 110, respectively.

(4) Common dividends declared were $0.32 per share in the first and second quarters of 2008 and $0.54 per share in the first and second quarters of 2007.

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

Explanation of Responses:

(6)

The after-tax adjustment to the opening balance of Accumulated other comprehensive income (loss) represents the reclassification of the unrealized gains (losses) related to the Legg Mason securities as well as several miscellaneous items previously reported in accordance with SFAS No. 115, "*Accounting for Certain Investments in Debt and Equity Securities"* (SFAS 115). The related unrealized gains and losses were reclassified to Retained earnings upon the adoption of the fair value option in accordance with SFAS 159. See Notes 1 and 17 on pages 77 and 110 for further discussions.

See Notes to the unaudited Consolidated Financial Statements.

CITIGROUP INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS (Unaudited)

	Six Months Ended June 30,	
In millions of dollars	**2008**	**2007(1)**
Cash Flows from operating activities of continuing operations		
Net income (loss)	**$ (7,606)**	$ 11,238
Income from discontinued operations, net of taxes	**47**	127
Loss on sale, net of taxes	**(313)**	
Income (loss) from continuing operations	**$ (7,340)**	$ 11,111
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities of continuing operations		
Amortization of deferred policy acquisition costs and present value of future profits	**167**	171
Additions to deferred policy acquisition costs	**(222)**	(244)
Depreciation and amortization	**1,410**	1,151
Provision for credit losses	**12,628**	5,202
Change in trading account assets	**33,545**	(107,467)
Change in trading account liabilities	**7,386**	56,803
Change in federal funds sold and securities borrowed or purchased under agreements to resell	**53,897**	(35,920)
Change in federal funds purchased and securities loaned or sold under agreements to repurchase	**(58,136)**	32,917
Change in brokerage receivables net of brokerage payables	**6,348**	(7,017)
Net losses/(gains) from sales of investments	**258**	(592)
Change in loans held-for-sale	**16,340**	(4,111)
Other, net	**(12,947)**	8,095
Total adjustments	**$ 60,674**	$ (51,012)
Net cash provided by (used in) operating activities of continuing operations	**$ 53,334**	$ (39,901)
Cash flows from investing activities of continuing operations		
Change in deposits at interest with banks	**$ 1,421**	$ (18,747)
Change in loans	**(134,903)**	(174,063)
Proceeds from sales and securitizations of loans	**142,939**	127,275
Purchases of investments	**(213,470)**	(138,068)
Proceeds from sales of investments	**59,265**	92,557
Proceeds from maturities of investments	**131,466**	71,022
Capital expenditures on premises and equipment	**(1,509)**	(1,743)
Proceeds from sales of premises and equipment, subsidiaries and affiliates, and repossessed assets	**2,216**	1,394
Business acquisitions		(13,525)
Net cash used in investing activities of continuing operations	**$ (12,575)**	$ (53,898)
Cash flows from financing activities of continuing operations		
Dividends paid	**$ (3,873)**	$ (5,387)
Issuance of common stock	**4,961**	852
Issuance (redemptions) of preferred stock	**27,424**	(400)
Treasury stock acquired	**(6)**	(653)
Stock tendered for payment of withholding taxes	**(325)**	(843)
Issuance of long-term debt	**49,878**	65,229
Payments and redemptions of long-term debt	**(57,780)**	(39,335)
Change in deposits	**(22,588)**	43,434
Change in short-term borrowings	**(32,043)**	34,734

	Six Months Ended June 30,	
Net cash (used in) provided by financing activities of continuing operations	**$ (34,352)**	$ 97,631
Effect of exchange rate changes on cash and cash equivalents	**$ 212**	$ 289
Net cash from discontinued operations	**$ (1)**	
Change in cash and due from banks	**$ 6,618**	$ 4,121
Cash and due from banks at beginning of period	**$ 38,206**	$ 26,514
Cash and due from banks at end of period	**$ 44,824**	$ 30,635
Supplemental disclosure of cash flow information for continuing operations		
Cash paid during the period for income taxes	**$ 915**	$ 2,652
Cash paid during the period for interest	**$ 30,856**	$ 33,734
Non-cash investing activities		
Transfers to repossessed assets	**$ 1,505**	$ 882

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

See Notes to the unaudited Consolidated Financial Statements.

75

CITIBANK, N.A. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

In millions of dollars, except shares		June 30, 2008		December 31, 2007
		(Unaudited)		
Assets				
Cash and due from banks	$	**34,244**	$	28,966
Deposits at interest with banks		**52,654**		57,216
Federal funds sold and securities purchased under agreements to resell		**29,874**		23,563
Trading account assets (including $15,511 and $22,716 pledged to creditors as of June 30, 2008 and December 31, 2007, respectively)		**223,690**		215,454
Investments (including $2,756 and $3,099 pledged to creditors as of June 30, 2008 and December 31, 2007, respectively)		**141,524**		150,058
Loans, net of unearned income		**617,077**		644,597
Allowance for loan losses		**(13,855)**		(10,659)
Total loans, net	$	**603,222**	$	633,938
Goodwill		**19,613**		19,294
Intangible assets		**11,400**		11,007
Premises and equipment, net		**6,164**		8,191
Interest and fees receivable		**7,764**		8,958
Other assets		**87,142**		95,070
Assets of discontinued operations held for sale		**11,154**		
Total assets	$	**1,228,445**	$	1,251,715
Liabilities				
Non-interest-bearing deposits in U.S. offices	$	**49,520**	$	41,032
Interest-bearing deposits in U.S. offices		**169,346**		186,080
Non-interest-bearing deposits in offices outside the U.S.		**42,309**		38,775
Interest-bearing deposits in offices outside the U.S.		**511,732**		516,517
Total deposits	$	**772,907**	$	782,404
Trading account liabilities		**84,979**		59,472
Purchased funds and other borrowings		**62,779**		74,112
Accrued taxes and other expense		**10,417**		12,752
Long-term debt and subordinated notes		**163,686**		184,317
Other liabilities		**37,668**		39,352
Liabilities of discontinued operations held for sale		**422**		
Total liabilities	$	**1,132,858**	$	1,152,409
Stockholder's equity				
Capital stock ($20 par value) outstanding shares: 37,534,553 in each period	$	**751**	$	751
Surplus		**69,290**		69,135
Retained earnings		**30,085**		31,915
Accumulated other comprehensive income (loss)(1)		**(4,539)**		(2,495)
Total stockholder's equity	$	**95,587**	$	99,306
Total liabilities and stockholder's equity	$	**1,228,445**	$	1,251,715

(1) Amounts at June 30, 2008 and December 31, 2007 include the after-tax amounts for net unrealized gains (losses) on investment securities of ($3.496) billion and ($1.262) billion, respectively, for foreign currency translation of $2.214 billion and $1.687 billion, respectively, for cash flow hedges of ($2.487) billion and ($2.085) billion, respectively, and for pension liability adjustments of ($770) million and ($835) million, respectively.

See Notes to the unaudited Consolidated Financial Statements.

CITIGROUP INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

1. Basis of Presentation

The accompanying unaudited consolidated financial statements as of June 30, 2008 and for the three-and-six-month period ended June 30, 2008 include the accounts of Citigroup Inc. (Citigroup) and its subsidiaries (collectively, the Company). In the opinion of management, all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation, have been reflected. The accompanying unaudited consolidated financial statements should be read in conjunction with the consolidated financial statements and related notes included in Citigroup's 2007 Annual Report on Form 10-K and Citigroup's Quarterly Report on Form 10-Q for the quarter ended March 31, 2008.

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

Management must make estimates and assumptions that affect the Consolidated Financial Statements and the related footnote disclosures. While management makes its best judgment, actual results could differ from those estimates. Current market conditions increase the risk and complexity of the judgments in these estimates.

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

Significant Accounting Policies

The Company's accounting policies are fundamental to understanding management's discussion and analysis of results of operations and financial condition. The Company has identified five policies as being significant because they require management to make subjective and/or complex judgments about matters that are inherently uncertain. These policies relate to Valuations of Financial Instruments, Allowance for Credit Losses, Securitizations, Income Taxes and Legal Reserves. The Company, in consultation with the Audit and Risk Management Committee of the Board of Directors, has reviewed and approved these significant accounting policies, which are further described in the Company's 2007 Annual Report on Form 10-K.

ACCOUNTING CHANGES

SEC Staff Guidance on Loan Commitments Recorded at Fair Value through Earnings

On January 1, 2008, the Company adopted Staff Accounting Bulletin No. 109 (SAB 109), which requires that the fair value of a written loan commitment that is marked to market through earnings should include the future cash flows related to the loan's servicing rights. However, the fair value measurement of a written loan commitment still must exclude the expected net cash flows related to internally developed intangible assets (such as customer relationship intangible assets).

SAB 109 applies to two types of loan commitments: (1) written mortgage loan commitments for loans that will be held-for-sale when funded that are marked to market as derivatives under FAS 133 (derivative loan commitments); and (2) other written loan commitments that are accounted for at fair value through earnings under Statement 159's fair-value election. SAB 109 supersedes SAB 105, which applied only to derivative loan commitments and allowed the expected future cash flows related to the associated servicing of the loan to be recognized only after the servicing asset had been contractually separated from the underlying loan by sale or securitization of the loan with servicing retained. SAB 109 was applied prospectively to loan commitments issued or modified in fiscal quarters beginning after December 15, 2007. The impact of adopting this SAB was immaterial.

Netting of Cash Collateral against Derivative Exposures

During April 2007, the FASB issued FASB Staff Position No. FIN 39-1, "Amendment of FASB Interpretation No. 39" (FSP FIN 39-1) modifying certain provisions of FIN 39, "Offsetting of Amounts Related to Certain Contracts". This amendment clarified the acceptability of the existing market practice of offsetting the amounts recorded for cash collateral receivables or payables against the fair value amounts recognized for net derivative positions executed with the same counterparty under the same master netting agreement, which was the Company's prior accounting practice. Thus, this amendment did not affect the Company's consolidated financial statements as of June 30, 2008.

Adoption of SFAS 157 Fair Value Measurements

The Company elected to early-adopt SFAS No. 157, "Fair Value Measurements" (SFAS 157), as of January 1, 2007. SFAS 157 defines fair value, expands disclosure requirements around fair value and specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Company's market assumptions. These two types of inputs create the following fair value hierarchy:

Level 1 Quoted prices for *identical* instruments in active markets.

Level 2 Quoted prices for *similar* instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets.

Level 3 Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

This hierarchy requires the Company to use observable market data, when available, and to minimize the use of unobservable inputs when determining fair value.

For some products or in certain market conditions, observable inputs may not always be available. For example, during the market dislocations that occurred in the second half of 2007, certain markets became illiquid, and some key observable inputs used in valuing certain exposures were unavailable. When and if these markets are liquid, the valuation of these exposures will use the related observable inputs available at that time from these markets.

Under SFAS 157, Citigroup is required to take into account its own credit risk when measuring the fair value of derivative positions as well as the other liabilities for which fair value accounting has been elected under SFAS 155, "Accounting for certain Hybrid Financial Instruments" (SFAS 155) and SFAS 159, "The Fair Value Option for Financial Assets and Financial Liabilities" (SFAS 159). The adoption of SFAS 157 has also resulted in some other changes to the valuation techniques used by Citigroup when determining fair value, most notably the changes to the way that the probability of default of a counterparty is factored in and the elimination of a derivative valuation adjustment which is no longer necessary under SFAS 157. The cumulative effect at January 1, 2007, of making these changes was a gain of $250 million after-tax ($402 million pretax), or $0.05 per diluted share, which was recorded in the first quarter of 2007 earnings within the Securities and Banking business.

SFAS 157 also precludes the use of block discounts for instruments traded in an active market, which were previously applied to large holdings of publicly traded equity securities, and requires the recognition of trade-date gains after consideration of all appropriate valuation adjustments related to certain derivative trades that use unobservable inputs in determining their fair value. Previous accounting guidance allowed the use of block discounts in certain circumstances and prohibited the recognition of day-one gains on certain derivative trades when determining the fair value of instruments not traded in an active market. The cumulative effect of these changes resulted in an increase to January 1, 2007 retained earnings of $75 million.

Fair Value Option (SFAS 159)

In conjunction with the adoption of SFAS 157, the Company early-adopted SFAS 159, "The Fair Value Option for Financial Assets and Financial Liabilities" (SFAS 159), as of January 1, 2007. SFAS 159 provides an option on an instrument-by-instrument basis for most financial assets and liabilities to be reported at fair value with changes in fair value reported in earnings. After the initial adoption, the election is made at the acquisition of a financial asset, financial liability, or a firm commitment and it may not be revoked. SFAS 159 provides an opportunity to mitigate volatility in reported earnings that resulted prior to its adoption from being required to apply fair value accounting to certain economic hedges (e.g., derivatives) while having to measure the assets and liabilities being economically hedged using an accounting method other than fair value.

Under the SFAS 159 transition provisions, the Company elected to apply fair value accounting to certain financial instruments held at January 1, 2007 with future changes in value reported in earnings. The adoption of SFAS 159 resulted in a decrease to January 1, 2007 retained earnings of $99 million.

See Note 17 on page 110 for additional information.

Accounting for Uncertainty in Income Taxes

In July 2006, the FASB issued FIN 48, "Accounting for Uncertainty in Income Taxes," which attempts to set out a consistent framework for preparers to use to determine the appropriate level of tax reserves to maintain for uncertain tax positions. This interpretation of FASB Statement No. 109 uses a two-step approach wherein a tax benefit is recognized if a position is more-likely-than-not to be sustained. The amount of the benefit is then measured to be the highest tax benefit which is greater than 50% likely to be realized. FIN 48 also sets out disclosure requirements to enhance transparency of an entity's tax reserves. Citigroup adopted this Interpretation as of January 1, 2007. The adoption of FIN 48 resulted in a reduction to 2007 opening retained earnings of $14 million.

The Company is presently under audit by the Internal Revenue Service (IRS) for 2003-2005. It is reasonably possible that the exam will conclude within the next 12 months. An estimate of the change in FIN 48 liabilities cannot be made at this time due to the number of items still being reviewed by the IRS.

Leveraged Leases

On January 1, 2007, the Company adopted FASB Staff Position No. 13-2, "Accounting for a Change or Projected Change in the Timing of Cash Flows Relating to Income Taxes Generated by a Leverage Lease Transaction" (FSP 13-2), which provides guidance regarding changes or projected changes in the timing of cash flows relating to income taxes generated by a leveraged lease transaction.

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

FUTURE APPLICATION OF ACCOUNTING STANDARDS

Business Combinations

In December 2007, the FASB issued Statement No. 141 (revised), *"Business Combinations*" (SFAS 141(R)), which attempts to improve the relevance, representational faithfulness, and comparability of the information that a reporting entity provides in its financial reports about a business combination and its effects. This Statement replaces SFAS 141, *"Business Combinations*". SFAS 141(R) retains the fundamental requirements in Statement 141 that the acquisition method of accounting (which Statement 141 called the *purchase method*) be used for all business combinations and for an acquirer to be identified for each business combination. This Statement also retains the guidance in SFAS 141 for identifying and recognizing intangible assets separately from goodwill. The most significant changes in

SFAS 141(R) are: (1) acquisition costs and restructuring costs would now be expensed; (2) stock consideration will be measured based on the quoted market price as of the acquisition date instead of the date the deal is announced; (3) contingent consideration arising from contractual and noncontractual contingencies that meet the more-likely-than-not recognition threshold will be measured and recognized as an asset or liability at fair value at the acquisition date using a probability-weighted discounted cash flows model, with subsequent changes in fair value reflected in earnings. Noncontractual contingencies that do not meet the more-likely-than-not criteria will continue to be recognized when they are probable and reasonably estimable; and (4) acquirer records 100% step-up to fair value for all assets & liabilities, including the minority interest portion and goodwill is recorded as if a 100% interest was acquired.

SFAS 141(R) is effective for Citigroup on January 1, 2009. The Company is currently evaluating the potential impact of adopting this statement.

Noncontrolling Interests in Subsidiaries

In December 2007, the FASB issued Statement No. 160, *"Noncontrolling Interests in Consolidated Financial Statements*" (SFAS 160), which establishes standards for the accounting and reporting of noncontrolling interests in subsidiaries (that is, minority interests) in consolidated financial statements and for the loss of control of subsidiaries.

SFAS 160 requires: (1) the equity interest of noncontrolling shareholders, partners, or other equity holders in subsidiaries to be accounted for and presented in equity, separately from the parent shareholder's equity, rather than as liabilities or as "mezzanine" items between liabilities and equity; (2) the amount of consolidated net income attributable to the parent and to the noncontrolling interests be clearly identified and presented on the face of the consolidated statement of income; and (3) when a subsidiary is deconsolidated, any retained noncontrolling equity investment in the former subsidiary be initially measured at fair value. The gain or loss on the deconsolidation of the subsidiary is measured using the fair value of any noncontrolling equity investment rather than the carrying amount of that retained investment.

SFAS 160 is effective for Citigroup on January 1, 2009. Early application is not allowed. The Company is currently evaluating the potential impact of adopting this statement.

Sale with Repurchase Financing Agreements

In February 2008, the FASB issued FASB Staff Position (FSP) FAS 140-3, "Accounting for Transfers of Financial Assets and Repurchase Financing Transactions." The objective of this FSP is to provide implementation guidance on whether the security transfer and contemporaneous repurchase financing involving the transferred financial asset must be evaluated as one linked transaction or two separate de-linked transactions.

Current practice records the transfer as a sale and the repurchase agreement as a financing. The FSP requires the recognition of the transfer and the repurchase agreement as one linked transaction, unless all of the following criteria are met: (1) the initial transfer and the repurchase financing are not contractually contingent on one another; (2) the initial transferor has full recourse upon default, and the repurchase agreement's price is fixed and not at fair value; (3) the financial asset is readily obtainable in the marketplace and the transfer and repurchase financing are executed at market rates; and (4) the maturity of the repurchase financing is before the maturity of the financial asset. The scope of this FSP is limited to transfers and subsequent repurchase financings that are entered into contemporaneously or in contemplation of one another.

The FSP will be effective for Citigroup on January 1, 2009. Early adoption is prohibited. The Company is currently evaluating the potential impact of adopting this FSP.

Investment Company Audit Guide (SOP 07-1)

In July 2007, the AICPA issued Statement of Position 07-1, "Clarification of the Scope of the Audit and Accounting Guide for Investment Companies and Accounting by Parent Companies and Equity Method Investors for Investments in Investment Companies" (SOP 07-1), which was expected to be effective for fiscal years beginning on or after December 15, 2007. However, in February 2008, the FASB delayed the effective date indefinitely by issuing an FSP SOP 07-1-1, "Effective Date of AICPA Statement of Position 07-1." SOP 07-1 sets forth more stringent criteria for qualifying as an investment company than does the predecessor Audit Guide. In addition, SOP 07-1 establishes new criteria for a parent company or equity method investor to retain investment company accounting in their consolidated financial statements. Investment companies record all their investments at fair value with changes in value reflected in earnings. The Company is currently evaluating the potential impact of adopting SOP 07-1.

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

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

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

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

Disclosures about Derivative Instruments and Hedging Activities

In March 2008, the FASB issued SFAS No. 161, "Disclosures about Derivative Instruments and Hedging Activities" (SFAS 161), an amendment of SFAS 133. The standard requires enhanced disclosures about derivative instruments and hedged items that are accounted for under SFAS 133 and related interpretations. The standard will be effective for all of the Company's interim and annual financial statements for periods beginning after November 15, 2008, with early adoption permitted. The standard expands the disclosure requirements for derivatives and hedged items and has no impact on how Citigroup accounts for these instruments.

2. Discontinued Operations

CitiCapital

On April 17, 2008, the Company announced an agreement to sell most of its CitiCapital business unit to GE Capital, which includes its North American commercial lending and leasing business. This all cash transaction closed on July 31, 2008.

The total proceeds from the transaction are approximately $12.5 billion and will result in an after-tax loss to Citigroup upon closing of approximately $309 million, with both amounts subject to closing adjustments. This loss is included in Income from discontinued operations on the Company's Consolidated Statement of Income for the second quarter of 2008.

This transaction encompasses seven CitiCapital equipment finance business lines, including Healthcare Finance, Private Label Equipment Finance, Material Handling Finance, Franchise Finance, Construction Equipment Finance, Bankers Leasing, and CitiCapital Canada. CitiCapital's Tax Exempt Finance business is not part of the transaction and will remain with Citigroup.

The CitiCapital business units being acquired by GE Capital generate total revenues of approximately $236 million and $300 million and net income of $31 million and $83 million for the three months ended June 30, 2008 and 2007, respectively.

For the six months ended June 30, 2008 and 2007, the business generated total revenues of approximately $435 million and $575 million and net income of $43 million and $127 million, respectively. The businesses had total assets of $12.9 billion at June 30, 2008.

CitiCapital has approximately 1,400 employees and 160,000 customers throughout *North America*.

Results for all of the CitiCapital businesses sold, as well as the net loss recognized in the second quarter of 2008 from this sale, are reported as Discontinued operations for all periods presented. The assets and liabilities of the businesses being sold are included in Assets of Discontinued operations held for sale and Liabilities of Discontinued operations held for sale on the Consolidated Balance Sheet.

The following is a summary as of June 30, 2008 of the assets and liabilities of Discontinued operations held for sale on the Consolidated Balance Sheet for the operations related to the CitiCapital businesses to be sold:

In millions of dollars	June 30, 2008
Assets	
Cash due from banks	$ 6
Loans	11,742
Allowance for Loan Losses	(156)
Goodwill	221
Intangible Assets	3
Valuation allowance(1)	(517)
Other Assets	1,647
Total assets	$ 12,946
Liabilities	
Long-Term Debt	$ 309
Other Liabilities	147

In millions of dollars	June 30, 2008
Total liabilities	**$ 456**

(1)
To mark assets held-for-sale to their selling price.

80

Summarized financial information for discontinued operations, including cash flows, related to the sale of CitiCapital follows:

In millions of dollars	Three Months Ended June 30, 2008	Three Months Ended June 30, 2007	Six Months Ended June 30, 2008	Six Months Ended June 30, 2007
Total revenues, net of interest expense	**$ 236**	$ 300	**$ 435**	$ 575
Income from discontinued operations	**$ 43**	$ 129	**$ 47**	$ 189
Loss from sale	**(517)**		**(517)**	
Provision (benefit) for income taxes	**(196)**	46	**(204)**	62
Income (loss) from discontinued operations, net	**$ (278)**	$ 83	**$ (266)**	$ 127

In millions of dollars	Six Months Ended June 30, 2008	Six Months Ended June 30, 2007
Cash flows from:		
Operating activities	**$ (287)**	$ (736)
Investing activities	**349**	745
Financing activities	**(61)**	(9)
Net cash provided by discontinued operations	**$ 1**	$

3. Business Segments

The following tables present certain information regarding the Company's operations by segment:

In millions of dollars, except identifiable assets in billions	Revenues, net of interest expense — Three Months Ended June 30, 2008	Revenues, net of interest expense — 2007(4)	Provision (benefit) for income taxes — 2008	Provision (benefit) for income taxes — 2007(4)	Income (Loss) from Continuing Operations(1) — 2008	Income (Loss) from Continuing Operations(1) — 2007(4)	Identifiable assets — June 30, 2008(3)	Identifiable assets — Dec. 31, 2007(4)
Global Cards	**$ 5,468**	$ 5,325	**$ 249**	$ 487	**$ 467**	$ 1,057	**$ 124**	$ 128
Consumer Banking	**7,889**	7,808	**(644)**	649	**(700)**	1,473	**586**	599
Institutional Clients Group	**2,939**	10,261	**(1,562)**	1,470	**(2,044)**	3,384	**1,193**	1,317
Global Wealth Management	**3,315**	3,197	**232**	197	**405**	512	**110**	104
Corporate/Other(2)	**(959)**	(261)	**(612)**	(140)	**(345)**	(283)	**75**	40
Total	**$ 18,652**	$ 26,330	**$ (2,337)**	$ 2,663	**$ (2,217)**	$ 6,143	**$ 2,088**	$ 2,188

In millions of dollars	Revenues, net of interest expense — Six Months Ended June 30, 2008	Revenues, net of interest expense — 2007(4)	Provision (benefit) for income taxes — 2008	Provision (benefit) for income taxes — 2007(4)	Income (Loss) from Continuing Operations(1) — 2008	Income (Loss) from Continuing Operations(1) — 2007(4)

	Revenues, net of interest expense		Provision (benefit) for income taxes		Income (Loss) from Continuing Operations(1)	
Global Cards	**$ 11,884**	$ 10,489	**$ 918**	$ 1,100	**$ 1,706**	$ 2,314
Consumer Banking	**16,221**	15,340	**(805)**	1,118	**(562)**	2,731
Institutional Clients Group	**(2,019)**	19,914	**(6,394)**	2,473	**(8,401)**	6,301
Global Wealth Management	**6,594**	6,015	**391**	447	**699**	960
Corporate/Other(2)	**(1,008)**	(244)	**(330)**	(629)	**(782)**	(1,195)
Total	**$ 31,672**	$ 51,514	**$ (6,220)**	$ 4,509	**$ (7,340)**	$ 11,111

(1) Includes pretax provisions for credit losses and for benefits and claims in the Global Cards results of $2.0 billion and $1.3 billion; in the Consumer Banking results of $4.5 billion and $1.4 billion; in the ICG results of $626 million and $(30) million; and in the GWM results of $40 million and $12 million for the second quarters of 2008 and 2007, respectively.

(2) Corporate/Other reflects the restructuring charge of $1.440 billion in the six months ending June 30, 2007. See Note 7 on page 84 for further discussion.

(3) Indentifiable assets at June 30, 2008 excludes assets of discontinued operations held-for-sale.

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

81

4. Interest Revenue and Expense

For the three- and six-month periods ended June 30, 2008 and 2007, interest revenue and expense consisted of the following:

	Three Months Ended June 30,				Six Months Ended June 30,			
In millions of dollars		**2008**		**2007(1)**		**2008**		**2007(1)**
Interest revenue								
Loan interest, including fees	**$**	**16,431**	$	15,969	**$**	**33,324**	$	30,609
Deposits at interest with banks		**805**		792		**1,610**		1,501
Federal funds sold and securities purchased under agreements to resell		**2,377**		4,662		**5,549**		8,951
Investments, including dividends		**2,556**		3,577		**5,255**		7,117
Trading account assets(2)		**4,644**		4,385		**9,443**		8,315
Other interest		**1,089**		984		**2,423**		1,748
Total interest revenue	**$**	**27,902**	$	30,369	**$**	**57,604**	$	58,241
Interest expense								
Deposits	**$**	**5,195**	$	6,939	**$**	**11,495**	$	13,497
Trading account liabilities(2)		**456**		380		**789**		687
Short-term debt and other liabilities		**4,029**		7,849		**9,382**		14,796
Long-term debt		**3,917**		3,803		**8,234**		7,335
Total interest expense	**$**	**13,597**	$	18,971	**$**	**29,900**	$	36,315
Net interest revenue	**$**	**14,305**	$	11,398	**$**	**27,704**	$	21,926
Provision for loan losses		**7,070**		2,513		**12,771**		5,202
Net interest revenue after provision for loan losses	**$**	**7,235**	$	8,885	**$**	**14,933**	$	16,724

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

(2) Interest expense on trading account liabilities of the Institutional Clients Group is reported as a reduction of interest revenue for Trading account assets.

5. Commissions and Fees

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

The following table presents commissions and fees revenue for the three and six months ended June 30, 2008 and 2007:

	Three Months Ended June 30,				Six Months Ended June 30,			
In millions of dollars		**2008**		**2007(1)**		**2008**		**2007(1)**
Credit cards and bank cards	**$**	**1,195**	$	1,242	**$**	**2,408**	$	2,512

	Three Months Ended June 30,		Six Months Ended June 30,	
Investment banking	**997**	1,425	**1,792**	2,815
Smith Barney	**744**	803	**1,507**	1,577
ICG trading-related	**600**	598	**1,302**	1,284
Other Consumer	**362**	122	**718**	338
Transaction services	**364**	251	**717**	482
Checking-related	**338**	305	**668**	592
Nikko Cordial-related(2)	**300**	263	**600**	263
Other ICG	**114**	84	**244**	141
Primerica	**107**	113	**217**	229
Loan servicing(3)	**1,393**	1,224	**1,107**	1,483
Corporate finance(4)	**(389)**	186	**(3,500)**	481
Other	**9**	12	**22**	30
Total commissions and fees	**$ 6,134**	$ 6,628	**$ 7,802**	$ 12,227

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

(2) Commissions and fees for Nikko Cordial have not been detailed due to unavailability of the information.

(3) Includes fair value adjustments on mortgage servicing assets. The mark-to-market on the underlying economic hedges of the MSRs is included in Other revenue.

(4) Includes write-downs of approximately $428 million and $3.5 billion net of underwriting fees, for the three and six months ended June 30, 2008 on funded and unfunded highly leveraged finance commitments. Write-downs were recorded on all highly leveraged finance commitments where there was value impairment, regardless of funding date.

6. Retirement Benefits

The Company has several non-contributory defined benefit pension plans covering U.S. employees and has various defined benefit pension and termination indemnity plans covering employees outside the United States. The principal U.S. defined benefit plan which formerly covered substantially all U.S. employees, is closed to new entrants and effective January 1, 2008 no longer accrues benefits for most employees. Employees satisfying certain age and service requirements remain covered by a prior final pay formula.

The Company also offers postretirement health care and life insurance benefits to certain eligible U.S. retired employees, as well as to certain eligible employees outside the United States. For information on the Company's Retirement Benefit Plans and Pension Assumptions, see Citigroup's 2007 Annual Report on Form 10-K.

The following tables summarize the components of the net expense recognized in the Consolidated Statement of Income for the three and six months ended June 30, 2008 and 2007.

Net Expense (Benefit)

	Three Months Ended June 30,							
	Pension Plans				Postretirement Benefit Plans			
	U.S. Plans(1)		Plans Outside U.S.		U.S. Plans		Plans Outside U.S.	
In millions of dollars	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**
Benefits earned during the period	**$ 7**	$ 67	**$ 52**	$ 46	**$ 1**	$	**$ 12**	$ 5
Interest cost on benefit obligation	**165**	163	**99**	75	**15**	15	**30**	17
Expected return on plan assets	**(234)**	(223)	**(122)**	(109)	**(3)**	(3)	**(29)**	(23)
Amortization of unrecognized:								
Net transition obligation			**1**					
Prior service cost (benefit)			**1**	1		(1)		
Net actuarial loss		27	**4**	12		1	**8**	2
Net expense (benefit)	**$ (62)**	$ 34	**$ 35**	$ 25	**$ 13**	$ 12	**$ 21**	$ 1

	Six Months Ended June 30,							
	Pension Plans				Postretirement Benefit Plans			
	U.S. Plans(1)		Plans Outside U.S.		U.S. Plans		Plans Outside U.S.	
In millions of dollars	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**
Benefits earned during the period	**$ 15**	$ 134	**$ 103**	$ 90	**$ 1**	$ 1	**$ 19**	$ 11
Interest cost on benefit obligation	**329**	326	**182**	149	**30**	30	**50**	35
Expected return on plan assets	**(467)**	(445)	**(250)**	(216)	**(5)**	(6)	**(57)**	(47)
Amortization of unrecognized:								
Net transition obligation			**1**	1				
Prior service cost (benefit)	**(1)**	(1)	**2**	1		(2)		
Net actuarial loss		54	**13**	25		2	**11**	4
Net expense (benefit)	**$ (124)**	$ 68	**$ 51**	$ 50	**$ 26**	$ 25	**$ 23**	$ 3

(1) The U.S. plans exclude nonqualified pension plans, for which the net expense was $10 million and $12 million for the three months ended June 30, 2008 and 2007, respectively, and $20 million and $24 million for the first six months of 2008 and 2007, respectively.

83

Employer Contributions

Citigroup's pension funding policy for U.S. plans and non-U.S. plans is generally to fund to applicable minimum funding requirements, rather than to the amounts of accumulated benefit obligations. For the U.S. plans, the Company may increase its contributions above the minimum required contribution under the Employee Retirement Income Security Act of 1974 (ERISA), if appropriate to its tax and cash position and the plan's funded position. At June 30, 2008 and December 31, 2007, there were no minimum required contributions and no discretionary cash or non-cash contributions are currently planned for the U.S. plans. For the non-U.S. plans, the Company contributed $57 million as of June 30, 2008. Citigroup presently anticipates contributing an additional $103 million to fund its non-U.S. plans in 2008 for a total of $160 million.

7. Restructuring

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

The primary goals of the 2007 Structural Expense Review were:

Eliminate layers of management/improve workforce management;

Consolidate certain back-office, middle-office and corporate functions;

Increase the use of shared services;

Expand centralized procurement; and

Continue to rationalize operational spending on technology.

For the three months ended June 30, 2008, Citigroup recorded a pretax net restructuring expense of ($43) million composed of a gross charge of $34 million and a credit of $77 million due to changes in estimates attributable to lower than anticipated costs of implementing certain projects and the sale of businesses in Europe.

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

Additional charges totaling approximately $20 million pretax are anticipated to be recorded by the end of the third quarter of 2008. Of this charge, $20 million is attributable to Corporate/Other.

The following table details the Company's restructuring reserves.

In millions of dollars	Severance SFAS 112(1)	Severance SFAS 146(2)	Contract termination costs	Asset write-downs(3)	Employee termination cost	Total Citigroup
Total Citigroup (pretax)						
Original restructuring charge, First quarter of 2007	$ 950	$ 11	$ 25	$ 352	$ 39	$ 1,377
Utilization				(268)		(268)
Balance at March 31, 2007	$ 950	$ 11	$ 25	$ 84	$ 39	$ 1,109
Second quarter of 2007:						
Additional Charge	$ 8	$ 12	$ 23	$ 19	$ 1	$ 63
Foreign exchange	8		1			9
Utilization	(197)	(18)	(12)	(72)	(4)	(303)
Balance at June 30, 2007	$ 769	$ 5	$ 37	$ 31	$ 36	$ 878
Third quarter of 2007:						
Additional Charge	$ 11	$ 14	$	$	$ 10	$ 35
Foreign exchange	8		1			9
Utilization	(195)	(13)	(9)	(10)	(23)	(250)
Balance at September 30, 2007	$ 593	$ 6	$ 29	$ 21	$ 23	$ 672
Fourth quarter of 2007:						
Additional Charge	$ 23	$ 70	$ 6	$ 8	$	$ 107
Foreign Exchange	3					3
Utilization	(155)	(44)	(7)	(13)	(6)	(225)
Changes in Estimates	(39)		(6)	(1)	(8)	(54)
Balance at December 31, 2007	$ 425	$ 32	$ 22	$ 15	$ 9	$ 503
First quarter of 2008:						
Additional Charge	$ 5	$ 5	$ 3	$ 2	$	$ 15
Foreign Exchange	5					5
Utilization	(114)	(22)	(4)	(2)	(1)	(143)
Balance at March 31, 2008	$ 321	$ 15	$ 21	$ 15	$ 8	$ 380
Second quarter of 2008:						
Additional Charge	$ 2	$ 9	$ 20	$ 3	$	$ 34
Foreign Exchange						
Utilization	(77)	(12)	(5)	(3)	(3)	(100)
Changes in Estimates	(69)	(1)		(4)	(3)	(77)
Balance at June 30, 2008	$ 177	$ 11	$ 36	$ 11	$ 2	$ 237

(1)

Accounted for in accordance with SFAS No. 112, "Employer's Accounting for Post Employment Benefits" (SFAS 112).

(2)
Accounted for in accordance with SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities" (SFAS 146).

(3)
Accounted for in accordance with SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" (SFAS 144).

The total restructuring reserve balance as of June 30, 2008, net restructuring charges for the three-month period then ended and cumulative net restructuring expense incurred to date are presented below by business segment. The net expense is included in the Corporate/Other segment because this company-wide restructuring was a corporate initiative.

		Restructuring charges	
In millions of dollars	**Ending balance June 30, 2008**	**Three months ended June 30, 2008**	**Total Since Inception(1)**
Consumer Banking	$ 104	$ 11	$ 824
Global Cards	27	1	143
Institutional Clients Group	25	1	294
Global Wealth Management	25	3	98
Corporate/Other	56	18	141
Total Citigroup (pretax)	$ 237	$ 34	$ 1,500

(1)
Amounts shown net of $131 million related to changes in estimates recorded during fourth quarter 2007 and second quarter 2008.

85

8. Earnings Per Share

The following is a reconciliation of the income and share data used in the basic and diluted earnings per share computations for the periods ended June 30, 2008 and 2007:

	Three Months Ended June 30,		Six Months Ended June 30,	
In millions, except per share amounts	**2008**	**2007**	**2008**	**2007**
Income (loss) from continuing operations	**$ (2,217)**	$ 6,143	**$ (7,340)**	$ 11,111
Discontinued operations	**(278)**	83	**(266)**	127
Preferred dividends	**(361)**	(14)	**(444)**	(30)
Income available to common stockholders for basic EPS	**$ (2,856)**	$ 6,212	**$ (8,050)**	$ 11,208
Effect of dilutive securities	**270**		**336**	
Income available to common stockholders for diluted EPS(1)	**$ (2,586)**	$ 6,212	**$ (7,714)**	$ 11,208
Weighted average common shares outstanding applicable to basic EPS	**5,287.4**	4,898.3	**5,186.5**	4,887.7
Effect of dilutive securities:				
Convertible Securities	**489.2**		**489.2**	
Options	**0.2**	25.2	**0.6**	25.9
Restricted and deferred stock	**23.2**	69.4	**19.3**	66.8
Adjusted weighted average common shares outstanding applicable to diluted EPS	**5,800.0**	4,992.9	**5,695.6**	4,980.4
Basic earnings per share(2)(3)				
Income from continuing operations	**$ (0.49)**	$ 1.25	**$ (1.50)**	$ 2.27
Discontinued operations	**(0.05)**	0.02	**(0.05)**	0.03
Net income	**$ (0.54)**	$ 1.27	**$ (1.55)**	$ 2.29
Diluted earnings per share(2)(3)				
Income from continuing operations	**$ (0.49)**	$ 1.23	**$ (1.50)**	$ 2.22
Discontinued operations	**(0.05)**	0.02	**(0.05)**	0.03
Net income	**$ (0.54)**	$ 1.24	**$ (1.55)**	$ 2.25

(1) Due to the net loss in the first and second quarters of 2008, income available to common stockholders for basic EPS was used to calculate diluted earnings per share. Adding back the effect of dilutive securities would result in anti-dilution.

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

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

9. Trading Account Assets and Liabilities

Trading account assets and liabilities, at fair value, consisted of the following at June 30, 2008 and December 31, 2007:

In millions of dollars	June 30, 2008	December 31, 2007(1)
Trading account assets		
U.S. Treasury and federal agency securities	**$ 30,824**	$ 32,180
State and municipal securities	**17,036**	18,574
Foreign government securities	**60,245**	52,332
Corporate and other debt securities	**125,734**	156,242
Derivatives(2)	**104,086**	76,881
Equity securities	**87,063**	106,868
Mortgage loans and collateralized mortgage securities	**36,202**	56,740
Other	**44,249**	39,167
Total trading account assets	**$ 505,439**	$ 538,984
Trading account liabilities		
Securities sold, not yet purchased	**$ 72,975**	$ 78,541
Derivatives(2)	**116,493**	103,541
Total trading account liabilities	**$ 189,468**	$ 182,082

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

(2) Pursuant to master netting agreements.

10. Investments

In millions of dollars	June 30, 2008	December 31, 2007
Securities available-for-sale	**$ 211,380**	$ 193,113
Non-marketable equity securities carried at fair value(1)	**13,053**	13,603
Non-marketable equity securities carried at cost(2)	**8,094**	8,291
Debt securities held-to-maturity(3)	**1**	1
Total	**$ 232,528**	$ 215,008

(1) Unrealized gains and losses for non-marketable equity securities carried at fair value are recognized in earnings.

(2) Non-marketable equity securities carried at cost are periodically evaluated for other-than-temporary impairment.

(3) Recorded at amortized cost.

The amortized cost and fair value of securities available-for-sale at June 30, 2008 and December 31, 2007 were as follows:

	June 30, 2008				December 31, 2007(1)	
In millions of dollars	**Amortized cost**	**Gross unrealized gains**	**Gross unrealized losses**	**Fair value**	**Amortized cost**	**Fair value**
Securities available-for-sale						
Mortgage-backed securities	**$ 61,946**	**$ 34**	**$ 4,414**	**$ 57,566**	$ 63,888	$ 63,075
U.S. Treasury and federal agencies	**38,458**	**26**	**245**	**38,239**	19,428	19,424
State and municipal	**13,740**	**62**	**723**	**13,079**	13,342	13,206
Foreign government	**72,407**	**319**	**1,367**	**71,359**	72,339	72,075
U.S. corporate	**8,289**	**39**	**189**	**8,139**	9,648	9,598
Other debt securities	**19,173**	**72**	**286**	**18,959**	12,336	11,969
Total debt securities available-for-sale	**$ 214,013**	**$ 552**	**$ 7,224**	**$ 207,341**	$ 190,981	$ 189,347
Marketable equity securities available-for-sale	**$ 2,449**	**$ 1,714**	**$ 124**	**$ 4,039**	$ 1,404	$ 3,766
Total securities available-for-sale	**$ 216,462**	**$ 2,266**	**$ 7,348**	**$ 211,380**	$ 192,385	$ 193,113

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

87

As described in more detail below, the Company conducts periodic reviews to identify and evaluate each investment that has an unrealized loss, in accordance with FASB Staff Position FAS No. 115-1, "The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments" (FSP FAS 115-1). Any unrealized loss identified as other-than-temporary is recorded directly in the Consolidated Statement of Income.

For the investments in the table above, management has determined that the unrealized losses are temporary in nature. A primary factor considered in making that determination is management's intent and ability to hold each investment for a period of time sufficient to allow for an anticipated recovery in fair value. Management has the positive intent and ability to hold each investment until the earlier of its anticipated recovery or maturity. Other factors considered in determining whether a loss is temporary include:

- The length of time and the extent to which fair value has been below cost;
- The severity of the impairment;
- The cause of the impairment and the financial condition and near-term prospects of the issuer; and
- Activity in the market of the issuer which may indicate adverse credit conditions.

The Company's review for other-than-temporary impairment under FSP FAS 115-1 generally entails:

- Identification and evaluation of investments that have indications of possible impairment;
- Analysis of individual investments that have fair values less than amortized cost, including consideration of the length of time the investment has been in an unrealized loss position and the expected recovery period;
- Discussion of evidential matter, including an evaluation of factors or triggers that could cause an individual investment to qualify as having other-than-temporary impairment and those that would not support other-than-temporary impairment; and
- Documentation of the results of these analyses, as required under business policies.

The increase in gross unrealized losses on mortgage-backed securities and foreign government securities during the quarter ended June 30, 2008 was primarily related to a widening of credit spreads. For mortgage-backed securities, management first considers if fair value is less than amortized cost. Next, management evaluates whether the Company is expected to incur any credit-related losses of either principal or interest receipts due. Management considers all information available at the time of the analysis, including rating agency downgrades and delinquency information that would indicate there are losses expected on the underlying assets and the expectation that those losses would impact the tranche of securities the Company holds. Citigroup makes these credit loss estimations using a valuation model applied to each security that projects cash flows using default levels of varying intensities and a given loss severity that represents the Company's expected losses on the underlying assets. If the model indicates, across various scenarios and assumptions, that the Company is expected to incur credit-related losses of either principal or interest based on cash flow projections, management considers the position to have other-than-temporary impairment and recognizes the entire unrealized loss through the Consolidated Statement of Income.

Where credit-related losses of either principal or interest receipts are not expected, management performs additional analysis to assess whether it has the intent and ability to hold each security for a period of time sufficient for a forecasted recovery of fair value. Management estimates the forecasted recovery period using current estimates of volatility in market rates. Where management does not have the intent and ability to hold the position for a sufficient time period, the Company recognizes other-than-temporary impairment in the Consolidated Statement of Income. If management determines that it does have the intent and ability to hold the investment for the forecasted recovery period, the impairment is deemed temporary. In some cases, management has asserted that it has the intent and ability to hold investments until maturity.

11. Goodwill and Intangible Assets

Goodwill

The changes in goodwill during the first six months of 2008 were as follows:

In millions of dollars	Goodwill
Balance at December 31, 2007 (as previously reported)	**$ 41,204**
Prior Period Adjustment(1)	**(151)**
Balance at December 31, 2007 (as restated)	**41,053**
Purchase of the remaining shares of Nikko Cordial	**1,492**
Purchase accounting adjustment BOOC acquisition	**100**
Acquisition of the U.S. branches of Banco de Chile	**88**
Purchase accounting adjustment Bisys acquisition	**68**
Foreign exchange translation and other	**670**
Balance at March 31, 2008	**$ 43,471**
Purchase accounting adjustment Nikko Cordial	**$ (1,145)**
Sale of CitiCapital(2)	**(221)**
Acquisition of the Legg Mason Private Portfolio Group	**98**
Purchase accounting adjustment Grupo Cuscatlan	**68**
Foreign exchange translation and other	**115**
Balance at June 30, 2008	**$ 42,386**

(1) Correction of an overstatement of goodwill to reflect a portion of the losses incurred in January 2002 related to the sale of the Argentinean subsidiary of Banamex, Bansud, that was recorded as an adjustment to the purchase price of Banamex. See Footnote 2 to the Consolidated Statement of Changes in Stockholders' Equity on page 73.

(2) Goodwill allocated to CitiCapital assets sold.

Identification of New Reporting Units

The changes in the organizational structure resulted in the creation of new reporting segments. As a result, commencing with the third quarter 2008, the Company has identified new reporting units as required under SFAS 142, *Goodwill and Other Intangible Assets*. Goodwill affected by the reorganization will be reassigned from seven reporting units to twelve, using a fair value approach. Subsequent to June 30, 2008, goodwill will be allocated to disposals and tested for impairment under the new reporting units.

During the first six months of 2008, no goodwill was written off due to impairment.

Intangible Assets

The components of intangible assets were as follows:

	June 30, 2008			December 31, 2007		
In millions of dollars	**Gross carrying**	**Accumulated amortization**	**Net carrying**	**Gross carrying**	**Accumulated amortization**	**Net carrying**

	June 30, 2008			December 31, 2007		
	amount		amount	amount		amount
Purchased credit card relationships	**$ 8,845**	**$ 4,426**	**$ 4,419**	$ 8,499	$ 4,045	$ 4,454
Core deposit intangibles	**1,556**	**705**	**851**	1,435	518	917
Other customer relationships	**3,732**	**215**	**3,517**	2,746	197	2,549
Present value of future profits	**431**	**266**	**165**	427	257	170
Other(1)	**5,661**	**1,308**	**4,353**	5,783	1,157	4,626
Total amortizing intangible assets	**$ 20,225**	**$ 6,920**	**$ 13,305**	$ 18,890	$ 6,174	$ 12,716
Indefinite-lived intangible assets	**2,303**	**N/A**	**2,303**	1,591	N/A	1,591
Mortgage servicing rights	**8,934**	**N/A**	**8,934**	8,380	N/A	8,380
Total intangible assets	**$ 31,462**	**$ 6,920**	**$ 24,542**	$ 28,861	$ 6,174	$ 22,687

(1) Includes contract-related intangible assets.

N/A Not Applicable.

The changes in intangible assets during the first six months of 2008 were as follows:

In millions of dollars	Net carrying amount at December 31, 2007	Acquisitions	Amortization	Impairments(1)	FX and other(2)	Net carrying amount at June 30, 2008
Purchased credit card relationships	$ 4,454	$ 103	$ (337)	$	$ 199	**$ 4,419**
Core deposit intangibles	917	15	(79)		(2)	**851**
Other customer relationships	2,549	1,355	(104)		(283)	**3,517**
Present value of future profits	170		(7)		2	**165**
Indefinite-lived intangible assets	1,591	550			162	**2,303**
Other	4,626	189	(179)	(213)	(70)	**4,353**
	$ 14,307	$ 2,212	$ (706)	$ (213)	$ 8	**$ 15,608**
Mortgage servicing rights(3)	$ 8,380					**$ 8,934**
Total intangible assets	$ 22,687					**$ 24,542**

(1) During the first quarter of 2008, Old Lane notified investors in its multi-strategy hedge fund that they would have the opportunity to redeem their investments in the fund, without restriction, effective July 31, 2008. In April 2008, substantially all unaffiliated investors had notified Old Lane of their intention to redeem their investments. Based on the Company's expectation of the level of redemptions in the fund, the Company expected that the cash flows from the hedge fund management contract will be lower than previously estimated. The Company performed an impairment analysis of the intangible asset relating to the hedge fund management contract. As a result, an impairment loss of $202 million, representing the remaining unamortized balance of the intangible assets, was recorded in the first quarter of 2008 operating expenses in the results of the ICG segment. The fair value was estimated using a discounted cash flow approach.

(2)
Includes foreign exchange translation and purchase accounting adjustments.

(3)
See page 97 for the roll-forward of mortgage servicing rights.

12. Debt

Short-Term Borrowings

Short-term borrowings consist of commercial paper and other borrowings as follows:

In millions of dollars	June 30, 2008	December 31, 2007
Commercial paper		
Citigroup Funding Inc.	**$ 32,093**	$ 34,939
Other Citigroup Subsidiaries	**1,882**	2,404
	$ 33,975	$ 37,343
Other short-term borrowings	**80,470**	109,145
Total short-term borrowings	**$ 114,445**	$ 146,488

Borrowings under bank lines of credit may be at interest rates based on LIBOR, CD rates, the prime rate, or bids submitted by the banks. Citigroup pays commitment fees for its lines of credit.

Some of Citigroup's nonbank subsidiaries 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.

Long-Term Debt

In millions of dollars	June 30, 2008	December 31, 2007
Citigroup Parent Company	**$ 185,534**	$ 171,637
Other Citigroup Subsidiaries(1)	**165,898**	187,657
Citigroup Global Markets Holdings Inc.(2)	**21,164**	31,401
Citigroup Funding Inc.(3)(4)	**45,332**	36,417
Total long-term debt	**$ 417,928**	$ 427,112

(1) At June 30, 2008 and December 31, 2007, collateralized advances from the Federal Home Loan Bank are $84.5 billion and $86.9 billion, respectively.

(2) Includes Targeted Growth Enhanced Term Securities (TARGETS) with no carrying value at June 30, 2008 and $48 million issued by TARGETS Trust XXIV at December 31, 2007 (the "CGMHI Trust"). CGMHI owned all of the voting securities of the CGMHI Trust. The CGMHI Trust had no assets, operations, revenues or cash flows other than those related to the issuance, administration, and repayment of the TARGETS and the CGMHI Trust's common securities. The CGMHI Trust's obligations under the TARGETS were fully and unconditionally guaranteed by CGMHI, and CGMHI's guarantee obligations were fully and unconditionally guaranteed by Citigroup.

(3) Includes Targeted Growth Enhanced Term Securities (CFI TARGETS) with carrying values of $54 million and $55 million issued by TARGETS Trusts XXV and XXVI at June 30, 2008 and December 31, 2007, respectively, (collectively, the "CFI Trusts"). CFI owns all of the voting securities of the CFI Trusts. The CFI Trusts have no assets, operations, revenues or cash flows other than those related to the issuance, administration, and repayment of the CFI TARGETS and the CFI Trusts' common securities. The CFI Trusts' obligations under the CFI TARGETS are fully and unconditionally guaranteed by CFI, and CFI's guarantee obligations are fully and unconditionally guaranteed by Citigroup.

(4)
Includes Principal-Protected Trust Securities (Safety First Trust Securities) with carrying values of $334 million issued by Safety First Trust Series 2006-1, 2007-1, 2007-2, 2007-3, 2007-4, 2008-1 and 2008-2 (collectively, the "Safety First Trusts") at June 30, 2008 and $301 million issued by Safety First Trust Series 2006-1, 2007-1, 2007-2, 2007-3 and 2007-4 at December 31, 2007. CFI owns all of the voting securities of the Safety First Trusts. The Safety First Trusts have no assets, operations, revenues or cash flows other than those related to the issuance, administration, and repayment of the Safety First Trust Securities and the Safety First Trusts' common securities. The Safety First Trusts' obligations under the Safety First Trust Securities are fully and unconditionally guaranteed by CFI, and CFI's guarantee obligations are fully and unconditionally guaranteed by Citigroup.

CGMHI has a syndicated five-year committed uncollateralized revolving line of credit facility with unaffiliated banks totaling $3.0 billion, which matures in 2011. CGMHI also has three-year and one-year bilateral facilities totaling $1.375 billion with unaffiliated banks with borrowings maturing on various dates in 2008 and 2009. At June 30, 2008, $800 million of the bilateral facilities were drawn.

CGMHI also has committed long-term financing facilities with unaffiliated banks. At June 30, 2008, CGMHI had drawn down the full $2.075 billion available under these facilities, of which $1.08 billion is guaranteed by Citigroup. A bank can terminate these facilities by giving CGMHI prior notice (generally one year). CGMHI also has substantial borrowing arrangements consisting of facilities that CGMHI has been advised are available, but where no contractual lending obligation exists. These arrangements are reviewed on an ongoing basis to ensure flexibility in meeting CGMHI's short-term requirements.

The Company issues both fixed and variable rate debt in a range of currencies. It uses derivative contracts, primarily interest rate swaps, to effectively convert a portion of its fixed rate debt to variable rate debt and variable rate debt to fixed rate debt. The maturity structure of the derivatives generally corresponds to the maturity structure of the debt being hedged. In addition, the Company uses other derivative contracts to manage the foreign exchange impact of certain debt issuances.

Long-term debt at June 30, 2008 and December 31, 2007 includes $23.8 billion of junior subordinated debt. The Company formed statutory business trusts under the laws of the state of Delaware. The trusts exist for the exclusive purposes of (i) issuing Trust Securities representing undivided beneficial interests in the assets of the Trust; (ii) investing the gross proceeds of the Trust securities in junior subordinated deferrable interest debentures (subordinated debentures) of its parent; and (iii) engaging in only those activities necessary or incidental thereto. Upon approval from the Federal Reserve, Citigroup has the right to redeem these securities.

Citigroup has contractually agreed not to redeem or purchase (i) the 6.50% Enhanced Trust Preferred Securities of Citigroup Capital XV before September 15, 2056, (ii) the 6.45% Enhanced Trust Preferred Securities of Citigroup Capital XVI before December 31, 2046, (iii) the 6.35% Enhanced Trust Preferred Securities of Citigroup Capital XVII before March 15, 2057, (iv) the 6.829% Fixed Rate/Floating Rate Enhanced Trust Preferred Securities of Citigroup Capital XVIII before June 28, 2047, (v) the 7.250% Enhanced Trust Preferred Securities of Citigroup Capital XIX before August 15, 2047, (vi) the 7.875% Enhanced Trust Preferred Securities of Citigroup Capital XX before December 15, 2067, and (vii) the 8.300% Fixed Rate/Floating Rate Enhanced Trust Preferred Securities of Citigroup Capital XXI before December 21, 2067 unless certain conditions, described in Exhibit 4.03 to Citigroup's Current Report on Form 8-K filed on September 18, 2006, in Exhibit 4.02 to Citigroup's Current Report on Form 8-K filed on November 28, 2006, in Exhibit 4.02 to Citigroup's Current Report on Form 8-K filed on March 8, 2007, in Exhibit 4.02 to Citigroup's Current Report on Form 8-K filed on July 2, 2007, in Exhibit 4.02 to Citigroup's Current Report on Form 8-K filed on August 17, 2007, in Exhibit 4.2 to Citigroup's Current Report on Form 8-K filed on November 27, 2007, and in Exhibit 4.2 to Citigroup's Current Report on Form 8-K filed on December 21, 2007, respectively, are met. These agreements are for the benefit of the holders of Citigroup's 6.00% Junior Subordinated Deferrable Interest Debentures due 2034.

Citigroup owns all of the voting securities of these subsidiary trusts. These subsidiary trusts have no assets, operations, revenues or cash flows other than those related to the issuance, administration, and repayment of the subsidiary trusts and the subsidiary trusts' common securities. These subsidiary trusts' obligations are fully and unconditionally guaranteed by Citigroup.

The following table summarizes the financial structure of each of the Company's subsidiary trusts at June 30, 2008:

Trust securities with distributions guaranteed by Citigroup	Issuance date	Securities issued	Liquidation value	Coupon rate	Common shares issued to parent	Junior subordinated debentures owned by trust Amount(1)	Maturity	Redeemable by issuer beginning
In millions of dollars, except share amounts								
Citigroup Capital III	Dec. 1996	200,000	$ 200	7.625%	6,186	$ 206	Dec. 1, 2036	Not redeemable
Citigroup Capital VII	July 2001	46,000,000	1,150	7.125%	1,422,681	1,186	July 31, 2031	July 31, 2006
Citigroup Capital VIII	Sept. 2001	56,000,000	1,400	6.950%	1,731,959	1,443	Sept. 15, 2031	Sept. 17, 2006
Citigroup Capital IX	Feb. 2003	44,000,000	1,100	6.000%	1,360,825	1,134	Feb. 14, 2033	Feb. 13, 2008
Citigroup Capital X	Sept. 2003	20,000,000	500	6.100%	618,557	515	Sept. 30, 2033	Sept. 30, 2008
Citigroup Capital XI	Sept. 2004	24,000,000	600	6.000%	742,269	619	Sept. 27, 2034	Sept. 27, 2009
Citigroup Capital XIV	June 2006	22,600,000	565	6.875%	40,000	566	June 30, 2066	June 30, 2011
Citigroup Capital XV	Sept. 2006	47,400,000	1,185	6.500%	40,000	1,186	Sept. 15, 2066	Sept. 15, 2011
Citigroup Capital XVI	Nov. 2006	64,000,000	1,600	6.450%	20,000	1,601	Dec. 31, 2066	Dec. 31, 2011
Citigroup Capital XVII	Mar. 2007	44,000,000	1,100	6.350%	20,000	1,101	Mar. 15, 2067	Mar. 15, 2012
Citigroup Capital XVIII	June 2007	500,000	995	6.829%	50	995	June 28, 2067	June 28, 2017
Citigroup Capital XIX	Aug. 2007	49,000,000	1,225	7.250%	20	1,226	Aug. 15, 2067	Aug. 15, 2012
Citigroup Capital XX	Nov. 2007	31,500,000	788	7.875%	20,000	788	Dec. 15, 2067	Dec. 15, 2012
Citigroup Capital XXI	Dec. 2007	3,500,000	3,500	8.300%	500	3,501	Dec. 21, 2077	Dec. 21, 2037
Citigroup Capital XXIX	Nov. 2007	1,875,000	1,875	6.320%	10	1,875	Mar. 15, 2041	Mar. 15, 2013
Citigroup Capital XXX	Nov. 2007	1,875,000	1,875	6.455%	10	1,875	Sept. 15, 2041	Sept. 15, 2013
Citigroup Capital XXXI	Nov. 2007	1,875,000	1,875	6.700%	10	1,875	Mar. 15, 2042	Mar. 15, 2014
Citigroup Capital XXXII	Nov. 2007	1,875,000	1,875	6.935%	10	1,875	Sept. 15, 2042	Sept. 15, 2014
Adam Capital Trust III	Dec. 2002	17,500	18	3 mo. LIB +335 bp.	542	18	Jan. 07, 2033	Jan. 07, 2008
Adam Statutory Trust III	Dec. 2002	25,000	25	3 mo. LIB +325 bp.	774	26	Dec. 26, 2032	Dec. 26, 2007
Adam Statutory Trust IV	Sept. 2003	40,000	40	3 mo. LIB +295 bp.	1,238	41	Sept. 17, 2033	Sept. 17, 2008
Adam Statutory Trust V	Mar. 2004	35,000	35	3 mo. LIB +279 bp.	1,083	36	Mar. 17, 2034	Mar. 17, 2009
Total obligated			$ 23,526			$ 23,688		

(1) Represents the proceeds received from the Trust at the date of issuance.

In each case, the coupon rate on the debentures is the same as that on the trust securities. Distributions on the trust securities and interest on the debentures are payable quarterly, except for Citigroup Capital III, Citigroup Capital XVIII and Citigroup Capital XXI on which distributions are payable semiannually.

13. PREFERRED STOCK

The following table summarizes the Company's Preferred stock outstanding at June 30, 2008 and December 31, 2007:

					Carrying Value (in millions of dollars)	
	Dividend Rate	Redemption price per depositary share	Number of depositary shares	Convertible to approximate number of Citigroup common shares	June 30, 2008	December 31, 2007
Series A(1)	7.000%	$ 50	137,600,000	217,569,501	$ 6,880	$
Series B(1)	7.000%	50	60,000,000	94,870,422	3,000	
Series C(1)	7.000%	50	20,000,000	31,623,474	1,000	
Series D(1)	7.000%	50	15,000,000	23,717,605	750	
Series E(2)	8.400%	1,000	6,000,000		6,000	
Series F(3)	8.500%	25	81,600,000		2,040	
Series J(1)	7.000%	50	9,000,000	14,230,563	450	
Series K(1)	7.000%	50	8,000,000	12,649,389	400	
Series L1(1)	7.000%	50	100,000	158,117	5	
Series N(1)	7.000%	50	300,000	474,352	15	
Series T(4)	6.500%	50	63,373,000	93,940,985	3,169	
Series AA(5)	8.125%	25	148,600,000		3,715	
				489,234,408	$ 27,424	$

(1)

Issued on January 23, 2008 as depositary shares, each representing a 1/1000th interest in a share of the corresponding series of Non-Cumulative Convertible Preferred Stock. Redeemable in whole or in part on or after February 15, 2015. Convertible into Citigroup common stock at a conversion rate of approximately 1,581.1737 per share, which is subject to adjustment under certain conditions. The dividend of $0.88 per depositary share is payable quarterly when, as and if declared by the Company's Board of Directors. Redemption is subject to a capital replacement covenant.

(2)

Issued on April 28, 2008 as depositary shares, each representing a 1/25th interest in a share of the corresponding series of Fixed Rate/Floating Rate Non-Cumulative Preferred Stock. Redeemable in whole or in part on or after April 30, 2018. Dividends are payable semi-annually for the first 10 years until April 30, 2018 at $42.70 per depositary share and thereafter quarterly at floating rate when, as and if declared by the Company's Board of Directors.

(3)

Issued on May 13, 2008 and May 28, 2008 as depositary shares, each representing a 1/1000th interest in a share of the corresponding series of Non-Cumulative Preferred Stock. Redeemable in whole or in part on or after June 15, 2013. The dividend of $0.53 per depositary share is payable quarterly when, as and if declared by the Company's Board of Directors.

(4)

Issued on January 23, 2008 and January 29, 2008 as depositary shares, each representing a 1/1000th interest in a share of the corresponding series of Non-Cumulative Convertible Preferred Stock. Redeemable in whole in or part on or after February 15, 2015. Convertible into Citigroup common stock at a conversion rate of approximately 1,482.3503 per share, which is subject to adjustment under certain conditions. The dividend of $0.81 per depositary share is payable quarterly when, as and if declared by the Company's Board of Directors. Redemption is subject to a capital replacement covenant.

(5)

Issued on January 25, 2008 as depositary shares, each representing a 1/1000th interest in a share of the corresponding series of Non-Cumulative Preferred Stock. Redeemable in whole or in part on or after February 15, 2018. The dividend of $0.51 per depositary share is payable quarterly when, as and if declared by the Company's Board of Directors. Redemption is subject to a capital replacement covenant.

If dividends are declared on Series E as scheduled, the impact from preferred dividends on earnings per share in the first and third quarters will be lower than the impact in the second and fourth quarters. All other series currently have a quarterly dividend declaration schedule.

93

14. CHANGES IN ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

Changes in each component of "Accumulated Other Comprehensive Income (Loss)" for first and second quarters of 2008 were as follows:

In millions of dollars	Net unrealized gains (losses) on investment securities	Foreign currency translation adjustment	Cash flow hedges	Pension liability adjustments	Accumulated other comprehensive income (loss)
Balance, December 31, 2007	**$ 471**	**$ (772)**	**$ (3,163)**	**$ (1,196)**	**$ (4,660)**
Increase in net unrealized losses on investment securities, net of taxes(1)	(2,464)				(2,464)
Less: Reclassification adjustment for losses included in net income, net of taxes	77				77
Foreign currency translation adjustment, net of taxes(2)		1,273			1,273
Cash flow hedges, net of taxes(3)			(1,638)		(1,638)
Pension liability adjustment, net of taxes				31	31
Change	$ (2,387)	$ 1,273	$ (1,638)	$ 31	$ (2,721)
Balance, March 31, 2008	**$ (1,916)**	**$ 501**	**$ (4,801)**	**$ (1,165)**	**$ (7,381)**
Increase in net unrealized losses on investment securities, net of taxes(4)	(1,418)				(1,418)
Less: Reclassification adjustment for losses included in net income, net of taxes	90				90
Foreign currency translation adjustment, net of taxes(5)		(162)			(162)
Cash flow hedges, net of taxes(6)			878		878
Pension liability adjustment, net of taxes				(56)	(56)
Change	**$ (1,328)**	**$ (162)**	**$ 878**	**$ (56)**	**$ (668)**
Balance, June 30, 2008	**$ (3,244)**	**$ 339**	**$ (3,923)**	**$ (1,221)**	**$ (8,049)**

(1) Primarily related to mortgage-backed securities activity.

(2) Reflects, among other items, the movements in the Japanese yen, Mexican peso, Euro, Korean won, and Turkish lira against the U.S. dollar, and changes in related tax effects.

(3) Primarily reflects the decrease in market interest rates during the first quarter of 2008 in Citigroup's pay-fixed/receive-floating swap programs hedging floating rate deposits and long-term debt. Also reflects the widening of interest rate spreads during the period.

(4) Primarily related to foreign government securities, foreign marketable equity securities, and mortgage-backed securities activities.

(5) Reflects, among other items, the movements in the Japanese yen, Mexican peso, Korean won, Brazilian real, and Indian rupee against the U.S. dollar, and changes in related tax effects.

(6) Primarily reflects the increase in market interest rates during the second quarter of 2008 in Citigroup's pay-fixed/receive-floating swap programs hedging floating rate deposits and long-term debt.

94

15. SECURITIZATIONS AND VARIABLE INTEREST ENTITIES

The Company primarily securitizes credit card receivables and mortgages. Other types of assets securitized include corporate debt instruments (in cash and synthetic form), auto loans, and student loans.

After securitization of credit card receivables, the Company continues to maintain credit card customer account relationships and provides servicing for receivables transferred to the trusts. The Company provides and at times arranges for third parties to provide credit enhancement to the trusts, including cash collateral accounts, subordinated securities, liquidity facilities and letters of credit. As specified in some of the sale agreements, the net revenue collected each month is accumulated up to a predetermined maximum amount, and is available over the remaining term of that transaction to make payments of yield, fees, and transaction costs in the event that net cash flows from the receivables are not sufficient. Once the predetermined amount is reached, net revenue is recognized by the Citigroup subsidiary that sold the receivables.

The Company provides a wide range of mortgage and other loan products to a diverse customer base. In connection with the securitization of these loans, the Company's U.S. Consumer business retains the servicing rights, which entitle the Company to a future stream of cash flows based on the outstanding principal balances of the loans and the contractual servicing fee. Failure to service the loans in accordance with contractual requirements may lead to a termination of the servicing rights and the loss of future servicing fees. In non-recourse servicing, the principal credit risk to the Company is the cost of temporary advances of funds. In recourse servicing, the servicer agrees to share credit risk with the owner of the mortgage loans such as FNMA or FHLMC or with a private investor, insurer, or guarantor. Losses on recourse servicing occur primarily when foreclosure sale proceeds of the property underlying a defaulted mortgage loan are less than the outstanding principal balance and accrued interest of the loan and the cost of holding and disposing of the underlying property. 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. Institutional Clients Group retains servicing for a limited number of its mortgage securitizations.

The following tables summarize selected cash flow information related to credit card, mortgage, and certain other securitizations for the three months ended June 30, 2008 and 2007:

	Three Months Ended June 30, 2008			
In billions of dollars	**Credit cards**	**U.S. Consumer mortgages**	**Institutional Clients Group mortgages**	**Other(1)**
Proceeds from new securitizations	**$ 9.1**	**$ 24.3**	**$ 3.2**	**$ 2.6**
Proceeds from collections reinvested in new receivables	**57.1**			**0.3**
Contractual servicing fees received	**0.5**	**0.4**		
Cash flows received on retained interests and other net cash flows	**1.9**	**0.2**	**0.1**	**0.3**

	Three Months Ended June 30, 2007			
In billions of dollars	**Credit cards**	**U.S. Consumer mortgages**	**Institutional Clients Group mortgages**	**Other(1)**
Proceeds from new securitizations	$ 6.4	$ 29.6	$ 13.1	$ 11.6
Proceeds from collections reinvested in new receivables	55.8			0.8
Contractual servicing fees received	0.5	0.5		
Cash flows received on retained interests and other net cash flows	2.1			

	Six Months Ended June 30, 2008			
In billions of dollars	**Credit cards**	**U.S. Consumer mortgages**	**Institutional Clients Group mortgages**	**Other(1)**
Proceeds from new securitizations	**$ 19.1**	**$ 48.0**	**$ 5.2**	**$ 2.7**
Proceeds from collections reinvested in new receivables	**112.2**			**0.6**
Contractual servicing fees received	**1.0**	**0.8**		

	Six Months Ended June 30, 2008			
Cash flows received on retained interests and other net cash flows	**3.9**	**0.4**	**0.2**	**0.4**

	Six Months Ended June 30, 2007			
In billions of dollars	**Credit cards**	**U.S. Consumer mortgages**	**Institutional Clients Group mortgages**	**Other(1)**
Proceeds from new securitizations	$ 12.7	$ 56.5	$ 29.6	$ 24.7
Proceeds from collections reinvested in new receivables	107.7			1.3
Contractual servicing fees received	1.1	0.8		
Cash flows received on retained interests and other net cash flows	4.2	0.1		

(1) Other includes student loans and other assets

95

The Company recognized gains on securitizations of U.S. Consumer mortgages of $75 million and $52 million for the second quarters of 2008 and 2007, respectively, and $77 and $83 million for the six-month periods ended June 30, 2008 and 2007, respectively. In the second quarter of 2008 and 2007, the Company recorded gains (losses) of ($176) million and $243 million related to the securitization of credit card receivables, and $45 million and $578 million for the six months ended June 30, 2008 and 2007 respectively. Gains (losses) recognized on the securitization of Institutional Clients Group activities and other assets during the second quarter of 2008 and 2007 were $(1) million and $92 million, respectively, and $5 million and $106 million for the first six months ended June 30, 2008 and 2007, respectively.

Key assumptions used for the securitization of credit cards, mortgages, and certain other assets during the second quarter of 2008 and 2007 in measuring the fair value of retained interests at the date of sale or securitization are as follows:

	Three Months Ended June 30, 2008			
	Credit Cards	**U.S. Consumer Mortgages**	**Institutional Clients Group mortgages**	**Other(1)**
Discount rate	**14.5% to 17.9%**	**12.4% to 15.3%**	**2.7% to 34.9%**	**10.6%**
Constant prepayment rate	**5.9% to 20.3%**	**3.6% to 6.1%**	**2.0% to 28.4%**	**7.8%**
Anticipated net credit losses	**5.1% to 6.8%**	**N/A**	**20% to 100%**	**0.5%**

	Three Months Ended June 30, 2007			
	Credit Cards	**U.S. Consumer Mortgages**	**Institutional Clients Group mortgages**	**Other(1)**
Discount rate	12.8% to 16.2%	11.1% to 14.9%	4.1% to 27.9%	10.2%
Constant prepayment rate	6.7% to 21.3%	5.1% to 9.6%	10.0% to 52.5%	3.8%
Anticipated net credit losses	3.4% to 5.9%	N/A	24.0% to 100.0%	0.2% to 0.5%

(1) Other includes student loans and other assets.

As required by SFAS 140, the effect of two negative changes in each of the key assumptions used to determine the fair value of retained interests must be disclosed. The negative effect of each change must be calculated independently, holding all other assumptions constant. Because the key assumptions may not in fact be independent, the net effect of simultaneous adverse changes in the key assumptions may be less than the sum of the individual effects shown below.

At June 30, 2008, the key assumptions used to value retained interests and the sensitivity of the fair value to adverse changes of 10% and 20% in each of the key assumptions were as follows:

Key Assumptions at June 30, 2008

	June 30, 2008			
	Credit Cards	**U.S. Consumer Mortgages(1)**	**Institutional Clients Group mortgages**	**Other(2)**
Discount rate	**14.5% to 17.9%**	**11.3%**	**2.7% to 34.9%**	**10.6% to 13.6%**
Constant prepayment rate	**5.9% to 20.3%**	**8.1%**	**2.0% to 28.4%**	**1.2% to 11.6%**
Anticipated net credit losses	**5.2% to 6.6%**	**N/A**	**20% to 100%**	**0.2% to 0.8%**
Weighted average life	**10.6 to 12.0 months**	**7 years**	**0 to 18.2 years**	**4.1 to 9.1 years**

(1) Includes mortgage servicing rights.

(2) Other includes student loans and other assets.

96

In millions of dollars	June 30, 2008 Credit cards	U.S. Consumer mortgages	Institutional Clients Group mortgages	Other(1)
Carrying value of retained interests	**$ 12,126**	**$ 13,831**	**$ 2,135**	**$ 1,866**
Discount Rates				
Adverse change of 10%	$ (74)	$ (369)	$ (78)	$ (28)
Adverse change of 20%	(142)	(716)	(149)	(53)
Constant prepayment rate				
Adverse change of 10%	$ (196)	$ (516)	$ (13)	$ (11)
Adverse change of 20%	(371)	(987)	(22)	(22)
Anticipated net credit losses				
Adverse change of 10%	$ (577)	$ (20)	$ (78)	$ (7)
Adverse change of 20%	(1,148)	(39)	(135)	(14)

(1) Other includes student loans and other assets. Sensitivity analysis excludes $660 million of retained interests that are valued using third-party quotations and thus are not dependent on proprietary valuation models.

Managed Loans

After securitization of credit card receivables, the Company continues to maintain credit card customer account relationships and provides servicing for receivables transferred to the trusts. As a result, the Company considers the securitized credit card receivables to be part of the business it manages.

The following tables present a reconciliation between the managed basis and on-balance sheet credit card portfolios and the related delinquencies (loans which are 90 days or more past due) and credit losses, net of recoveries.

In millions of dollars, except loans in billions	Jun. 30, 2008	Dec. 31, 2007
Loan amounts, at period end		
On balance sheet	**$ 90.8**	$ 94.1
Securitized amounts	**111.0**	108.1
Loans held-for-sale		1.0
Total managed loans	**$ 201.8**	$ 203.2
Delinquencies, at period end		
On balance sheet	**$ 2,105**	$ 1,937
Securitized amounts	**2,163**	1,864
Loans held-for-sale		14
Total managed delinquencies	**$ 4,268**	$ 3,815

Credit losses, net of recoveries, for the three months ended June 30,	2008	2007
On balance sheet	**$ 1,417**	$ 850
Securitized amounts	**1,766**	1,158
Loans held-for-sale		
Total managed	**$ 3,183**	$ 2,008

Credit losses, net of recoveries, for the six months ended June 30,	2008	2007
On balance sheet	**$ 2,669**	$ 1,720
Securitized amounts	**3,357**	2,308
Loans held-for-sale		
Total managed	**$ 6,026**	$ 4,028

Mortgage Servicing Rights

The fair value of capitalized mortgage loan servicing rights (MSRs) was $8.9 billion and $10.1 billion at June 30, 2008 and 2007, respectively. The following table summarizes the changes in capitalized MSRs:

	Three Months Ended June 30,	
In millions of dollars	**2008**	**2007**
Balance, beginning of period	**$ 7,716**	$ 8,832
Originations	**424**	534
Purchases		14
Changes in fair value of MSRs due to changes in inputs and assumptions	**1,066**	1,041
Transfer to Trading account assets	**(59)**	
Other changes(1)	**(213)**	(349)
Balance, end of period	**$ 8,934**	$ 10,072

	Six Months Ended June 30,	
In millions of dollars	**2008**	**2007**
Balance, beginning of period	**$ 8,380**	$ 5,439
Originations	**769**	961
Purchases	**1**	3,133
Changes in fair value of MSRs due to changes in inputs and assumptions	**505**	1,166
Transfer to Trading account assets	**(163)**	
Other changes(1)	**(558)**	(627)
Balance, end of period	**$ 8,934**	$ 10,072

(1) Represents changes due to customer payments and passage of time.

The market for MSRs is not sufficiently liquid to provide participants with quoted market prices. Therefore, the Company uses an option-adjusted spread valuation approach to determine the fair value of MSRs. This approach consists of projecting servicing cash flows under multiple interest rate scenarios, and discounting these cash flows using risk-adjusted discount rates. The key assumptions used in the valuation of MSRs include mortgage prepayment speeds and discount rates. The model assumptions and the MSRs' fair value estimates are compared to observable trades of similar MSR portfolios and interest-only security portfolios, as well as to MSR broker valuations and industry surveys. The cash flow model and underlying prepayment and interest rate models used to value these MSRs are subject to validation in accordance with the Company's model validation policies.

The fair value of the MSRs is primarily affected by changes in prepayments that result from shifts in mortgage interest rates. In managing this risk, the Company economically 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 trading. The amount of contractually specified servicing fees, late fees and ancillary fees earned were $420 million, $24 million and $17 million, respectively, for the quarter ended June 30, 2008, and $466 million, $25 million, and $17 million, respectively, for the second quarter of 2007. These fees are classified in the Consolidated Statement of Income as Commissions and Fees.

Special-Purpose Entities

Primary Uses of and Involvement in SPEs

Citigroup is involved with many types of special-purpose entities (SPEs) in the normal course of business. The primary uses of SPEs are to obtain sources of liquidity for the Company and its clients through securitization vehicles and commercial paper conduits; to create investment products for clients; to provide asset-based financing to clients; or to raise financing for the Company.

The Company provides various products and services to SPEs. For example, it may:

- Underwrite securities issued by SPEs and subsequently make a market in those securities;
- Provide liquidity facilities to support short-term obligations of the SPE issued to third parties;
- Provide credit enhancement in the form of letters of credit, guarantees, credit default swaps or total return swaps (where the Company receives the total return on certain assets held by the SPE);
- Enter into interest rate, currency or other derivative contracts with the SPE;
- Act as investment manager;
- Provide debt financing to or have an ownership interest in the SPE; or
- Provide administrative, trustee or other services.

SPEs used by the Company are generally accounted for as qualifying SPEs (QSPEs) or Variable Interest Entities (VIEs), as described below.

Qualifying SPEs

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

The following table summarizes the Company's involvement in QSPEs by business segment at June 30, 2008 and December 31, 2007:

	Assets of QSPEs	Retained interests
In million of dollars		

	Assets of QSPEs		Retained interests	
	June 30, 2008	Dec.31,(1) 2007	June 30, 2008	Dec. 31,(1) 2007
Global Consumer				
Credit Cards	**$ 122,192**	$ 125,109	**$ 12,126**	$ 11,739
Mortgages	**578,198**	516,802	**13,831**	13,801
Other	**16,287**	14,882	**951**	981
Total	**$ 716,677**	$ 656,793	**$ 26,908**	$ 26,521
Institutional Clients Group				
Mortgages	**$ 96,903**	$ 92,263	**$ 2,135**	$ 4,617
Municipal TOBs	**9,237**	10,556	**660**	817
DSC Securitizations and other	**5,528**	14,526	**255**	344
Total	**$ 111,668**	$ 117,345	**$ 3,050**	$ 5,778
Citigroup Total	**$ 828,345**	$ 774,138	**$ 29,958**	$ 32,299

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

Credit Card Master Trusts

The Company securitizes credit card receivables through trusts which are established to purchase the receivables. Citigroup sells receivables into the QSPE 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. The Company relies on securitizations to fund a significant portion of its managed *N.A. Cards* business.

Citigroup is a provider of liquidity facilities to the commercial paper programs of the two primary securitization trusts it transacts with. Both facilities are made available on market terms to each trust. With respect to the Palisades commercial paper program in the Omni Master Trust, Citibank (South Dakota), N. A. is the sole provider of a full liquidity facility. The liquidity facility requires Citibank (South Dakota), N.A. to purchase Palisades's commercial paper at maturity if the commercial paper does not roll over as long as there are available credit enhancements outstanding, typically in the form of subordinated notes. The Palisades liquidity commitment amounted to $9.5 billion at June 30, 2008 and $7.5 billion at December 31, 2007. During the 2008 second quarter, Citibank (South Dakota) N.A. also became the sole provider of a full liquidity facility to the Dakota commercial program of the Citibank Master Credit Card Trust. This facility requires Citibank (South Dakota) N.A. to purchase Dakota commercial paper at maturity if the commercial paper does not roll over as long as there are available credit enhancements outstanding, typically in the form of subordinated notes. The Dakota liquidity commitment amounted to $9.0 billion at June 30, 2008.

Mortgage and Other Consumer Loan Securitization Vehicles

The Company's Consumer business provides a wide range of mortgage and other consumer loan products to its customers. Once originated, the Company often securitizes these loans (primarily mortgage and student loans) through the use of QSPEs. 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. These mortgage and student loan securitizations are primarily non-recourse to the Company, thereby effectively transferring the risk of future credit losses to the purchasers of the securities issued by the trust. However, the Company generally retains the servicing rights and a residual interest in future cash flows from the trusts.

Municipal Tender Option Bond (TOB) QSPEs

The Company sponsors QSPE TOB trusts that hold municipal securities and issue long-term senior floating-rate notes ("Floaters") to third-party investors and junior residual securities ("Residuals") to the Company.

Unlike other Proprietary TOB trusts, and to conform to the requirements for a QSPE, the Company has no ability to unilaterally unwind QSPE TOB trusts. The Company would reconsider consolidation of the QSPE TOB trusts in the event that the amount of Floaters held by third parties decreased to such a level that the QSPE TOB trusts no longer met the definition of a QSPE because of insufficient third-party investor ownership of the Floaters.

Mutual Fund Deferred Sales Commission (DSC) Securitizations

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

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

- Senior term notes (generally 92-94%) via private placement to third-party investors. These notes are structured to have at least a single "A" rating standard. The senior notes receive all cash distributions until fully repaid, which is generally approximately 5-6 years;

- A residual certificate in the trust (generally 6-8%) to the Company. This residual certificate is fully subordinated to the senior notes, and receives no cash flows until the senior notes are fully paid.

Mortgage Loan Securitizations

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

Variable Interest Entities

VIEs are entities defined in FIN 46-R as entities which either have a total equity investment at risk that is insufficient to permit the entity to finance its activities without additional subordinated financial support or whose equity investors lack the characteristics of a controlling financial interest (i.e., ability to make significant decisions through voting rights, right to receive the expected residual returns of the entity, and obligation to absorb the expected losses of the entity). Investors that finance the VIE through debt or equity interests, or other counterparties that provide other forms of support, such as guarantees, subordinated fee arrangements, or certain types of derivative contracts, are variable interest holders in the entity. The variable interest holder, if any, that will absorb a majority of the entity's expected losses, receive a majority of the entity's expected residual returns, or both, is deemed to be the primary beneficiary and must consolidate the VIE. Consolidation under FIN 46-R is based on *expected* losses and residual returns, which consider various scenarios on a probability-weighted basis. Consolidation of a VIE is, therefore, determined based primarily on variability generated in scenarios that are considered most likely to occur, rather than based on scenarios that are considered more remote. Certain variable interests may absorb significant amounts of losses or residual returns contractually, but if those scenarios are considered very unlikely to occur, they may not lead to consolidation of the VIE.

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

FIN 46-R requires disclosure of the Company's maximum exposure to loss where the Company has "significant" variable interests in an unconsolidated VIE. FIN 46-R does not define "significant" and, as such, judgment is required. The Company generally considers the following types of involvement to be "significant":

- Retaining any amount of debt financing (e.g., loans, notes, bonds, or other debt instruments) or an equity investment (e.g., common shares, partnership interests, or warrants) in any VIE where the Company has assisted with the structure of the transaction;

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

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

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

Thus, the Company's definition of "significant" involvement generally includes all variable interests held by the Company, even those where the likelihood of loss or the notional amount of exposure to any single legal entity is small. Involvement with a VIE as described above, regardless of the seniority or perceived risk of the Company's involvement, is included as significant. The Company believes that this more expansive interpretation of "significant" provides more meaningful and consistent information regarding its involvement in various VIE structures and provides more data for an independent assessment of the potential risks of the Company's involvement in various VIEs and asset classes.

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

The following tables summarize the Company's significant involvement in VIEs in millions of dollars:

	As of June 30, 2008					
			Maximum exposure to loss in significant unconsolidated VIEs(2)			
			Funded exposures		Unfunded exposures	
	Consolidated VIE assets	Significant unconsolidated VIE assets(1)	Debt investments	Equity investments	Funding Commitments	Guarantees and derivatives
Consumer Banking						
Mortgages	$ 63	$	$	$	$	$
Leasing						
Other	1,645					
Total	$ 1,708	$	$	$	$	$
Institutional Clients Group						
Citi-administered asset-backed commercial paper conduits (ABCP)	$	$ 70,472	$	$	$ 70,472	$
Third-party commercial paper conduits		26,455	3		1,490	18
Collateralized debt obligations (CDOs)	17,735	26,068	1,807			1,271
Collateralized loan obligations (CLOs)	39	23,041	2,308		442	290
Asset-based financing	4,252	117,965	32,874	45	7,468	135
Municipal securities tender option bond trusts (TOBs)	15,645	16,152	1,111	20	9,510	4,090
Municipal investments	907	14,771		1,571	1,121	
Client intermediation	4,385	10,796	2,329			
Structured investment vehicles	34,796					
Investment funds	4,913	11,297		637		
Other	12,547	14,303	1,212	406	396	2
Total	$ 95,219	$ 331,320	$ 41,644	$ 2,679	$ 90,899	$ 5,806
Global Wealth Management						
Investment funds	$ 496	$ 41	$ 36	$	$ 5	$
Corporate/Other						
Trust Preferred Securities	$	$ 23,819	$	$ 162	$	$
Total Citigroup	$ 97,423	$ 355,180	$ 41,680	$ 2,841	$ 90,904	$ 5,806

(1) A significant unconsolidated VIE is an entity where the Company has any variable interest considered to be significant as discussed on page 99, regardless of the likelihood of loss or the notional amount of exposure.

(2) The definition of maximum exposure to loss is included in the text that follows.

101

As of June 30, 2008 (continued) — Maximum exposure to loss in significant unconsolidated VIEs (continued)	As of December 31, 2007(1)		
Total maximum exposure	**Consolidated VIE assets**	**Significant unconsolidated VIE assets(2)**	**Maximum exposure to loss in significant unconsolidated VIE assets(3)**
$	$ 63	$	$
	35		
	1,385		
$	$ 1,483	$	$
$ 70,472	$	$ 72,558	$ 72,558
1,511		27,021	2,154
3,078	22,312	51,794	13,979
3,040	1,353	21,874	4,762
40,522	4,468	91,604	34,297
14,731	17,003	22,570	17,843
2,692	53	13,662	2,711
2,329	2,790	9,593	1,643
	58,543		
637	140	11,282	212
2,016	12,809	10,560	1,882
$ 141,028	$ 119,471	$ 332,518	$ 152,041
$ 41	$ 604	$ 52	$ 45
$ 162	$	$ 23,756	$ 162
$ 141,231	$ 121,558	$ 356,326	$ 152,248

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

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

(3) The definition of maximum exposure to loss is included in the text that follows.

These tables do not include:

- Certain venture capital investments made by some of the Company's private equity subsidiaries, as the Company accounts for these investments in accordance with the AICPA Investment Company Audit Guide;
- Certain limited partnerships where the Company is the general partner and the limited partners have the right to replace the general partner or liquidate the funds;
- Certain investment funds for which the Company provides investment management services and personal estate trusts for which the Company provides administrative, trustee and/or investment management services;
- VIEs structured by third parties where the Company holds securities in trading inventory. These investments are made on arm's-length terms, and are typically held for relatively short periods of time; and
- Transferred assets to a VIE where the transfer did not qualify as a sale and where the Company did not have any other involvement that is deemed to be a variable interest with the VIE. These transfers are accounted for as secured borrowings by the Company.

The asset balances for consolidated VIEs represent the carrying amounts of the assets consolidated by the Company. The carrying amount may represent the amortized cost or the current fair value of the assets depending on the legal form of the asset (security or loan) and the Company's standard accounting policies for the asset type and line of business. The asset balances for unconsolidated VIEs where the Company has significant involvement represent the most current information available to the Company regarding the remaining principal balance of cash assets owned. In most cases, the asset balances represent an amortized cost basis without regard to impairments in fair value, unless fair value information is readily available to the Company. For VIEs that obtain asset exposures synthetically through derivative instruments (for example, synthetic CDOs), the Company includes the full original notional amount of the derivative as an asset.

The maximum funded exposure represents the balance sheet carrying amount of the Company's investment in the VIE in the form of purchased debt, funded loans or retained equity interest. It reflects the initial amount of cash invested in the VIE plus any accrued interest and is adjusted for any impairments in value recognized in earnings and any cash principal payments received. The maximum exposure of unfunded positions represents the remaining undrawn committed amount, including liquidity and credit facilities (such as guarantees) provided by the Company, or the notional amount of a derivative instrument considered to be a variable interest, adjusted for any declines in fair value recognized in earnings. In certain transactions, the Company has entered into derivative instruments or other arrangements that are not considered variable interests in the VIE under FIN 46-R (for example, interest rate swaps, cross-currency swaps, or where the Company is the purchaser of credit protection under a credit default swap or total return swap where the Company *pays* the total return on certain assets to the SPE). Receivables under such arrangements are not included in the maximum exposure amounts.

Consolidated VIEs Balance Sheet Classification

The following table presents the carrying amounts and classification of consolidated assets that are collateral for VIE obligations:

In billions of dollars	**June 30, 2008**	December 31, 2007
Cash	**$ 8.6**	$ 12.3
Trading account assets	**61.5**	87.3
Investments	**21.7**	15.0
Loans	**2.2**	2.2
Other assets	**3.4**	4.8
Total assets of consolidated VIEs	**$ 97.4**	$ 121.6

The consolidated VIEs included in the table above represent hundreds of separate entities with which the Company is involved. In general, the third-party investors in the obligations of consolidated VIEs have recourse only to the assets of the VIEs and do not have recourse to the Company, except where the Company has provided a guarantee to the investors or is the counterparty to certain derivative transactions involving the VIE. Thus, the Company's maximum exposure to loss related to consolidated VIEs is significantly less than the carrying value of the consolidated VIE assets due to outstanding third-party financing.

Citi-Administered Asset-Backed Commercial Paper Conduits

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

The multi-seller commercial paper conduits are designed to provide the Company's customers access to low-cost funding in the commercial paper markets. The conduits purchase assets from or provide financing facilities to customers and are funded by issuing high-grade commercial paper to third-party investors. The conduits generally do not purchase assets originated by the Company. The funding of the conduit is facilitated by the liquidity support and credit enhancement provided by the Company and by certain third parties. As administrator to the conduits, the Company is responsible for selecting and structuring assets purchased or financed by the conduits, making decisions regarding the funding of the conduit, including determining the tenor and other features of the commercial paper issued, monitoring the quality and performance of the conduit's assets, and facilitating the operations and cash flows of the conduit. In return, the Company earns structuring fees from clients for individual transactions and earns an administration fee from the conduit, which is equal to the income from client program and liquidity fees of the conduit after payment of interest costs and other fees.

Third-Party Conduits

The Company also provides liquidity facilities to single-and multi-seller conduits sponsored by third parties. These conduits are independently owned and managed and invest in a variety of asset classes, depending on the nature of the conduit. The facilities provided by the Company typically represent a small portion of the total liquidity facilities obtained by each conduit, and are collateralized by the assets of each conduit. The notional amount of these facilities is approximately $1.7 billion as of June 30, 2008, and $2.2 billion as of December 31, 2007. The conduits received $3 million of funding as of June 30, 2008, compared to zero as of December 31, 2007.

Collateralized Debt Obligations

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

Collateralized Loan Obligations

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

Certain of the assets and exposure amounts relate to CLO warehouses, whereby the Company provides senior financing to the CLO to purchase assets during the warehouse period. The senior financing is repaid upon issuance of notes to third-parties.

Asset-Based Financing

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

Municipal Securities Tender Option Bond (TOB) Trusts

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

The Company sponsors three kinds of TOB trusts: customer TOB trusts, proprietary TOB trusts, and QSPE TOB trusts. Customer TOB trusts are trusts through which customers finance investments in municipal securities and are not consolidated by the Company. Proprietary and QSPE TOB trusts, on the other hand, provide the Company with the ability to finance its own investments in municipal securities. Proprietary TOB trusts are generally consolidated, in which case the financing (the Floaters) is recognized on the Company's balance sheet as a liability. However, certain proprietary TOB trusts, the Residuals of which are held by hedge funds that are consolidated and managed by the Company, are not consolidated by the Company. The assets and the associated liabilities of these TOB trusts are not consolidated by the hedge funds (and, thus, are not consolidated by the Company) under the application of the AICPA Investment Company Audit Guide, which precludes consolidation of owned investments. In accordance with the Audit Guide, the hedge funds report their investments in the Residuals at fair value with changes in value included in earnings. The Company consolidates the hedge funds because the Company holds controlling financial interests in the hedge funds. Certain of the Company's equity investments in the hedge funds are hedged with derivatives transactions executed by the Company with third parties referencing the returns of the hedge fund. QSPE trusts provide the Company with the same exposure as proprietary TOB trusts and are not consolidated by the Company. The Company's residual interests in QSPE TOB trusts are evaluated for bifurcation in accordance with SFAS 133. Any embedded derivatives are separately reported at fair value, while the debt host contracts are classified as available-for-sale securities.

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

In billions of dollars	**June 30, 2008**	**December 31, 2007**

TOB trust type		
Customer TOB Trusts (Not consolidated)	**$ 9.5**	$ 17.6
Proprietary TOB Trusts (Consolidated and Non- consolidated)	**$ 22.2**	$ 22.0
QSPE TOB Trusts (Not consolidated)	**$ 9.2**	$ 10.6

Municipal Investments

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

Client Intermediation

Client intermediation transactions represent a range of transactions designed to provide investors with specified returns based on the returns of an underlying security, referenced asset or index. These transactions include credit-linked notes and equity-linked notes. In these transactions, the SPE typically obtains exposure to the underlying security, referenced asset or index through a derivative instrument such as a total return swap or a credit default swap. In turn the SPE issues notes to investors that pay a return based on the specified underlying security, referenced asset or index. The SPE invests the proceeds in a financial asset or a guaranteed insurance contract (GIC) that serves as collateral for the derivative contract over the term of the transaction.

The Company's involvement in these transactions includes being the counterparty to the SPE's derivative instruments and investing in a portion of the notes issued by the SPE.

Other

Other vehicles include the Company's interests in entities established to facilitate various client financing transactions as well as a variety of investment partnerships.

Structured Investment Vehicles

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

On December 13, 2007, the Company announced its commitment to provide support facilities that would resolve uncertainties regarding senior debt ratings facing the Citi-advised SIVs. The Company's commitment was a response to the ratings review for possible downgrade announced by two rating agencies of the outstanding senior debt of the SIVs, and the continued reduction of liquidity in the SIV-related asset-backed commercial paper and medium-term note markets. These markets are the traditional funding sources for the SIVs. The Company's actions are designed to support the SIVs' senior debt ratings and to allow the SIVs to continue to pursue their asset reduction plan. As a result of this commitment, the Company became the SIVs' primary beneficiary and began consolidating these entities.

On February 12, 2008, Citigroup finalized the terms of the support facilities, which take the form of a commitment to provide $3.5 billion of mezzanine capital to the SIVs in the event the market value of their junior notes approaches zero. At June 30, 2008, $3.4 billion has been drawn in aggregate by the SIVs under the support facilities.

Investment Funds

The Company is the investment manager for certain VIEs that invest in various asset classes including private equity, hedge funds, real estate, fixed income and infrastructure. The Company earns a management fee, which is a percentage of capital under management, and may earn performance fees. In addition, for some of these funds, the Company has an ownership interest in the investment funds. As of June 30, 2008 and December 31, 2007 the total amount invested in these funds was $0.6 billion and $0.2 billion, respectively.

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

Certain Fixed Income Funds Managed by Institutional Clients Group

Falcon multi-strategy fixed income funds

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

ASTA/MAT municipal funds

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

Trust Preferred Securities

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

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

16. DERIVATIVES ACTIVITIES

In the ordinary course of business, Citigroup enters into various types of derivative transactions. These derivative transactions include:

Futures and forward contracts which are commitments to buy or sell at a future date a financial instrument, commodity or currency at a contracted price and may be settled in cash or through delivery.

Swap contracts which are commitments to settle in cash at a future date or dates that may range from a few days to a number of years, based on differentials between specified financial indices, as applied to a notional principal amount.

Option contracts which give the purchaser, for a fee, the right, but not the obligation, to buy or sell within a limited time a financial instrument, commodity or currency at a contracted price that may also be settled in cash, based on differentials between specified indices or prices.

Citigroup enters into these derivative contracts for the following reasons:

Trading Purposes Customer Needs Citigroup offers its customers derivatives in connection with their risk-management actions to transfer, modify or reduce their interest rate, foreign exchange and other market/credit risks or for their own trading purposes. As part of this process, Citigroup considers the customers' suitability for the risk involved, and the business purpose for the transaction. Citigroup also manages its derivative-risk positions through offsetting trade activities, controls focused on price verification, and daily reporting of positions to senior managers.

Trading Purposes Own Account Citigroup trades derivatives for its own account. Trading limits and price verification controls are key aspects of this activity.

Asset/Liability Management Hedging Citigroup uses derivatives in connection with its risk-management activities to hedge certain risks or reposition the risk profile of the Company. For example, Citigroup may issue fixed-rate long-term debt and then enter into a receive-fixed, pay-variable-rate interest rate swap with the same tenor and notional amount to convert the interest payments to a net variable-rate basis. This strategy is the most common form of an interest rate hedge, as it minimizes interest cost in certain yield curve environments. Derivatives are also used to manage risks inherent in specific groups of on-balance sheet assets and liabilities, including investments, corporate and consumer loans, deposit liabilities, as well as other interest-sensitive assets and liabilities. In addition, foreign exchange contracts are used to hedge non-U.S. dollar denominated debt, available-for-sale securities, net capital exposures and foreign-exchange transactions.

Citigroup accounts for its hedging activity in accordance with SFAS 133. As a general rule, SFAS 133 hedge accounting is permitted for those situations where the Company is exposed to a particular risk, such as interest rate or foreign-exchange risk, that causes changes in the fair value of an asset or liability, or variability in the expected future cash flows of an existing asset, liability, or a forecasted transaction that may affect earnings.

Derivative contracts hedging the risks associated with the changes in fair value are referred to as *fair value hedges*, while contracts hedging the risks affecting the expected future cash flows are called *cash flow hedges*. Hedges that utilize derivatives or debt instruments to manage the foreign exchange risk associated with equity investments in non-U.S. dollar functional currency foreign subsidiaries (net investment in a foreign operation) are called *net investment hedges*.

All derivatives are reported on the balance sheet at fair value. In addition, where applicable, all such contracts covered by master netting agreements are reported net. Gross positive fair values are netted with gross negative fair values by counterparty pursuant to a valid master netting agreement. In addition payables and receivables in respect of cash collateral received from or paid to a given counterparty is included in this netting. However, non-cash collateral is not included.

As of June 30, 2008, and December 31, 2007, the amount of payables in respect of cash collateral received that was netted with unrealized gains from derivatives was $27 billion and $26 billion, respectively, while the amount of receivables in respect of cash collateral paid that was netted with unrealized losses from derivatives was $35 billion and $37 billion, respectively.

If certain hedging criteria specified in SFAS 133 are met, including testing for hedge effectiveness, special hedge accounting may be applied. The hedge-effectiveness assessment methodologies for similar hedges are performed in a similar manner and are used consistently throughout the hedging relationships. For fair-value hedges, the changes in value of the hedging derivative, as well as the changes in value of the related hedged item, due to the risk being hedged, are reflected in current earnings. For cash-flow hedges and net-investment hedges, the changes in value of the hedging derivative are reflected in Accumulated other comprehensive income (loss) in stockholders' equity to the extent the hedge was effective. Hedge ineffectiveness, in either case, is reflected in current earnings.

Continuing with the example referred to above, for Asset/Liability Management Hedging, the fixed-rate long-term debt may be recorded at amortized cost under current U.S. GAAP. However, by electing to use SFAS 133 hedge accounting, the carrying value of this note is adjusted for changes in the benchmark interest rate, with any such changes in value recorded in current earnings. The related interest-rate swap is also recorded on the balance sheet at fair value, with any changes in fair value reflected in earnings. Thus, any ineffectiveness resulting from the hedging relationship is recorded in current earnings. Alternatively, an economic hedge, which does not meet the SFAS 133 hedging criteria, would involve only recording the derivative at fair value on the balance sheet, with its associated changes in fair value recorded in earnings. The debt would continue to be carried at amortized cost and, therefore, current earnings would be impacted only by the interest rate shifts that cause the change in the swap's value and the underlying yield of the debt. This type of hedge is undertaken when SFAS 133 hedge requirements cannot be achieved or management decides not to apply SFAS 133 hedge accounting. Another alternative for the Company would be to elect to carry the note at fair value under SFAS 159. Once the irrevocable election is made upon issuance of the note, the full change in fair value of the note would be reported in earnings. The related interest rate swap, with changes in fair value also reflected in earnings, provides a natural offset to the note's fair value change. To the extent the two offsets would not be exactly equal, the difference would be reflected in current earnings. This type of economic hedge is undertaken when the Company prefers to follow this simpler method that achieves similar financial statement results to an SFAS 133 fair-value hedge.

Fair-value hedges

Hedging of benchmark interest rate risk Citigroup hedges exposure to changes in the fair value of fixed-rate financing transactions, including liabilities related to outstanding debt, borrowings and time deposits. The fixed cash flows from those financing transactions are converted to benchmark variable-rate cash flows by entering into receive-fixed, pay-variable interest rate swaps. Typically these fair-value hedge relationships use dollar-offset ratio analysis to assess whether the hedging relationships are highly effective at inception and on an ongoing basis.

Citigroup also hedges exposure to changes in the fair value of fixed-rate assets, including available-for-sale debt securities and interbank placements. The hedging instruments mainly used are receive-variable, pay-fixed interest rate swaps for the remaining hedged asset categories. Most of these fair-value hedging relationships use dollar-offset ratio analysis to assess whether the hedging relationships are highly effective at inception and on an ongoing basis, while certain others use regression analysis.

For a limited number of fair-value hedges of benchmark interest-rate risk, Citigroup uses the "shortcut" method as SFAS 133 allows the Company to assume no ineffectiveness if the hedging relationship involves an interest-bearing financial asset or liability and an interest-rate swap. In order to assume no ineffectiveness, Citigroup ensures that all the shortcut method requirements of SFAS 133 for these types of hedging relationships are met. The amount of shortcut method hedges that Citigroup uses is de minimis.

Hedging of foreign-exchange risk Citigroup hedges the change in fair value attributable to foreign-exchange rate movements in available-for-sale securities that are denominated in currencies other than the functional currency of the entity holding the securities, which may be in or outside the U.S. Typically, the hedging instrument employed is a forward foreign-exchange contract. In this type of hedge, the change in fair value of the hedged available-for-sale security attributable to the portion of foreign-exchange risk hedged is reported in earnings and not Accumulated other comprehensive income a process that serves to offset substantially the change in fair value of the forward contract that is also reflected in earnings. Citigroup typically considers the premium associated with forward contracts (differential between spot and contractual forward rates) as the cost of hedging; this is generally excluded from the assessment of hedge effectiveness and reflected directly in earnings. Dollar-offset method is typically used to assess hedge effectiveness. Since that assessment is based on changes in fair value attributable to changes in spot rates on both the available-for-sale securities and the forward contracts for the portion of the relationship hedged, the amount of hedge ineffectiveness is not significant.

Cash-flow hedges

Hedging of benchmark interest rate risk Citigroup hedges variable cash flows resulting from floating-rate liabilities and roll-over (re-issuance) of short-term liabilities. Variable cash flows from those liabilities are converted to fixed-rate cash flows by entering into receive-variable, pay-fixed interest-rate swaps and receive-variable, pay-fixed forward-starting interest-rate swaps. For some hedges, the hedge ineffectiveness is eliminated by matching all terms of the hedged item and the hedging derivative at inception and on an ongoing basis. Citigroup does not exclude any terms from consideration when applying the matched terms method. To the extent all terms are not perfectly matched, these cash-flow hedging relationships use either regression analysis or dollar-offset ratio analysis to assess whether the hedging relationships are highly effective at inception and on an ongoing basis. Since efforts are made to match the terms of the derivatives to those of the hedged forecasted cash flows as closely as possible, the amount of hedge ineffectiveness is not significant even when the terms do not match perfectly.

Citigroup also hedges variable cash flows resulting from investments in floating-rate available-for-sale debt securities. Variable cash flows from those assets are converted to fixed-rate cash flows by entering into receive-fixed, pay-variable interest rate swaps. These cash-flow hedging relationships use either regression analysis or dollar-offset ratio analysis to assess whether the hedging relationships are highly effective at inception and on an ongoing basis. Since efforts are made to align the terms of the derivatives to those of the hedged forecasted cash flows as closely as possible, the amount of hedge ineffectiveness is not significant.

Citigroup is currently not using the shortcut method for any cash-flow hedging relationships.

Hedging of foreign exchange risk Citigroup locks in the functional currency equivalent of cash flows of various balance sheet liability exposures, including deposits, short-term borrowings and long-term debt (and the forecasted issuances or rollover of such items) that are denominated in a currency other than the functional currency of the issuing entity. Depending on the risk management objectives, these types of hedges are designated as either cash-flow hedges of only foreign exchange risk or cash-flow hedges of both foreign exchange and interest-rate risk. The hedging instruments used are foreign-exchange forward contracts, cross-currency swaps and foreign-currency options. For some hedges, Citigroup matches all terms of the hedged item and the hedging derivative at inception and on an ongoing basis to eliminate hedge ineffectiveness. Citigroup does not exclude any terms from consideration when applying the matched terms method. To the extent all terms are not perfectly matched, any ineffectiveness is measured using the "hypothetical derivative method" from FASB Derivative Implementation Group Issue G7. Efforts are made to match up the terms of the hypothetical and actual derivatives used as closely as possible. As a result, the amount of hedge ineffectiveness is not significant even when the terms do not match perfectly.

Hedging the overall changes in cash flows In situations where the contractual rate of a variable-rate asset or liability is not a benchmark rate, Citigroup designates the risk of overall changes in cash flows as the hedged risk. Citigroup primarily hedges variability in the total cash flows related to non-benchmark-rate-based liabilities and uses receive-variable, pay-fixed interest rate swaps as the hedging instrument. These cash flow hedging relationships use regression analysis to assess effectiveness at inception and on an ongoing basis.

Net investment hedges

Consistent with SFAS No. 52, "Foreign Currency Translation" (SFAS 52), SFAS 133 allows hedging of the foreign-currency risk of a net investment in a foreign operation. Citigroup primarily uses foreign-currency forwards, options and foreign-currency-denominated debt instruments to manage the foreign-exchange risk associated with Citigroup's equity investments in several non-U.S. dollar functional currency foreign subsidiaries. In accordance with SFAS 52, Citigroup records the change in the carrying amount of these investments in the cumulative translation adjustment account within Accumulated other comprehensive income (loss). Simultaneously, the effective portion of the hedge of this exposure is also recorded in the cumulative translation adjustment account, and the ineffective portion, if any, is immediately recorded in earnings.

For derivatives used in net-investment hedges, Citigroup follows the forward rate method from FASB Derivative Implementation Group Issue H8. According to that method, all changes in fair value, including changes related to the forward rate component of the foreign-currency forward contracts and the time value of foreign currency option, are recorded in the cumulative translation adjustment account. For foreign-currency-denominated debt instruments that are designated as hedges of net investments, the translation gain or loss that is recorded in the cumulative translation adjustment account is based on the spot exchange rate between the functional currency of the respective subsidiary and the U.S. dollar, which is the functional currency of Citigroup. To the extent the notional amount of the hedging instrument exactly matches the hedged net investment, and the underlying exchange rate of the derivative hedging instrument relates to the exchange rate between the functional currency of the net investment and Citigroup's functional currency, (or, in the case of the non-derivative debt instrument, such instrument is denominated in the functional currency of the net investment) no ineffectiveness is recorded in earnings.

Key aspects of achieving SFAS 133 hedge accounting are documentation of hedging strategy and hedge effectiveness at the hedge inception and substantiating hedge effectiveness on an ongoing basis. 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 in the hedge relationship is recognized in current earnings. The assessment of effectiveness excludes 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 that, if excluded, are recognized in current earnings.

The following table summarizes certain information related to the Company's hedging activities for the three and six months ended June 30, 2008 and 2007:

	Three Months Ended June 30,		Six Months Ended June 30,	
In millions of dollars	**2008**	**2007**	**2008**	**2007**
Fair value hedges				
Hedge ineffectiveness recognized in earnings	**$ 35**	$ (9)	**$ 84**	$ 8
Net gain excluded from assessment of effectiveness	**23**	173	**140**	255
Cash flow hedges				

	Three Months Ended June 30,				Six Months Ended June 30,			
Hedge ineffectiveness recognized in earnings		**(5)**				**(15)**		
Net gain (loss) excluded from assessment of effectiveness		**3**				**(3)**		
Net investment hedges								
Net (loss) included in foreign currency translation adjustment within Accumulated other comprehensive income	**$**	**(311)**	$	(121)	**$**	**(477)**	$	(144)

108

For cash-flow hedges, any changes in the fair value of the end-user derivative remaining in Accumulated other comprehensive income (loss) on the Consolidated Balance Sheet will be included in earnings of future periods to offset the variability of the hedged cash flows when such cash flows affects earnings.

The change in Accumulated other comprehensive income (loss) from cash-flow hedges for the three and six months ended June 30, 2008 and 2007 can be summarized as follows (after-tax):

In millions of dollars	2008	2007
Beginning balance, January 1	**$ (3,163)**	$ (61)
Net (loss) from cash flow hedges	**(1,833)**	(347)
Net amounts reclassified to earnings	**195**	(92)
Ending balance, March 31	**$ (4,801)**	$ (500)
Net gain from cash flow hedges	**$ 752**	$ 1,127
Net amounts reclassified to earnings	**126**	(81)
Balance at June 30	**$ (3,923)**	$ 546

Derivatives may expose Citigroup to market, credit or liquidity risks in excess of the amounts recorded on the Consolidated Balance Sheet. Market risk on a derivative product is the exposure created by potential fluctuations in interest rates, foreign-exchange rates and other values, and is a function of the type of product, the volume of transactions, the tenor and terms of the agreement, and the underlying volatility. Credit risk is the exposure to loss in the event of nonperformance by the other party to the transaction where the value of any collateral held is not adequate to cover such losses. The recognition in earnings of unrealized gains on these transactions is subject to management's assessment as to collectibility. Liquidity risk is the potential exposure that arises when the size of the derivative position may not be able to be rapidly adjusted in periods of high volatility and financial stress at a reasonable cost.

17. FAIR VALUE (SFAS 155, SFAS 156, SFAS 157, and SFAS 159)

Effective January 1, 2007, the Company adopted SFAS 157 and SFAS 159. Both standards address aspects of the expanding application of fair-value accounting. SFAS 157 defines fair value, establishes a consistent framework for measuring fair value and expands disclosure requirements about fair-value measurements. SFAS 157, among other things, requires the Company to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. In addition, SFAS 157 precludes the use of block discounts when measuring the fair value of instruments traded in an active market, which discounts were previously applied to large holdings of publicly traded equity securities. It also requires recognition of trade-date gains related to certain derivative transactions whose fair value has been determined using unobservable market inputs. This guidance supersedes the guidance in Emerging Issues Task Force Issue No. 02-3, "Issues Involved in Accounting for Derivative Contracts Held for Trading Purposes and Contracts Involved in Energy Trading and Risk Management Activities" (EITF Issue 02-3), which prohibited the recognition of trade-date gains for such derivative transactions when determining the fair value of instruments not traded in an active market.

As a result of the adoption of SFAS 157, the Company has made some amendments to the techniques used in measuring the fair value of derivative and other positions. These amendments change the way that the probability of default of a counterparty is factored into the valuation of derivative positions, include for the first time the impact of Citigroup's own credit risk on derivatives and other liabilities measured at fair value, and also eliminate the portfolio servicing adjustment that is no longer necessary under SFAS 157.

Under SFAS 159, the Company may elect to report most financial instruments and certain other items at fair value on an instrument-by-instrument basis with changes in fair value reported in earnings. After the initial adoption, the election is made at the acquisition of an eligible financial asset, financial liability, or firm commitment or when certain specified reconsideration events occur. The fair value election may not be revoked once an election is made.

Additionally, the transition provisions of SFAS 159 permit a one-time election for existing positions at the adoption date with a cumulative-effect adjustment included in opening retained earnings and future changes in fair value reported in earnings.

The Company also has elected the fair value accounting provisions permitted under FASB Statement No. 155, "Accounting for Certain Hybrid Financial Instruments" (SFAS 155), and FASB Statement No 156, "Accounting for Servicing of Financial Assets" (SFAS 156) for certain assets and liabilities. In accordance with SFAS 155, which was primarily adopted on a prospective basis, hybrid financial instruments such as structured notes containing embedded derivatives that otherwise would require bifurcation, as well as certain interest-only instruments may be accounted for at fair value if the Company makes an irrevocable election to do so on an instrument-by-instrument basis. The changes in fair value are recorded in current earnings. Additional discussion regarding the applicable areas in which SFAS 155 was adopted is presented below.

SFAS 156 requires all servicing rights to be recognized initially at fair value. At its initial adoption, the standard permits a one-time irrevocable election to re-measure each class of servicing rights at fair value, with the changes in fair value recorded in current earnings. The classes of servicing rights are identified based on the availability of market inputs used in determining their fair values and the methods for managing their risks. The Company has elected fair-value accounting for its mortgage and student loan classes of servicing rights. The impact of adopting this standard was not material. See Note 15 on page 95 for further discussions regarding the accounting and reporting of mortgage servicing rights.

Fair-Value Hierarchy

SFAS 157 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Company's market assumptions. These two types of inputs have created the following fair-value hierarchy:

Level 1 Quoted prices for *identical* instruments in active markets.

Level 2 Quoted prices for *similar* instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets.

Level 3 Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are *unobservable.*

This hierarchy requires the use of observable market data when available.

Determination of Fair Value

For assets and liabilities carried at fair value, the Company measures such value using the procedures set out below, irrespective of whether these assets and liabilities are carried at fair value as a result of an election under SFAS 159, SFAS 155 or SFAS 156, or whether they were previously carried at fair value.

When available, the Company generally uses quoted market prices to determine fair value, and classifies such items in Level 1. In some cases where a market price is available the Company will make use of acceptable practical expedients (such as matrix pricing) to calculate fair value, in which case the items are classified in Level 2.

If quoted market prices are not available, fair value is based upon internally developed valuation techniques that use, where possible, current market-based or independently sourced market parameters, such as interest rates, currency rates, option volatilities, etc. Items valued using such internally generated valuation techniques are classified according to the lowest level input or value driver that is significant to the valuation. Thus, an item may be classified in Level 3 even though there may be some significant inputs that are readily observable.

The following section describes the valuation methodologies used by the Company to measure various financial instruments at fair value, including an indication of the level in the fair value hierarchy in which each instrument is generally classified. Where appropriate the description includes details of the valuation models, the key inputs to those models as well as any significant assumptions.

Securities purchased under agreements to resell & securities sold under agreements to repurchase

No quoted prices exist for such instruments and so fair value is determined using a discounted cash-flow technique. Cash flows are estimated based on the terms of the contract, taking into account any embedded derivative or other features. Expected cash flows are discounted using market rates appropriate to the maturity of the instrument as well as the nature and amount of collateral taken or received. Generally, such instruments are classified within Level 2 of the fair-value hierarchy as the inputs used in the fair valuation are readily observable.

Trading Account Assets Trading Securities and Trading Loans

When available, the Company uses quoted market prices to determine the fair value of trading securities; such items are classified in Level 1 of the fair-value hierarchy. Examples include some government securities and exchange-traded equity securities.

For bonds and secondary market loans traded over the counter, the Company generally determines fair value utilizing internal valuation techniques. Fair values estimates from internal valuation techniques are verified, where possible, to prices obtained from independent vendors. Vendors compile prices from various sources and may apply matrix pricing for similar bonds or loans where no price is observable. If available, the Company may also use quoted prices for recent trading activity of assets with similar characteristics to the bond or loan being valued. Trading securities and loans priced using such methods are generally classified as Level 2. However, when less liquidity exists for a security or loan, a quoted price is stale, or prices from independent sources vary, a loan or security is generally classified as Level 3.

Where the Company's principal market for a portfolio of loans is the securitization market, the Company uses the securitization price to determine the fair value of the portfolio. The securitization price is determined from the assumed proceeds of a hypothetical securitization in the current market, adjusted for transformation costs (i.e., direct costs other than transaction costs) and securitization uncertainties such as market conditions and liquidity. As a result of the severe reduction in the level of activity in certain securitization markets since the second half of 2007, observable securitization prices for certain directly comparable portfolios of loans have not been readily available. Therefore, such portfolios of loans are generally classified within Level 3 of the fair value hierarchy. However, for other loan securitization markets, such as those related to conforming prime fixed rate and conforming adjustable-rate mortgage loans, pricing verification of the hypothetical securitizations has been possible, since these markets have remained active. Accordingly, these loan portfolios are classified as Level 2 within the fair value hierarchy.

Trading Account Assets and Liabilities Derivatives

Exchange-traded derivatives are generally fair valued using quoted market (i.e., exchange) prices and so are classified within Level 1 of the fair-value hierarchy.

The majority of derivatives entered into by the Company are executed over the counter and so are valued using internal valuation techniques as no quoted market prices exist for such instruments. The valuation techniques and inputs depend on the type of derivative and the nature of the underlying instrument. The principal techniques used to value these instruments are discounted cash flows, Black-Scholes and Monte Carlo simulation. The fair values of derivative contracts reflect cash the Company has paid or received (for example, option premiums paid and received).

The key inputs depend upon the type of derivative and the nature of the underlying instrument and include interest rate yield curves, foreign-exchange rates, the spot price of the underlying, volatility, and correlation. The item is placed in either Level 2 or Level 3 depending on the observability of the significant inputs to the model. Correlation and items with longer tenors are generally less observable.

Subprime-Related Direct Exposures in CDOs

The Company accounts for its CDO super senior subprime direct exposures and the underlying securities on a fair-value basis with all changes in fair value recorded in earnings. Citigroup's CDO super senior subprime direct exposures are not subject to valuation based on observable transactions. Accordingly, the fair value of these exposures is based on management's best estimates based on facts and circumstances as of the date of these consolidated financial statements.

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

When necessary, the valuation methodology used by Citigroup is refined and the inputs used for the purposes of estimation are modified, in part, to reflect ongoing market developments. More specifically, two refinements were made during the first quarter of 2008: a more direct method of calculating estimated housing-price changes and a more refined method for calculating the discount rate. During the fourth quarter 2007, housing-price changes were estimated using a series of factors including projected national housing-price changes. During the first quarter of 2008, housing-price changes were estimated using a forward looking projection based on the S&P Case-Shiller Home Price Index. This change facilitates a more direct estimation of subprime house price changes. Prior to the first quarter of 2008, the discount rate used was based on observable CLO spreads applicable to the assumed rating of each ABS CDO super senior tranche. During the first and second quarters of 2008, the discount rate was based on a weighted average combination of the implied spreads from single named ABS bond prices, ABX indices and CLO spreads depending on vintage and asset types. This refinement was made, in part, in response to the combination of continuing rating agency downgrades of RMBS and ABS CDOs and the absence of observable CLO spreads at the resulting rating levels.

Consistent with the first quarter of 2008, the second quarter housing-price changes were estimated using a forward-looking projection based on the S&P Case-Shiller Home Price Index. In addition, during the second quarter of 2008, the discount rates continued to be based on a weighted average combination of the implied spreads from single named ABS bond prices, ABX indices and CLO spreads depending on vintage and asset types.

The primary drivers that currently impact the super senior valuations are the discount rates used to calculate the present value of projected cash flows and projected mortgage loan performance.

Given the above, the Company's CDO super senior subprime direct exposures were classified in Level 3 of the fair-value hierarchy.

For most of the lending and structuring direct subprime exposures (excluding super seniors), fair value is determined utilizing observable transactions where available, other market data for similar assets in markets that are not active and other internal valuation techniques.

Investments

The investments category includes available-for-sale debt and equity securities, whose fair value is determined using the same procedures described for trading securities above.

Also included in investments are nonpublic investments in private equity and real estate entities held by the Securities and Banking business. Determining the fair value of nonpublic securities involves a significant degree of management resources and judgment as no quoted prices exist and such securities are generally very thinly traded. In addition, there may be transfer restrictions on private equity securities. The Company uses an established process for determining the fair value of such securities, using commonly accepted valuation techniques, including the use of earnings multiples based on comparable public securities, industry specific non-earnings-based multiples and discounted cash flow models. In determining the fair value of nonpublic securities, the Company also considers events such as a proposed sale of the investee company, initial public offerings, equity issuances, or other observable transactions.

Private equity securities are generally classified in Level 3 of the fair value hierarchy.

Short-Term Borrowings and Long-Term Debt

The fair value of non-structured liabilities is determined by discounting expected cash flows using the appropriate discount rate for the applicable maturity. Such instruments are generally classified in Level 2 of the fair-value hierarchy as all inputs are readily observable.

The Company determines the fair value of structured liabilities (where performance is linked to structured interest rates, inflation or currency risks) and hybrid financial instruments (performance linked to risks other than interest rates, inflation or currency risks) using the appropriate derivative valuation methodology (described above) given the nature of the embedded risk profile. Such instruments are classified in Level 2 or Level 3 depending on the observability of significant inputs to the model.

Market Valuation Adjustments

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

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

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

Auction Rate Securities

Auction Rate Securities (ARS) are long-term municipal bonds, corporate bonds, securitizations and preferred stocks with interest rates or dividend yields that are re-set through periodic auctions. The coupon paid in the current period is based on the rate determined by the prior auction. In the event of an auction failure, ARS holders receive a 'fail rate' coupon, which is specified by the original issue documentation of each ARS.

Where insufficient orders to purchase all of the ARS issue to be sold in an auction were received, the primary dealer or auction agent would traditionally have purchased any residual unsold inventory (without a contractual obligation to do so). This residual inventory would then be repaid through subsequent auctions, typically in a short timeframe. Due to this auction mechanism and generally liquid market, ARS have historically traded and were valued as short-term instruments.

Citigroup acted in the capacity of primary dealer for approximately $72 billion of ARS and continued to purchase residual unsold inventory in support of the auction mechanism until mid-February 2008. After this date, liquidity in the ARS market deteriorated significantly, auctions failed due to a lack of bids from third-party investors, and Citigroup ceased to purchase unsold inventory. Following a number of ARS refinancings, at June 30, 2008, Citigroup continued to act in the capacity of primary dealer for approximately $48 billion of outstanding ARS.

The Company classifies its ARS as trading securities and accounts for them on a fair value basis with all changes in fair value recorded in earnings.

Prior to our first auction failing in the first quarter of 2008, Citigroup valued ARS based on observation of auction market prices, because the auctions had a short maturity period (7, 28, and 35 days). This generally resulted in valuations at par. Once the auctions failed, ARS could no longer be valued using observation of auction market prices. Accordingly, the fair value of ARS is currently estimated using internally developed discounted cash flow valuation techniques specific to the nature of the assets underlying each ARS.

For ARS with U.S. municipal securities as underlying assets, future cash flows are estimated based on the terms of the securities underlying each individual ARS and discounted at an estimated discount rate in order to estimate the current fair value. The key assumptions that impact the ARS valuations are estimated prepayments and re-financings, estimated fail rate coupons (i.e., the rate paid in the event of auction failure, which varies according to the current credit rating of the issuer), and the discount rate used to calculate the present value of projected cash flows. The discount rate used for each ARS is based on rates observed for straight issuances of other municipal securities. In order to arrive at the appropriate discount rate, these observed rates were adjusted upwards to factor in the specifics of the ARS structure being valued, such as callability, and the illiquidity in the ARS market.

For ARS with student loans as underlying assets, future cash flows are estimated based on the terms of the loans underlying each individual ARS, discounted at an appropriate discount rate in order to estimate the current fair value. The key assumptions that impact the ARS valuations are the expected weighted average life of the structure, estimated fail rate coupons, the amount of leverage in each structure, and the discount rate used to calculate the present value of projected cash flows. The discount rate used for each ARS is based on rates observed for vanilla securitizations of student loans with similar maturities to the loans underlying each ARS being valued. In order to arrive at the appropriate discount rate, these observed rates were adjusted upwards to factor in the specifics of the ARS structure being valued, such as callability, and the illiquidity in the ARS market.

During the first quarter of 2008, ARS for which the auctions failed and where no secondary market has developed were moved to Level 3, as the assets were subject to valuation using significant unobservable inputs. These ARS continued to be classified in Level 3 throughout the second quarter of 2008.

Alt-A Mortgage Securities

The Company reports Alt-A mortgage securities in Trading account assets and available-for-sale Investments. In both cases the securities are recorded at fair value with changes in fair value reported in current earnings and OCI, respectively. For these purposes, Alt-A mortgage securities are non-agency residential mortgage-backed securities (RMBS) where: (1) the underlying collateral has weighted average FICO scores between 680 and 720 or, (2) for instances where FICO scores are greater than 720, RMBS have 30% or less of the underlying collateral composed of full documentation loans.

Similar to the valuation methodologies used for other trading securities and trading loans, the Company generally determines the fair value of Alt-A mortgage securities utilizing internal valuation techniques. Fair value estimates from internal valuation techniques are verified, where possible, to prices obtained from independent vendors. Vendors compile prices from various sources. Where available, the Company may also make use of quoted prices for recent trading activity in securities with the same or similar characteristics to that being valued.

The internal valuation techniques used for Alt-A mortgage securities, as with other mortgage exposures, consider, estimated housing price changes, unemployment rates interest rates and borrower attributes. They also consider prepayment rates as well as other market indicators.

Alt-A mortgage securities that are valued using these methods are generally classified as Level 2. However, Alt-A mortgage securities backed by Alt-A mortgages of lower quality or more recent vintages are mostly classified in Level 3 due to the reduced liquidity that exists for such positions, which reduces the reliability of prices available from independent sources.

Commercial Real Estate Exposure

Citigroup reports a number of different exposures linked to commercial real estate at fair value with changes in fair value reported in earnings, including securities, loans and investments in entities that hold commercial real estate loans or commercial real estate directly. The Company also reports securities backed by commercial real estate as available-for-sale investments, which are carried at fair value with changes in fair value reported in OCI.

Similar to the valuation methodologies used for other trading securities and trading loans, the Company generally determines the fair value of securities and loans linked to commercial real estate utilizing internal valuation techniques. Fair value estimates from internal valuation techniques are verified, where possible, to prices obtained from independent vendors. Vendors compile prices from various sources. Where available, the Company may also make use of quoted prices for recent trading activity in securities or loans with the same or similar characteristics to that being valued. Securities and loans linked to commercial real estate valued using these methodologies are generally classified as Level 3 as a result of the reduced liquidity currently in the market for such exposures.

The fair value of investments in entities that hold commercial real estate loans or commercial real estate directly is determined using a similar methodology to that used for other non-public investments in real estate held by Securities and Banking business. The Company uses an established process for determining the fair value of such securities, using commonly accepted valuation techniques, including the use of earnings multiples based on comparable public securities, industry specific non-earnings-based multiples and discounted cash flow models. In determining the fair value of such investments, the Company also considers events such as a proposed sale of the investee company, initial public offerings, equity issuances, or other observable transactions. Such investments are generally classified in Level 3 of the fair value hierarchy.

Fair-Value Elections

The following table presents, as of June 30, 2008, those positions selected for fair-value accounting in accordance with SFAS 159, SFAS 156, and SFAS 155, as well as the changes in fair value for the six months ended June 30, 2008 and June 30, 2007.

		Changes in fair value gains (losses)			
		Year-to-Date 2008		Year-to-Date 2007	
In millions of dollars	June 30, 2008	Principal transactions	Other	Principal transactions	Other
Assets					
Federal funds sold and securities borrowed or purchased under agreements to resell					
Selected portfolios of securities purchased under agreements to resell, securities borrowed(1)	**$ 69,730**	**$ 120**	**$**	$ (38)	$
Trading account assets:					
Legg Mason convertible preferred equity securities originally classified as available-for-sale	**$**	**$ (13)**	**$**	$ 28	$
Selected letters of credit hedged by credit default swaps or participation notes	**8**	**(2)**		(1)	
Certain credit products	**23,545**	**(1,172)**		180	
Certain hybrid financial instruments	**61**	**3**			
Retained interests from asset securitizations	**5,861**	**307**		201	
Total trading account assets	**$ 29,475**	**$ (877)**	**$**	$ 408	$
Investments:					
Certain investments in private equity and real estate ventures	**$ 695**	**$**	**$ (12)**	$	$ 22
Certain equity method investments	**1,318**		**(110)**		94
Other	**346**		**(20)**		6
Total investments	**$ 2,359**	**$**	**$ (142)**	$	$ 122
Loans:					
Certain credit products	**$ 2,445**	**$ 63**	**$**	$ 33	$
Certain mortgage loans	**26**		**(8)**		
Certain hybrid financial instruments	**548**	**(3)**		$ (66)	
Total loans	**$ 3,019**	**$ 60**	**$ (8)**	$ (33)	$
Other assets:					
Mortgage servicing rights	**$ 8,934**	**$**	**$ 964**	$	$ 1,166
Certain mortgage loans	**6,426**	**$**	**$ (114)**		
Total other assets	**$ 15,360**	**$**	**$ 850**	$	$
Total	**$ 119,943**	**$ (697)**	**$ 700**	$ 337	$ 1,288
Liabilities					
Interest-bearing deposits:					
Certain structured liabilities	**$ 335**	**$ 10**	**$**	$ 3	$
Certain hybrid financial instruments	**3,406**	**258**		46	
Total interest-bearing deposits	**$ 3,741**	**$ 268**	**$**	$ 49	$

		Changes in fair value gains (losses)			
Federal funds purchased and securities loaned or sold under agreements to repurchase					
Selected portfolios of securities sold under agreements to repurchase, securities loaned(1)	**$ 154,238**	**$ (10)**	**$**	$ 42	$
Trading account liabilities:					
Certain hybrid financial instruments	**$ 10,893**	**$ 1,058**	**$**	$ (233)	$
Short-term borrowings:					
Certain non-collateralized short-term borrowings	**$ 4,071**	**$ 9**	**$**	$ 15	$
Certain hybrid financial instruments	**3,714**	**69**		18	
Certain structured liabilities	**4**				
Certain non-structured liabilities	**139**				
Total short-term borrowings	**$ 7,928**	**$ 78**	**$**	$ 33	$
Long-term debt:					
Certain structured liabilities	**$ 3,378**	**$ 230**	**$**	$ 80	$
Certain non-structured liabilities	**33,710**	**2,423**		41	
Certain hybrid financial instruments	**23,722**	**713**		710	
Total long-term debt	**$ 60,810**	**$ 3,366**	**$**	$ 831	$
Total	**$ 237,610**	**$ 4,760**	**$**	$ 722	$

(1) Reflects netting of the amounts due from securities purchased under agreements to resell and the amounts owed under securities sold under agreements to repurchase in accordance with FASB Interpretation No. 41, "Offsetting of Amounts Related to Certain Repurchase and Reverse Repurchase Agreements."

115

The fair value of liabilities for which the fair-value option was elected (other than non-recourse and similar liabilities such as the liabilities of the SIVs consolidated by the Company), was impacted by the widening of the Company's credit spread. The estimated change in the fair value of these liabilities due to such changes in the Company's own credit risk (or instrument-specific credit risk) was a loss of $228 million and a gain of $51 million for the three months ended June 30, 2008 and June 30, 2007, respectively, and a gain of $1,051million and $182 million for the six months ended June 30, 2008 and June 30, 2007, respectively. Changes in fair value resulting from changes in instrument-specific credit risk were estimated by incorporating the Company's current observable credit spreads into the relevant valuation technique used to value each liability as described above.

Impact on Retained earnings of certain fair-value elections in accordance with SFAS 159

Detailed below are the December 31, 2006 carrying values prior to adoption of SFAS 159, the transition adjustments booked to opening Retained earnings and the fair values (that is, the carrying values at January 1, 2007 after adoption) for those items that were selected for fair-value option accounting and that had an impact on Retained earnings:

In millions of dollars	December 31, 2006 (carrying value prior to adoption)	Cumulative-effect adjustment to January 1, 2007 retained earnings gain (loss)	January 1, 2007 fair value (carrying value after adoption)
Legg Mason convertible preferred equity securities originally classified as available-for-sale(1)	$ 797	$ (232)	$ 797
Selected portfolios of securities purchased under agreements to resell(2)	167,525	25	167,550
Selected portfolios of securities sold under agreements to repurchase(2)	237,788	40	237,748
Selected non-collateralized short-term borrowings	3,284	(7)	3,291
Selected letters of credit hedged by credit default swaps or participation notes		14	14
Various miscellaneous eligible items(1)	96	3	96
Pretax cumulative effect of adopting fair value option accounting		$ (157)	
After-tax cumulative effect of adopting fair value option accounting		(99)	

(1) The Legg Mason securities as well as several miscellaneous items were previously reported at fair value within available-for-sale securities. The cumulative-effect adjustment represents the reclassification of the related unrealized gain/loss from Accumulated other comprehensive income to Retained earnings upon the adoption of the fair value option.

(2) Excludes netting of the amounts due from securities purchased under agreements to resell and the amounts owed under securities sold under agreements to repurchase in accordance with FIN 41.

Additional information regarding each of these items follows.

Legg Mason convertible preferred equity securities

The Legg Mason convertible preferred equity securities (Legg shares) were acquired in connection with the sale of Citigroup's Asset Management business in December 2005. The Company held these shares as a non-strategic investment for long-term appreciation and, therefore, selected fair-value option accounting in anticipation of the future implementation of the Investment Company Audit Guide Statement of Position 07-1, "Clarification of the Scope of Audit and Accounting Guide *Audits of Investment Companies* and Accounting by Parent Companies and Equity Method Investors for Investment Companies" (SOP), which was to be effective beginning January 1, 2008. In February 2008, the FASB delayed the implementation of the SOP indefinitely.

Under the current investment company accounting model, investments held in investment company vehicles are recorded at full fair value (where changes in fair value are recorded in earnings) and are not subject to consolidation guidelines. Under the SOP, non-strategic investments not held in investment companies, which are deemed similar to non-strategic investments held in Citigroup's investment companies, must be accounted for at full fair value in order for Citigroup to retain investment company accounting in the Company's Consolidated Financial Statements. Therefore, we have utilized the fair-value option to migrate the Legg shares from available-for-sale (where changes in fair value are recorded in accumulated other comprehensive income (loss)) to a full fair value model (where changes in value are recorded in earnings).

Prior to the election of fair value option accounting, the shares were classified as available-for-sale securities with the unrealized loss of $232 million as of December 31, 2006 included in Accumulated other comprehensive income (loss). In connection with the Company's adoption of SFAS 159, this unrealized loss was recorded as a reduction of January 1, 2007 Retained earnings as part of the cumulative-effect adjustment.

During the first quarter of 2008, the Company sold the remaining 8.4 million Legg shares at a pretax loss of $10.3 million ($6.7 million after-tax).

Selected portfolios of securities purchased under agreements to resell, securities borrowed, securities sold under agreements to repurchase, securities loaned, and certain non-collateralized short-term borrowings

The Company elected the fair-value option retrospectively for our United States and United Kingdom portfolios of fixed-income securities purchased under agreements to resell and fixed-income securities sold under agreements to repurchase (and certain non-collateralized short-term borrowings). The fair-value option was also elected prospectively in the second quarter of 2007 for certain portfolios of fixed-income securities lending and borrowing transactions based in Japan. In each case, the election was made because these positions are managed on a fair value basis. Specifically, related interest-rate risk is managed on a portfolio basis, primarily with derivative instruments that are accounted for at fair value through earnings. Previously, these positions were accounted for on an accrual basis.

The cumulative effect of $58 million pretax ($37 million after-tax) from adopting the fair-value option for the U.S. and U.K. portfolios was recorded as an increase in the January 1, 2007 Retained earnings balance. The June 30, 2008 and December 31, 2007 net balances of $69.7 billion and $84.3 billion, respectively, for Securities purchased under agreements to resell and Securities borrowed, and $154.2 billion and $199.9 billion for Securities sold under agreements to repurchase and Securities loaned are included as such in the Consolidated Balance Sheet. The uncollateralized short-term borrowings of $4.1 billion and $5.1billion as of June 30, 2008 and December 31, 2007, respectively, are recorded in that account in the Consolidated Balance Sheet.

Changes in fair value for transactions in these portfolios are recorded in Principal transactions. The related interest revenue and interest expense are measured based on the contractual rates specified in the transactions and are reported as interest revenue and expense in the Consolidated Statement of Income.

Selected letters of credit and revolving loans hedged by credit default swaps or participation notes

The Company has elected fair-value accounting for certain letters of credit that are hedged with derivative instruments or participation notes. Upon electing the fair-value option, the related portions of the allowance for loan losses and the allowance for unfunded lending commitments were reversed. Citigroup elected the fair-value option for these transactions because the risk is managed on a fair-value basis and to mitigate accounting mismatches.

The cumulative effect of $14 million pretax ($9 million after-tax) of adopting fair-value option accounting was recorded as an increase in the January 1, 2007 Retained earnings balance. The change in fair value, as well as the receipt of related fees, were reported as Principal transactions in the Company's Consolidated Statement of Income.

The notional amount of these unfunded letters of credit was $1.4 billion as of June 30, 2008 and December 31, 2007. The amount funded was insignificant with no amounts 90 days or more past due or on a non-accrual status at June 30, 2008 and December 31, 2007.

These items have been classified appropriately in Trading account assets or Trading account liabilities on the Consolidated Balance Sheet.

Various miscellaneous eligible items

Several miscellaneous eligible items previously classified as available-for-sale securities were selected for fair-value option accounting. These items were selected in preparation for the adoption of the Investment Company Audit Guide SOP, as previously discussed. In February 2008, the FASB delayed the implementation of this SOP indefinitely.

Other items for which the fair value option was selected in accordance with SFAS 159

The Company has elected the fair-value option for the following eligible items, which did not affect opening Retained earnings:

- certain credit products
- certain investments in private equity and real estate ventures
- certain structured liabilities
- certain non-structured liabilities
- certain equity-method investments
- certain mortgage loans

Certain credit products

Citigroup has elected the fair-value option for certain originated and purchased loans, including certain unfunded loan products, such as guarantees and letters of credit, executed by Citigroup's trading businesses. None of these credit products are highly leveraged financing commitments. Significant groups of transactions include loans and unfunded loan products that will either be sold or securitized in the near term, or transactions where the economic risks are hedged with derivative instruments. Citigroup has elected the fair-value option to mitigate accounting mismatches in cases where hedge accounting is complex and to achieve operational simplifications. Fair value was not elected for most lending transactions across the Company, including where those management objectives would not be met.

The balances for these loan products, which are classified in Trading account assets or Loans, were $23.5 billion and $2.4 billion as of June 30, 2008, and $26.0 billion and $3.0 billion as of December 31, 2007, respectively. The aggregate unpaid principal balances exceeded the aggregate fair values by $549 million and $894 million as of June 30, 2008 and December 31, 2007, respectively. $191 million and $186 million of these loans were on a non-accrual basis as of June 30, 2008 and December 31, 2007, respectively. For those loans that are on a non-accrual basis, the aggregate unpaid principal balances exceeded the aggregate fair values by $11 million as of June 30, 2008 and $68 million as of December 31, 2007.

In addition, $188 million and $141 million of unfunded loan commitments related to certain credit products selected for fair-value accounting were outstanding as of June 30, 2008 and December 31, 2007, respectively.

Changes in fair value of funded and unfunded credit products are classified in Principal transactions in the Company's Consolidated Statement of Income. Related interest revenue is measured based on the contractual interest rates and reported as Interest revenue on trading account assets or loans depending on their balance sheet classifications. The changes in fair value for the six months ended June 30, 2008 due to instrument-specific credit risk totaled to a loss of $25 million.

Certain investments in private equity and real estate ventures

Citigroup invests in private equity and real estate ventures for the purpose of earning investment returns and for capital appreciation. The Company has elected the fair-value option for certain of these ventures in anticipation of the future implementation of the Investment Company Audit Guide SOP, because such investments are considered similar to many private equity or hedge fund activities in our investment companies, which are reported at fair value. See previous discussion regarding the SOP. The fair-value option brings consistency in the accounting and evaluation of certain of these investments. As required by SFAS 159, all investments (debt and equity) in such private equity and real estate entities are accounted for at fair value.

These investments, which totaled $695 million and $539 million as of June 30, 2008 and December 31, 2007, respectively, are classified as Investments on Citigroup's Consolidated Balance Sheet. Changes in the fair values of these investments are classified in Other revenue in the Company's Consolidated Statement of Income.

Certain structured liabilities

The Company has elected the fair-value option for certain structured liabilities whose performance is linked to structured interest rates, inflation or currency risks ("structured liabilities").

The Company has elected the fair-value option for structured liabilities, because these exposures are considered to be trading-related positions and, therefore, are managed on a fair-value basis. These positions will continue to be classified as debt, deposits or derivatives according to their legal form on the Company's Consolidated Balance Sheet. The balances for these structured liabilities, which are classified as Interest-bearing deposits and Long-term debt on the Consolidated Balance Sheet, are $335 million and $3.4 billion as of June 30, 2008 and $264 million and $3.0 billion as of December 31, 2007.

For those structured liabilities classified as Long-term debt for which the fair-value option has been elected, the aggregate unpaid principal balance exceeds the aggregate fair value of such instruments by $64 million as of June 30, 2008 and $7 million as of December 31, 2007.

The change in fair value for these structured liabilities is reported in Principal transactions in the Company's Consolidated Statement of Income.

Related interest expense is measured based on the contractual interest rates and reported as such in the Consolidated Income Statement.

Certain non-structured liabilities

The Company has elected the fair-value option for certain non-structured liabilities with fixed and floating interest rates ("non-structured liabilities"). The Company has elected the fair-value option where the interest-rate risk of such liabilities is economically hedged with derivative contracts or the proceeds are used to purchase financial assets that will also be fair valued. The election has been made to mitigate accounting mismatches and to achieve operational simplifications. These positions are reported in Short-term borrowings and Long-term debt on the Company's Consolidated Balance Sheet. The balances of these short-term and long-term non-structured liabilities as of June 30, 2008 were $139 million and, $33.7 billion and, as of December 31, 2007 were $4.8 billion and $49.1 billion, respectively.

The majority of these non-structured liabilities are a result of the Company's election of the fair value option for liabilities associated with the consolidation of CAI's Structured Investment Vehicles (SIVs) during the fourth quarter of 2007. The change in fair values of the SIV's liabilities reported in earnings was $62 million for the quarter ended June 30, 2008.

For these non-structured liabilities classified as Long-term debt for which the fair-value option has been elected, the aggregate unpaid principal balance exceeds the aggregate fair value of such instruments by $623 million as of June 30, 2008 while the aggregate fair value exceeded the aggregate unpaid principal by $434 million as of December 31, 2007.

The change in fair value for these non-structured liabilities is reported in Principal transactions in the Company's Consolidated Statement of Income.

Related interest expense continues to be measured based on the contractual interest rates and reported as such in the Consolidated Income Statement.

Certain equity-method investments

Citigroup adopted fair-value accounting for various non-strategic investments in leveraged buyout funds and other hedge funds that previously were required to be accounted for under the equity method. Management elected fair-value accounting to reduce operational and accounting complexity. Since the funds account for all of their underlying assets at full fair value, the impact of applying the equity method to Citigroup's investment in these funds was equivalent to fair value accounting. Thus, this fair-value election had no impact on opening Retained earnings.

These fund investments, which totaled $1.3 billion as of June 30, 2008 and $1.1 billion as of December 31, 2007, are classified as Investments on the Consolidated Balance Sheet. Changes in the fair values of these investments are classified in other revenue in the Consolidated Statement of Income.

Certain mortgage loans

Citigroup has elected the fair-value option for certain purchased and originated prime fixed-rate and conforming adjustable-rate first mortgage loans held-for-sale. These loans are intended for sale or securitization and are hedged with derivative instruments. The Company has elected the fair-value option to mitigate accounting mismatches in cases where hedge accounting is complex and to achieve operational simplifications. The fair-value option was not elected for loans held-for-investment, as those loans are not hedged with derivative instruments. This election was effective for applicable instruments originated or purchased since September 1, 2007.

The balance of these mortgage loans held-for-sale, which were classified as Other assets as of June 30, 2008, was $6.4 billion. As of December 31, 2007, the balance was $6.4 billion. The aggregate fair value exceeded the unpaid principal balances by $17 million as of June 30, 2008 and $136 million as of December 31, 2007. The balance of these loans 90 days or more past due and on a non-accrual basis was $17 million at June 30, 2008 and $17 million at December 31, 2007, with aggregate unpaid principal balances exceeding aggregate fair values by $16 million at June 30,

2008. The difference between aggregate fair values and aggregate unpaid principal balance was immaterial at December 31, 2007.

The changes in fair values of these mortgage loans held-for-sale is reported in other revenue in the Company's Consolidated Statement of Income. The changes in fair value during the six months ended June 30, 2008 due to instrument-specific credit risk resulted in a $24 million loss. Related interest income continues to be measured based on the contractual interest rates and reported as such in the Consolidated Income Statement.

Items selected for fair-value accounting in accordance with SFAS 155 and SFAS 156

Certain hybrid financial instruments

The Company has elected to apply fair-value accounting under SFAS 155 for certain hybrid financial assets and liabilities whose performance is linked to risks other than interest rate, foreign exchange or inflation (e.g., equity, credit or commodity risks). In addition, the Company has elected fair-value accounting under SFAS 155 for residual interests retained from securitizing certain financial assets.

The Company has elected fair-value accounting for these instruments because these exposures are considered to be trading-related positions and, therefore, are managed on a fair-value basis. In addition, the accounting for these instruments is simplified under a fair-value approach as it eliminates the complicated operational requirements of bifurcating the embedded derivatives from the host contracts and accounting for each separately. The hybrid financial instruments are classified as Loans, Deposits, Trading liabilities (for pre-paid derivatives) or debt on the Company's Consolidated Balance Sheet according to their legal form, while residual interests in certain securitizations are classified as Trading account assets.

The outstanding balances for these hybrid financial instruments classified in Loans is $548 million, while $3.4 billion was in Interest-bearing deposits, $10.9 billion in Trading account liabilities, $3.7 billion in Short-term borrowings and $23.7 billion in Long-term debt on the Consolidated Balance Sheet as of June 30, 2008. As of December 31, 2007, the outstanding balances for such instruments classified in Loans was $689 million, while $3.3 billion was in Interest- bearing deposits, $12.1 billion in Trading account liabilities, $3.6 billion in Short-term borrowings and $27.3 billion in Long-term debt on the Consolidated Balance Sheet. In addition, $5.9 billion and $2.6 billion of the amount reported in Trading account assets as of June 30, 2008 and December 31, 2007, respectively, were primarily for the retained interests in securitizations.

For hybrid financial instruments for which fair-value accounting has been elected under SFAS 155 and that are classified as Long-term debt the aggregate unpaid principal exceeds the aggregate fair value by $489 million as of June 30, 2008, while the aggregate fair value exceeds the aggregate unpaid principal balance by $460 million as of December 31, 2007. The difference for those instruments classified as Loans is imaterial.

Changes in fair value for hybrid financial instruments, which in most cases includes a component for accrued interest, are recorded in Principal transactions in the Company's Consolidated Statement of Income. Interest accruals for certain hybrid instruments classified as trading assets are recorded separately from the change in fair value as Interest revenue in the Company's Consolidated Statement of Income.

Mortgage servicing rights

The Company accounts for mortgage servicing rights (MSRs) at fair value in accordance with SFAS 156. Fair value for MSRs is determined using an option-adjusted spread valuation approach. This approach consists of projecting servicing cash flows under multiple interest-rate scenarios and discounting these cash flows using risk-adjusted discount rates. The model assumptions used in the valuation of MSRs include mortgage prepayment speeds and discount rates. The fair value of MSRs is primarily affected by changes in prepayments that result from shifts in mortgage interest rates. In managing this risk, the Company hedges a significant portion of the values of its MSRs through the use of interest-rate derivative contracts, forward-purchase commitments of mortgage-backed securities, and purchased securities classified as trading. See Note 15 on page 95 for further discussions regarding the accounting and reporting of MSRs.

These MSRs, which totaled $8.9 billion and $8.4 billion as of June 30, 2008 and December 31, 2007, respectively, are classified as Intangible assets on Citigroup's Consolidated Balance Sheet. Changes in fair value for MSRs are recorded in Commissions and fees in the Company's Consolidated Statement of Income.

Items Measured at Fair Value on a Recurring Basis

The following tables present for each of the fair-value hierarchy levels the Company's assets and liabilities that are measured at fair value on a recurring basis at June 30, 2008 and December 31, 2007. The Company often hedges positions that have been classified in the Level 3 category with financial instruments that have been classified as Level 1 or Level 2. In addition, the Company also hedges items classified in the Level 3 category with instruments classified in Level 3 of the fair value hierarchy. The effects of these hedges are presented gross in the following table.

In millions of dollars at June 30, 2008	Level 1	Level 2	Level 3	Gross inventory	Netting(1)	Net balance
Assets						
Federal funds sold and securities borrowed or purchased under agreements to resell	$	$ 122,298	$	$ 122,298	$ (52,568)	$ 69,730
Trading account assets						
Trading securities and loans	112,987	211,547	76,819	401,353		401,353
Derivatives	8,098	577,844	40,221	626,163	(522,077)	104,086
Investments	47,053	150,295	27,086	224,434		224,434
Loans(2)		2,874	145	3,019		3,019
Mortgage servicing rights			8,934	8,934		8,934
Other financial assets measured on a recurring basis		15,328	1,451	16,779	(7,411)	9,368
Total assets	**$ 168,138**	**$ 1,080,186**	**$ 154,656**	**$ 1,402,980**	**$ (582,056)**	**$ 820,924**
	12.0%	**77.0%**	**11.0%**	**100.0%**		
Liabilities						
Interest-bearing deposits	$	$ 3,630	$ 111	$ 3,741	$	$ 3,741
Federal funds purchased and securities loaned or sold under agreements to repurchase		203,640	3,166	206,806	(52,568)	154,238
Trading account liabilities						
Securities sold, not yet purchased	60,587	10,670	1,718	72,975		72,975
Derivatives	7,993	580,239	40,323	628,555	(512,062)	116,493
Short-term borrowings		6,768	1,160	7,928		7,928
Long-term debt		22,455	38,355	60,810		60,810
Other financial liabilities measured on a recurring basis		9,541	26	9,567	(7,411)	2,156
Total liabilities	**$ 68,580**	**$ 836,943**	**$ 84,859**	**$ 980,382**	**$ (572,041)**	**$ 418,341**
	6.9%	**84.5%**	**8.6%**	**100.0%**		

Items Measured at Fair Value on a Recurring Basis (continued)

In millions of dollars at December 31, 2007	Level 1	Level 2	Level 3	Gross inventory	Netting(1)	Net balance
Assets						
Federal funds sold and securities borrowed or purchased under agreements to resell	$	$ 132,383	$ 16	$ 132,399	$ (48,094)	$ 84,305
Trading account assets						
Trading securities and loans	151,684	234,846	75,573	462,103		462,103
Derivatives	7,204	428,779	31,226	467,209	(390,328)	76,881
Investments	64,375	125,282	17,060	206,717		206,717
Loans(2)		3,718	9	3,727		3,727
Mortgage servicing rights			8,380	8,380		8,380
Other financial assets measured on a recurring basis		13,570	1,171	14,741	(4,939)	9,802
Total assets	**$ 223,263**	**$ 938,578**	**$ 133,435**	**$ 1,295,276**	**$ (443,361)**	**$ 851,915**
	17.2%	**72.5%**	**10.3%**	**100.0%**		
Liabilities						
Interest-bearing deposits	$	$ 3,542	$ 56	$ 3,598	$	$ 3,598
Federal funds purchased and securities loaned or sold under agreements to repurchase		241,790	6,158	247,948	(48,094)	199,854
Trading account liabilities						
Securities sold, not yet purchased	68,928	9,140	473	78,541		78,541
Derivatives	8,602	447,119	33,696	489,417	(385,876)	103,541
Short-term borrowings		8,471	5,016	13,487		13,487
Long-term debt		70,359	8,953	79,312		79,312
Other financial liabilities measured on a recurring basis		6,506	1	6,507	(4,939)	1,568
Total liabilities	**$ 77,530**	**$ 786,927**	**$ 54,353**	**$ 918,810**	**$ (438,909)**	**$ 479,901**
	8.4%	**85.7%**	**5.9%**	**100.0%**		

(1) Represents netting of: (i) the amounts due under securities purchased under agreements to resell and the amounts owed under securities sold under agreements to repurchase in accordance with FIN 41, and (ii) derivative exposures covered by a qualifying master netting agreement in accordance with FIN 39, cash collateral, and the market value adjustment.

(2) There is no allowance for loan losses recorded for loans reported at fair value.

The following tables present the changes in the Level 3 fair-value category for the three months and six months ended June 30, 2008 and 2007. The Company classifies financial instruments in Level 3 of the fair-value hierarchy when there is reliance on at least one significant unobservable input to the valuation model. In addition to these unobservable inputs, the valuation models for Level 3 financial instruments typically also rely on a number of inputs that are readily observable either directly or indirectly. Thus, the gains and losses presented below include changes in the fair value related to both observable and unobservable inputs.

The Company often hedges positions with offsetting positions that are classified in a different level. For example, the gains and losses for assets and liabilities in the Level 3 category presented in the tables below do not reflect the effect of offsetting losses and gains on hedging instruments that have been classified by the Company in the Level 1 and Level 2 categories. In addition, the Company hedges items classified in the Level 3 category with instruments also classified in Level 3 of the fair-value hierarchy. The effects of these hedges are presented gross in the following tables.

		Net realized/ unrealized gains (losses) included in					
In millions of dollars	**March 31, 2008**	**Principal transactions**	**Other(1)(2)**	**Transfers in and/or out of Level 3**	**Purchases, issuances and settlements**	**June 30, 2008**	**Unrealized gains (losses) still held(3)**
Assets							
Securities purchased under agreements to resell	$ 16	$	$	$	$ (16)	$	$
Trading account assets							
Trading securities and loans	90,672	(4,775)		793	(9,871)	76,819	(4,445)
Investments	20,539		(211)	(461)	7,219	27,086	6
Loans	93	5			47	145	5
Mortgage servicing rights	7,716		1,317		(99)	8,934	1,317
Other financial assets measured on a recurring basis	812		30	588	21	1,451	25
Liabilities							
Interest-bearing deposits	$ 105	$ (10)	$	$	$ (4)	$ 111	$ (5)
Securities sold under agreements to repurchase	6,208	210		(2,710)	(122)	3,166	51
Trading account liabilities							
Securities sold, not yet purchased	1,817	(13)		(40)	(72)	1,718	(63)
Derivatives, net(4)	952	1,323		(969)	1,442	102	(2)
Short-term borrowings	6,150	219		(3,791)	(980)	1,160	82
Long-term debt	47,199	246		65	(8,663)	38,355	136
Other financial liabilities measured on a recurring basis			(15)		11	26	16

In millions of dollars	December 31, 2007	Net realized/ unrealized gains (losses) included in Principal transactions	Other(1)(2)	Transfers in and/or out of Level 3	Purchases, issuances and settlements	June 30, 2008	Unrealized gains (losses) still held(3)
Assets							
Securities purchased under agreements to resell	$ 16	$	$	$	$ (16)	$	$
Trading account assets							
Trading securities and loans	75,573	(13,191)		18,745	(4,308)	76,819	(10,556)
Investments	17,060		(1,547)	2,971	8,602	27,086	(267)
Loans	9	11			125	145	11
Mortgage servicing rights	8,380		964		(410)	8,934	964
Other financial assets measured on a recurring basis	1,171		47	69	164	1,451	58
Liabilities							
Interest-bearing deposits	$ 56	$ (19)	$	$ 13	$ 23	$ 111	$ (11)
Securities sold under agreements to repurchase	6,158	71		(2,366)	(555)	3,166	(6)
Trading account liabilities							
Securities sold, not yet purchased	473	(8)		632	605	1,718	(36)
Derivatives, net(4)	2,470	2,797		106	323	102	3,868
Short-term borrowings	5,016	149		(2,283)	(1,424)	1,160	56
Long-term debt	8,953	409		38,019	(8,208)	38,355	(108)
Other financial liabilities measured on a recurring basis	1		(14)		11	26	6

In millions of dollars	March 31, 2007	Net realized/ unrealized gains (losses) included in Principal transactions	Other(1)(2)	Transfers in and/or out of Level 3	Purchases, issuances and settlements	June 30, 2007	Unrealized gains (losses) still held(3)
Assets							
Securities purchased under agreements to resell	$ 16	$	$	$	$	$ 16	$
Trading account assets							
Trading securities and loans	32,243	(369)		2,741	8,330	42,945	(773)
Investments	12,653		666	433	6,449	20,201	285
Loans		(8)		459	744	1,195	5
Mortgage servicing rights	8,832		1,041		199	10,072	1,041
Other financial assets measured on a recurring basis	916		223	172	(205)	1,106	212
Liabilities							
Interest-bearing deposits	$ 107	$ 12	$	$ (33)	$ 28	$ 90	$ 4
Securities sold under agreements to repurchase	6,278	49		277	(265)	6,241	(23)
Trading account liabilities							
Securities sold, not yet purchased	434	8		(115)	342	653	(28)
Derivatives, net(4)	(1,234)	279		1,392	1,305	1,184	(1,471)
Short-term borrowings	1,889	17		(327)	1,107	2,652	
Long-term debt	1,349	(11)		92	352	1,804	(2)

		Net realized/ unrealized gains (losses) included in					
Other financial liabilities measured on a recurring basis	8		(24)	(1)		31	(23)

123

In millions of dollars	January 1, 2007	Net realized/ unrealized gains (losses) included in Principal transactions	Other(1)(2)	Transfers in and/or out of Level 3	Purchases, issuances and settlements	June 30, 2007	Unrealized gains (losses) still held(3)
Assets							
Securities purchased under agreements to resell	$ 16					$ 16	
Trading account assets							
Trading securities and loans	22,415	124		5,082	15,324	42,945	(123)
Investments	11,468		849	1,013	6,871	20,201	639
Loans		(8)		459	744	1,195	10
Mortgage servicing rights	5,439		1,166		3,467	10,072	1,166
Other financial assets measured on a recurring basis	948		367	(246)	37	1,106	351
Liabilities							
Interest-bearing deposits	60	13		(33)	76	90	6
Securities sold under agreements to repurchase	6,778	(11)		84	(632)	6,241	(23)
Trading account liabilities							
Securities sold, not yet purchased	467	36		(213)	435	653	(117)
Derivatives, net(4)	(1,875)	685		1,106	2,638	1,184	(1,244)
Short-term borrowings	2,214	9		(348)	795	2,652	(1)
Long-term debt	1,693	(11)		92	8	1,804	(2)
Other financial liabilities measured on a recurring basis			(24)	(1)	8	31	(23)

(1) Changes in fair value for available-for-sale investments (debt securities) are recorded in Accumulated other comprehensive income, while gains and losses from sales are recorded in Realized gains (losses) from sales of investments on the Consolidated Statement of Income.

(2) Unrealized gains (losses) on MSRs are recorded in Commissions and fees on the Consolidated Statement of Income.

(3) Represents the amount of total gains or losses for the period, included in earnings (and Accumulated other comprehensive income for changes in fair value for available-for-sale investments) attributable to the change in fair value relating to assets and liabilities classified as Level 3 that are still held at June 30, 2008 and 2007.

(4) Total Level 3 derivative exposures have been netted on these tables for presentation purposes only.

The following is a discussion of the changes to the Level 3 balances for each of the rollforward tables presented above.

For the period March 31, 2008 to June 30, 2008, the changes in Level 3 assets and liabilities are due to:

The decrease in trading account securities of $14 billion, which was driven primarily by the write-downs on ABS-CDO super senior exposures plus approximately $9 billion of net sales of trading securities, including CDO liquidations.

The increase in investments of $7 billion, which was largely due to $8.7 billion of senior debt securities retained from the Company's April 17, 2008 sale of a corporate loan portfolio that included highly leverage loans, offset by net sales/settlements of other investments.

The increase in MSR of $1.2 billion, which resulted from the mark-to-market gain recognized of $1.4 billion. This gain was offset by the decrease of $2.1 billion in the value of the related non-Level 3 hedges.

The reductions in securities sold under agreement to repurchase of $3 billion, and short-term borrowings of $5 billion, which were driven primarily by the transfers of certain positions from Level 3 to Level 2, as valuation methodology inputs considered to be unobservable were demonstrated to be insignificant to the overall valuation.

The decrease in long-term debt of $9 billion, as payments were made against the consolidated SIV's long-term debt.

The significant changes from December 31, 2007 to June 30, 2008 in Level 3 assets and liabilities are due to:

A minimal net increase in trading securities as net write-downs recognized for ABS-CDO super senior exposures and Alt- A mortgage securities, plus a net reduction from settlements/sales of trading securities, were offset by a net transfer-in to Level 3 from Level 2 as prices and other valuation inputs became unobservable for a number of positions including auction rate securities and Alt-A mortgage securities.

The increase in investments of $10 billion, which was due primarily to $8.7 billion of senior debt securities retained from the Company's April 17, 2008 sale of a corporate loan portfolio that included highly leverage loans.

The reduction in securities sold under agreement to repurchase of $3 billion, which was driven by the transfer of positions from Level 3 to Level 2 as valuation methodology inputs considered to be unobservable were demonstrated to be insignificant to the overall valuation.

The decrease in short-term borrowings of $4 billion, which was primarily due to net transfers out of $2 billion as valuation methodology inputs considered to be unobservable were demonstrated to be insignificant to the overall valuation, and payments of $1 billion against the consolidated SIV's short-term debt.

The increase in long-term debt of $29 billion, which was driven by the transfer of consolidated SIV liabilities to Level 3 due to the lack of observable inputs, offset by the payments made against this debt in the second quarter 2008.

The significant changes from March 31, 2007 to June 30, 2007 in Level 3 assets and liabilities are due to:

The increase in trading securities of $11 billion, which was driven by net additions/purchases of $8 billion plus the net transfer-in of $3 billion for positions previously classified as Level 2, as prices and other valuations inputs became unobservable.

The increase in investments of $8 billion, largely resulting from the acquisition of Nikko Cordial.

The significant changes from January 1, 2007 to June 30, 2007 in Level 3 assets and liabilities are due to:

The increase in trading securities of $20 billion, which was driven primarily by the net transfer-in of $5 billion of items previously classified as Level 2 as prices and other valuations inputs became unobservable, plus the net additions/purchases of $15 billion including the Level 3 assets acquired with Nikko Cordial.

The increase in investments of $9 billion, primarily resulting from the acquisition of Nikko Cordial.

The increase in Mortgage servicing rights of $5 billion which was primarily due to the first quarter 2007 acquisition of ABN AMRO Mortgage Group.

Items Measured at Fair Value on a Nonrecurring Basis

Certain assets and liabilities are measured at fair value on a non-recurring basis and therefore are not included in the tables above. These include assets such as loans held-for-sale that are measured at the lower of cost or market (LOCOM) that were recognized at fair value below cost at the end of the period. Assets measured at cost that have been written down to fair value during the period as a result of an impairment are also included.

The fair value of loans measured on a LOCOM basis is determined where possible using quoted secondary-market prices. Such loans are generally classified in Level 2 of the fair-value hierarchy given the level of activity in the market and the frequency of available quotes. If no such quoted price exists, the fair value of a loan is determined using quoted prices for a similar asset or assets, adjusted for the specific attributes of that loan.

The following table presents all loans held-for-sale that are carried at LOCOM as of June 30, 2008 and December 31, 2007 (in billions):

	Aggregate Cost	Fair value	Level 2	Level 3
June 30, 2008	$ 26.9	$ 23.6	$ 2.8	$ 20.8
December 31, 2007	33.6	31.9	5.1	26.8

For the three months ended and six months ended June 30, 2008, the resulting charges taken on loans held-for-sale carried at fair value below cost were $1.4 billion and $3.7 billion, respectively, $1.8 billion was the resulting charge taken on loans held-for-sale carried at fair value below cost for the year ended December 31, 2007.

Highly Leveraged Financing Commitments

The Company reports a number of highly leveraged loans as held-for-sale, which are measured on a LOCOM basis. The fair value of such exposures is determined, where possible, using quoted secondary-market prices and classified in Level 2 of the fair-value hierarchy if there is a sufficient level of activity in the market and quotes or traded prices are available with suitable frequency.

However, due to the dislocation of the credit markets and the reduced market interest in higher risk/higher yield instruments since the latter half of 2007, liquidity in the market for highly leveraged financings has been limited. Therefore, a majority of such exposures are classified in Level 3 as quoted secondary market prices do not generally exist. The fair value for such exposures is determined using quoted prices for a similar asset or assets, adjusted for the specific attributes of the loan being valued.

18. GUARANTEES

The Company provides a variety of guarantees and indemnifications to Citigroup customers to enhance their credit standing and enable them to complete a wide variety of business transactions. FASB Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others" (FIN 45), provides initial measurement and disclosure guidance in accounting for guarantees. FIN 45 requires that, for certain contracts meeting the definition of a guarantee, the guarantor must recognize, at inception, a liability for the fair value of the obligation undertaken in issuing the guarantee.

In addition, the guarantor must disclose the maximum potential amount of future payments the guarantor could be required to make under the guarantee, if there were a total default by the guaranteed parties. The determination of the maximum potential future payments is based on the notional amount of the guarantees without consideration of possible recoveries under recourse provisions or from collateral held or pledged. Such amounts bear no relationship to the anticipated losses, if any, on these guarantees.

The following tables present information about the Company's guarantees at June 30, 2008 and December 31, 2007:

	Maximum potential amount of future payments			
In billions of dollars at June 30, except carrying value in millions	Expire within 1 year	Expire after 1 year	Total amount outstanding	Carrying value *(in millions)*
2008				
Financial standby letters of credit	**$ 47.5**	**$ 36.9**	**$ 84.4**	**$ 159.7**
Performance guarantees	**10.0**	**7.6**	**17.6**	**29.7**
Derivative instruments	**12.6**	**95.2**	**107.8**	**16,831.0**
Loans sold with recourse		**0.4**	**0.4**	**43.2**
Securities lending indemnifications(1)	**154.1**		**154.1**	
Credit card merchant processing(1)	**62.1**		**62.1**	
Custody indemnifications and other		**43.2**	**43.2**	**140.0**
Total	**$ 286.3**	**$ 183.3**	**$ 469.6**	**$ 17,203.6**

	Maximum potential amount of future payments			
In billions of dollars at December 31, except carrying value in millions	Expire within 1 year	Expire after 1 year	Total amount outstanding	Carrying value *(in millions)*
2007(2)				
Financial standby letters of credit	$ 43.5	$ 43.6	$ 87.1	$ 160.6
Performance guarantees	11.3	6.8	18.1	24.4
Derivative instruments	9.6	91.4	101.0	3,911.0
Loans sold with recourse		0.5	0.5	45.5
Securities lending indemnifications(1)	153.4		153.4	
Credit card merchant processing(1)	64.0		64.0	
Custody indemnifications and other		53.4	53.4	306.0
Total	$ 281.8	$ 195.7	$ 477.5	$ 4,447.5

(1) The carrying values of securities lending indemnifications and credit card merchant processing are not material, as the Company has determined that the amount and probability of potential liabilities arising from these guarantees are not significant and the carrying amount of the Company's obligations under these guarantees is immaterial.

(2)

Reclassified to conform to the current period's presentation.

Financial Standby Letters of Credit

Citigroup issues standby letters of credit which substitute its own credit for that of the borrower. If a letter of credit is drawn down, the borrower is obligated to repay Citigroup. Standby letters of credit protect a third party from defaults on contractual obligations. Financial standby letters of credit include guarantees of payment of insurance premiums and reinsurance risks that support industrial revenue bond underwriting and settlement of payment obligations to clearing houses, and also support options and purchases of securities or are in lieu of escrow deposit accounts. Financial standbys also backstop loans, credit facilities, promissory notes and trade acceptances.

Performance Guarantees

Performance guarantees and letters of credit are issued to guarantee a customer's tender bid on a construction or systems installation project or to guarantee completion of such projects in accordance with contract terms. They are also issued to support a customer's obligation to supply specified products, commodities, or maintenance or warranty services to a third party.

Derivative Instruments

Derivatives are financial instruments whose cash flows are based on a notional amount or an underlying instrument, where there is little or no initial investment, and whose terms require or permit net settlement.

The main use of derivatives is to reduce risk for one party while offering the potential for high return (at increased risk) to another. Financial institutions often act as intermediaries for their clients, helping clients reduce their risks. However, derivatives may also be used to take a risk position. Certain derivative contracts entered into by the

Company meet the definition of a guarantee, including credit default swaps, total return swaps and certain written options. However, credit derivatives (that is, credit default swaps and total return swaps) with banks, hedge funds, and broker-dealers are excluded from this definition as these counterparties are considered to be dealers in these instruments with the primary purpose of taking a risk position. In addition, non-credit derivative contracts that are cash settled and for which the Company is unable to assert that it is probable the counterparty held the underlying instrument at the inception of the contract are also not considered guarantees under FIN 45. Accordingly, these contracts are excluded from the disclosure above. In instances where the Company's maximum potential future payment is unlimited, such as in certain written foreign currency options, the notional amount of the contract is disclosed.

Loans Sold with Recourse

Loans sold with recourse represent the Company's obligations to reimburse the buyers for loan losses under certain circumstances. Recourse refers to the clause in a sales agreement under which a lender will fully reimburse the buyer/investor for any losses resulting from the purchased loans. This may be accomplished by the seller's taking back any loans that become delinquent.

Securities Lending Indemnifications

Owners of securities frequently lend those securities for a fee to other parties who may sell them short or deliver them to another party to satisfy some other obligation. Banks may administer such securities lending programs for their clients. Securities lending indemnifications are issued by the bank to guarantee that a securities lending customer will be made whole in the event that the security borrower does not return the security subject to the lending agreement and collateral held is insufficient to cover the market value of the security.

Credit Card Merchant Processing

Credit card merchant processing guarantees represent the Company's indirect obligations in connection with the processing of private label and bankcard transactions on behalf of merchants.

Citigroup's primary credit card business is the issuance of credit cards to individuals. In addition, the Company provides transaction processing services to various merchants with respect to bankcard and private label cards. In the event of a billing dispute with respect to a bankcard transaction between a merchant and a cardholder that is ultimately resolved in the cardholder's favor, the third party holds the primary contingent liability to credit or refund the amount to the cardholder and charge back the transaction to the merchant. If the third party is unable to collect this amount from the merchant, it bears the loss for the amount of the credit or refund paid to the cardholder.

The Company continues to have the primary contingent liability with respect to its portfolio of private label merchants. The risk of loss is mitigated as the cash flows between the third party or the Company and the merchant are settled on a net basis and the third party or the Company has the right to offset any payments with cash flows otherwise due to the merchant. To further mitigate this risk, the third party or the Company may require a merchant to make an escrow deposit, delay settlement, or include event triggers to provide the third party or the Company with more financial and operational control in the event of the financial deterioration of the merchant, or require various credit enhancements (including letters of credit and bank guarantees). In the unlikely event that a private label merchant is unable to deliver products, services or a refund to its private label cardholders, Citigroup is contingently liable to credit or refund cardholders. In addition, although a third party holds the primary contingent liability with respect to the processing of bankcard transactions, in the event that the third party does not have sufficient collateral from the merchant or sufficient financial resources of its own to provide the credit or refunds to the cardholders, Citigroup would be liable to credit or refund the cardholders.

The Company's maximum potential contingent liability related to both bankcard and private label merchant processing services is estimated to be the total volume of credit card transactions that meet the requirements to be valid chargeback transactions at any given time. At June 30, 2008 and December 31, 2007, this maximum potential exposure was estimated to be $62 billion and $64 billion, respectively.

However, the Company believes that the maximum exposure is not representative of the actual potential loss exposure based on the Company's historical experience and its position as a secondary guarantor (in the case of bankcards). In most cases, this contingent liability is unlikely to arise, as most products and services are delivered when purchased and amounts are refunded when items are returned to merchants. The Company assesses the probability and amount of its contingent liability related to merchant processing based on the financial strength of the primary guarantor (in the case of bankcards) and the extent and nature of unresolved chargebacks and its historical loss experience. At June 30, 2008 and December 31, 2007, the estimated losses incurred and the carrying amounts of the Company's contingent obligations related to merchant processing activities were immaterial.

Custody Indemnifications

Custody indemnifications are issued to guarantee that custody clients will be made whole in the event that a third-party subcustodian fails to safeguard clients' assets. The scope of the custody indemnifications also covers all clients' assets held by third-party subcustodians.

Other

In the fourth quarter of 2007, Citigroup recorded a $306 million (pretax) charge related to certain of Visa USA's litigation matters. In March 2008, in connection with the IPO, Visa used a portion of its IPO proceeds to fund an escrow account with respect to those litigation matters. This has enabled Citigroup to recognize a $166 million (pretax) reduction of its $306 million reserve during the first quarter of 2008. The carrying value of the reserve is included in Other liabilities.

Other Guarantees and Indemnifications

The Company, through its credit card business, provides various cardholder protection programs on several of its card products, including programs that provide insurance coverage for rental cars, coverage for certain losses associated with purchased products, price protection for certain purchases and protection for lost luggage. These guarantees are not included in the table, since the total outstanding amount of the guarantees and the Company's maximum exposure to loss cannot be quantified. The protection is limited to certain types of purchases and certain types of losses and it is not possible to quantify the purchases that would qualify for these benefits at any given time. The Company assesses the probability and amount of its potential liability related to these programs based on the extent and nature of its historical loss experience. At June 30, 2008, the actual and estimated losses incurred and the carrying value of the Company's obligations related to these programs were immaterial.

In the normal course of business, the Company provides standard representations and warranties to counterparties in contracts in connection with numerous transactions and also provides indemnifications that protect the counterparties to the contracts in the event that additional taxes are owed due either to a change in the tax law or an adverse interpretation of the tax law. Counterparties to these transactions provide the Company with comparable indemnifications. While such representations, warranties and tax indemnifications are essential components of many contractual relationships, they do not represent the underlying business purpose for the transactions. The indemnification clauses are often standard contractual terms related to the Company's own performance under the terms of a contract and are entered into in the normal course of business based on an assessment that the risk of loss is remote. Often these clauses are intended to ensure that terms of a contract are met at inception (for example, that loans transferred to a counterparty in a sales transaction did in fact meet the conditions specified in the contract at the transfer date). No compensation is received for these standard representations and warranties, and it is not possible to determine their fair value because they rarely, if ever, result in a payment. In many cases, there are no stated or notional amounts included in the indemnification clauses and the contingencies potentially triggering the obligation to indemnify have not occurred and are not expected to occur. There are no amounts reflected on the Consolidated Balance Sheet as of June 30, 2008 and December 31, 2007, related to these indemnifications and they are not included in the table.

In addition, the Company is a member of or shareholder in hundreds of value transfer networks (VTNs) (payment clearing and settlement systems as well as securities exchanges) around the world. As a condition of membership, many of these VTNs require that members stand ready to backstop the net effect on the VTNs of a member's default on its obligations. The Company's potential obligations as a shareholder or member of VTN associations are excluded from the scope of FIN 45, since the shareholders and members represent subordinated classes of investors in the VTNs. Accordingly, the Company's participation in VTNs is not reported in the table and there are no amounts reflected on the Consolidated Balance Sheet as of June 30, 2008 or December 31, 2007 for potential obligations that could arise from the Company's involvement with VTN associations.

At June 30, 2008 and December 31, 2007, the carrying amounts of the liabilities related to the guarantees and indemnifications included in the table amounted to approximately $17 billion and $4 billion, respectively. The carrying value of derivative instruments is included in either Trading liabilities or Other liabilities, depending upon whether the derivative was entered into for trading or non-trading purposes. The carrying value of financial and performance guarantees is included in Other liabilities. For loans sold with recourse, the carrying value of the liability is included in Other liabilities. In addition, at June 30, 2008 and December 31, 2007, Other liabilities on the Consolidated Balance Sheet include an allowance for credit losses of $1.107 billion and $1.250 billion relating to letters of credit and unfunded lending commitments, respectively.

In addition to the collateral available in respect of the credit card merchant processing contingent liability discussed above, the Company has collateral available to reimburse potential losses on its other guarantees. Cash collateral available to the Company to reimburse losses realized under these guarantees and indemnifications amounted to $107 billion and $112 billion at June 30, 2008 and December 31, 2007, respectively. Securities and other marketable assets held as collateral amounted to $61 billion and $54 billion and letters of credit in favor of the Company held as collateral amounted to $569 million and $370 million at June 30, 2008 and December 31, 2007, respectively. Other property may also be available to the Company to cover losses under certain guarantees and indemnifications; however, the value of such property has not been determined.

Credit Commitments

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

In millions of dollars	U.S.	Outside of U.S.	June 30, 2008	December 31, 2007
Commercial and similar letters of credit	**$ 2,067**	**$ 8,342**	**$ 10,409**	$ 9,175
One- to four-family residential mortgages	**1,678**	**623**	**2,301**	4,587
Revolving open-end loans secured by one- to four-family residential properties	**27,318**	**3,349**	**30,667**	35,187
Commercial real estate, construction and land development	**2,827**	**796**	**3,623**	4,834
Credit card lines	**965,675**	**164,337**	**1,130,012**	1,103,535
Commercial and other consumer loan commitments	**283,954**	**145,729**	**429,683**	473,631
Total	**$ 1,283,519**	**$ 323,176**	**$ 1,606,695**	$ 1,630,949

In millions of dollars	U.S.	Outside of U.S.	June 30, 2008	December 31, 2007

The majority of unused commitments are contingent upon customers' maintaining specific credit standards. Commercial commitments generally have floating interest rates and fixed expiration dates and may require payment of fees. Such fees (net of certain direct costs) are deferred and, upon exercise of the commitment, amortized over the life of the loan or, if exercise is deemed remote, amortized over the commitment period.

Commercial and similar letters of credit

A commercial letter of credit is an instrument by which Citigroup substitutes its credit for that of a customer to enable

129

the customers to finance the purchase of goods or to incur other commitments. Citigroup issues a letter on behalf of its client to a supplier and agrees to pay them upon presentation of documentary evidence that the supplier has performed in accordance with the terms of the letter of credit. When drawn, the customer then is required to reimburse Citigroup.

One- to four-family residential mortgages

A one- to four-family residential mortgage commitment is a written confirmation from Citigroup to a seller of a property that the bank will advance the specified sums enabling the buyer to complete the purchase.

Revolving open-end loans secured by one- to four-family residential properties

Revolving open-end loans secured by one- to four-family residential properties are essentially home equity lines of credit. A home equity line of credit is a loan secured by a primary residence or second home to the extent of the excess of fair market value over the debt outstanding for the first mortgage.

Commercial real estate, construction and land development

Commercial real estate, construction and land development include unused portions of commitments to extend credit for the purpose of financing commercial and multifamily residential properties as well as land development projects. Both secured by real estate and unsecured commitments are included in this line. In addition, undistributed loan proceeds where there is an obligation to advance for construction progress payments are also included. However, this line only includes those extensions of credit that once funded will be classified as Loans on the Consolidated Balance Sheet.

Credit card lines

Citigroup provides credit to customers by issuing credit cards. The credit card lines are unconditionally cancellable by the issuer.

Commercial and other consumer loan commitments

Commercial and other consumer loan commitments include commercial commitments to make or purchase loans, to purchase third-party receivables, and to provide note issuance or revolving underwriting facilities. Amounts include $237 billion and $259 billion with an original maturity of less than one year at June 30, 2008 and December 31, 2007, respectively.

In addition, included in this line item are highly leveraged financing commitments which are agreements that provide funding to a borrower with higher levels of debt (measured by the ratio of debt capital to equity capital of the borrower) than is generally considered normal for other companies. This type of financing is commonly employed in corporate acquisitions, management buy-outs and similar transactions.

19. CONTINGENCIES

As described in the "Legal Proceedings" discussion on page 141, the Company has been a defendant in numerous lawsuits and other legal proceedings arising out of alleged misconduct in connection with:

(i) underwritings for, and research coverage of, WorldCom;

(ii) underwritings for Enron and other transactions and activities related to Enron;

(iii) transactions and activities related to research coverage of companies other than WorldCom; and

(iv) transactions and activities related to the IPO Securities Litigation.

As of June 30, 2008, the Company's litigation reserve for these matters, net of amounts previously paid or not yet paid but committed to be paid in connection with settlements arising out of these matters, was approximately $1.0 billion. The Company believes that this reserve is adequate to meet all of its remaining exposure for these matters.

As described in the "Legal Proceedings" discussion on page 141, the Company is also a defendant in numerous lawsuits and other legal proceedings arising out of alleged misconduct in connection with other matters. In view of the large number of litigation matters, the uncertainties of the timing and outcome of this type of litigation, the novel issues presented, and the significant amounts involved, it is possible that the ultimate costs of these matters may exceed or be below the Company's litigation reserves. The Company will continue to defend itself vigorously in these cases, and seek to resolve them in the manner management believes is in the best interests of the Company.

In addition, in the ordinary course of business, Citigroup and its subsidiaries are defendants or co-defendants or parties in various litigation and regulatory matters incidental to and typical of the businesses in which they are engaged. In the opinion of the Company's management, the ultimate resolution of these legal and regulatory proceedings would not be likely to have a material adverse effect on the consolidated financial condition of the Company but, if involving monetary liability, may be material to the Company's operating results for any particular period.

20. CITIBANK, N.A. STOCKHOLDER'S EQUITY

Statement of Changes in Stockholder's Equity

	Six Months Ended June 30,	
In millions of dollars, except shares	**2008**	**2007**
Common stock ($20 par value)		
Balance, beginning of period Shares: 37,534,553 in 2008 and 2007	**$ 751**	$ 751
Balance, end of period Shares: 37,534,553 in 2008 and 2007	**$ 751**	$ 751
Surplus		
Balance, beginning of period	**$ 69,135**	$ 43,753
Capital contribution from parent company	**55**	5,707
Employee benefit plans	**100**	27
Balance, end of period	**$ 69,290**	$ 49,487
Retained earnings		
Balance, beginning of period	**$ 31,915**	$ 30,358
Adjustment to opening balance, net of taxes(1)		(96)
Adjusted balance, beginning of period	**$ 31,915**	$ 30,262
Net income (loss)	**(1,803)**	5,202
Dividends paid	**(27)**	(121)
Balance, end of period	**$ 30,085**	$ 35,343
Accumulated other comprehensive income (loss)		
Balance, beginning of period	**$ (2,495)**	$ (1,709)
Adjustment to opening balance, net of taxes(2)		(1)
Adjusted balance, beginning of period	**$ (2,495)**	$ (1,710)
Net change in unrealized gains (losses) on investment securities available-for-sale, net of taxes	**(2,234)**	(896)
Net change in foreign currency translation adjustment, net of taxes	**527**	695
Net change in cash flow hedges, net of taxes	**(402)**	307
Pension liability adjustment, net of taxes	**65**	88
Net change in Accumulated other comprehensive income (loss)	**$ (2,044)**	$ 194
Balance, end of period	**$ (4,539)**	$ (1,516)
Total common stockholder's equity and total stockholder's equity	**$ 95,587**	$ 84,065
Comprehensive income (loss)		
Net income (loss)	**$ (1,803)**	$ 5,202
Net change in Accumulated other comprehensive income (loss)	**(2,044)**	194
Comprehensive income (loss)	**$ (3,847)**	$ 5,396

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

- SFAS 157 for $9 million,
- SFAS 159 for $15 million,
- FSP 13-2 for $(142) million, and
- FIN 48 for $22 million.

See Notes 1 and 17 on pages 78 and 111, respectively.

(2) The after-tax adjustment to the opening balance of Accumulated other comprehensive income (loss) represents the reclassification of the unrealized gains (losses) related to several miscellaneous items previously reported in accordance with SFAS 115. The related unrealized gains and losses were reclassified to retained earnings upon the adoption of the fair value option in accordance with SFAS 159. See Notes 1 and 17 on pages 78 and 111 for further discussions.

21. CONDENSED CONSOLIDATING FINANCIAL STATEMENT SCHEDULES

These condensed consolidating financial statement schedules are presented for purposes of additional analysis but should be considered in relation to the consolidated financial statements of Citigroup taken as a whole.

Citigroup Parent Company

The holding company, Citigroup Inc.

Citigroup Global Markets Holdings Inc. (CGMHI)

Citigroup guarantees various debt obligations of CGMHI as well as all of the outstanding debt obligations under CGMHI's publicly issued debt.

Citigroup Funding Inc. (CFI)

CFI is 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.

CitiFinancial Credit Company (CCC)

An indirect wholly-owned subsidiary of Citigroup. CCC is a wholly-owned subsidiary of Associates. Citigroup has issued a full and unconditional guarantee of the outstanding indebtedness of CCC.

Associates First Capital Corporation (Associates)

A wholly-owned subsidiary of Citigroup. Citigroup has issued a full and unconditional guarantee of the outstanding long-term debt securities of Associates. 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. Associates is the immediate parent company of CCC.

Other Citigroup Subsidiaries

Includes all other subsidiaries of Citigroup and intercompany eliminations.

Consolidating Adjustments

Includes Citigroup parent company elimination of distributed and undistributed income of subsidiaries, investment in subsidiaries and the elimination of CCC, which is included in the Associates column.

CONDENSED CONSOLIDATING STATEMENT OF INCOME

	Three Months Ended June 30, 2008							
In millions of dollars	Citigroup parent company	CGMHI	CFI	CCC	Associates	Other Citigroup subsidiaries, eliminations	Consolidating adjustments	Citigroup consolidated
Revenues								
Dividends from subsidiary banks and bank holding companies	$ 82	$	$	$	$	$	$ (82)	$
Interest revenue	184	4,960	1	1,816	2,102	20,655	(1,816)	27,902
Interest revenue intercompany	1,104	554	1,230	25	143	(3,031)	(25)	
Interest expense	2,308	3,273	849	34	162	7,005	(34)	13,597
Interest expense intercompany	(114)	1,020	79	608	468	(1,453)	(608)	
Net interest revenue	$ (906)	$ 1,221	$ 303	$ 1,199	$ 1,615	$ 12,072	$ (1,199)	$ 14,305
Commissions and fees	$	$ 2,307	$ 1	$ 21	$ 45	$ 3,781	$ (21)	$ 6,134
Commissions and fees intercompany	(336)	360		8	10	(34)	(8)	
Principal transactions	(456)	(9,514)	469		4	3,911		(5,586)
Principal transactions intercompany	64	5,404	(523)		(33)	(4,912)		
Other income	1,867	1,050	151	112	157	574	(112)	3,799
Other income intercompany	(1,545)	44	(134)	6	49	1,586	(6)	
Total non-interest revenues	$ (406)	$ (349)	$ (36)	$ 147	$ 232	$ 4,906	$ (147)	$ 4,347
Total revenues, net of interest expense	$ (1,230)	$ 872	$ 267	$ 1,346	$ 1,847	$ 16,978	$ (1,428)	$ 18,652
Provisions for credit losses and for benefits and claims	$	$ 284	$	$ 769	$ 861	$ 6,042	$ (769)	$ 7,187
Expenses								
Compensation and benefits	(42)	$ 2,680	$	$ 173	$ 241	$ 6,306	$ (173)	$ 9,185
Compensation and benefits intercompany	2	231		50	50	(283)	(50)	
Other expense	67	964	1	132	175	5,551	(132)	6,758
Other expense intercompany	112	502	31	81	101	(746)	(81)	
Total operating expenses	$ 139	$ 4,377	$ 32	$ 436	$ 567	$ 10,828	$ (436)	$ 15,943
Income (loss) from continuing operations before taxes, minority interest, and equity in undistributed income of subsidiaries	$ (1,369)	$ (3,789)	$ 235	$ 141	$ 419	$ 108	$ (223)	$ (4,478)
Income taxes (benefits)	(338)	(1,636)	80	56	147	(590)	(56)	(2,337)
Minority interest, net of taxes						76		76
Equities in undistributed income of subsidiaries	(1,464)						1,464	
Net income (loss)	$ (2,495)	$ (2,153)	$ 155	$ 85	$ 272	$ 622	$ 1,297	$ (2,217)
						(278)		(278)

	Three Months Ended June 30, 2008							
	$ (2,495)	$ (2,153)	$ 155	$ 85	$ 272	$ 344	$ 1,297	$ (2,495)

133

CONDENSED CONSOLIDATING STATEMENT OF INCOME

	Three Months Ended June 30, 2007							
In millions of dollars	**Citigroup parent company**	**CGMHI**	**CFI**	**CCC**	**Associates**	**Other Citigroup subsidiaries, eliminations**	**Consolidating adjustments**	**Citigroup Consolidated**
Revenues								
Dividends from subsidiary banks and bank holding companies	$ 4,031	$	$	$	$	$	$ (4,031)	$
Interest revenue	99	7,940		1,682	1,970	20,360	(1,682)	30,369
Interest revenue intercompany	1,358	401	1,451	36	140	(3,350)	(36)	
Interest expense	1,920	6,277	1,047	47	190	9,537	(47)	18,971
Interest expense intercompany	(30)	1,356	205	538	708	(2,239)	(538)	
Net interest revenue	$ (433)	$ 708	$ 199	$ 1,133	$ 1,212	$ 9,712	$ (1,133)	$ 11,398
Commissions and fees	$	$ 2,826	$	$ 26	$ 46	$ 3,756	$ (26)	$ 6,628
Commissions and fees intercompany		14		5	5	(19)	(5)	
Principal transactions	(207)	1,260	(344)		3	1,917		2,629
Principal transactions intercompany	(20)	(99)	150		(38)	7		
Other income	940	1,230	84	113	199	3,222	(113)	5,675
Other income intercompany	(867)	246	(71)	6	(27)	719	(6)	
Total non-interest revenues	$ (154)	$ 5,477	$ (181)	$ 150	$ 188	$ 9,602	$ (150)	$ 14,932
Total revenues, net of interest expense	$ 3,444	$ 6,185	$ 18	$ 1,283	$ 1,400	$ 19,314	$ (5,314)	$ 26,330
Provisions for credit losses and for benefits and claims	$	$ 17	$	$ 402	$ 450	$ 2,243	$ (402)	$ 2,710
Expenses								
Compensation and benefits	$ 31	$ 3,391	$	$ 171	$ 227	$ 5,247	$ (171)	$ 8,896
Compensation and benefits intercompany	4			41	40	(44)	(41)	
Other expense	126	618	1	121	168	4,882	(121)	5,795
Other expense intercompany	87	451	8	74	93	(639)	(74)	
Total operating expenses	$ 248	$ 4,460	$ 9	$ 407	$ 528	$ 9,446	$ (407)	$ 14,691
Income from continuing operations before taxes, minority interest and equity in undistributed income of subsidiaries	$ 3,196	$ 1,708	$ 9	$ 474	$ 422	$ 7,625	$ (4,505)	$ 8,929
Income taxes (benefits)	(320)	613	4	172	169	2,197	(172)	2,663
Minority interest, net of taxes						123		123
Equities in undistributed income of subsidiaries	$ 2,710						(2,710)	
Income (loss) from continuing operations	6,226	$ 1,095	$ 5	$ 302	$ 253	$ 5,305	$ (7,043)	$ 6,143
Income from discontinued operations, net of taxes						83		83

	Three Months Ended June 30, 2007							
Net income (loss)	$ 6,226	$ 1,095	$ 5	$ 302	$ 253	$ 5,388	$ (7,043)	$ 6,226

134

CONDENSED CONSOLIDATING STATEMENT OF INCOME

	Six Months Ended June 30, 2008							
In millions of dollars	**Citigroup parent company**	**CGMHI**	**CFI**	**CCC**	**Associates**	**Other Citigroup subsidiaries, eliminations**	**Consolidating adjustments**	**Citigroup consolidated**
Revenues								
Dividends from subsidiary banks and bank holding companies	$ 1,448	$	$	$	$	$	$ (1,448)	$
Interest revenue	$ 318	$ 10,784	$ 1	$ 3,628	$ 4,194	$ 42,307	$ (3,628)	$ 57,604
Interest revenue intercompany	2,410	999	2,642	36	294	(6,345)	(36)	
Interest expense	4,599	7,336	1,810	75	337	15,818	(75)	29,900
Interest expense intercompany	(141)	2,426	187	1,232	1,161	(3,633)	(1,232)	
Net interest revenue	$ (1,730)	$ 2,021	$ 646	$ 2,357	$ 2,990	$ 23,777	$ (2,357)	$ 27,704
Commissions and fees	$	$ 4,540	$ 1	$ 41	$ 92	$ 3,169	$ (41)	$ 7,802
Commissions and fees intercompany	(346)	432		15	21	(107)	(15)	
Principal transactions	502	(17,082)	1,285			3,048		(12,247)
Principal transactions intercompany	(220)	5,580	(1,105)		(10)	(4,245)		
Other income	111	2,014	85	221	291	5,912	(221)	8,413
Other income intercompany	(239)	584	(64)	13	75	(356)	(13)	
Total non-interest revenues	$ (192)	$ (3,932)	$ 202	$ 290	$ 469	$ 7,421	$ (290)	$ 3,968
Total revenues, net of interest expense	$ (474)	$ (1,911)	$ 848	$ 2,647	$ 3,459	$ 31,198	$ (4,095)	$ 31,672
Provisions for credit losses and for benefits and claims	$	$ 300	$	$ 1,758	$ 1,947	$ 10,916	$ (1,758)	$ 13,163
Expenses								
Compensation and benefits	$ (49)	$ 5,484		$ 371	$ 515	$ 12,295	$ (371)	$ 18,245
Compensation and benefits intercompany	4	467		99	100	(571)	(99)	
Other expense	116	1,923	1	257	342	11,387	(257)	13,769
Other expense intercompany	145	831	46	162	205	(1,227)	(162)	
Total operating expenses	$ 216	$ 8,705	$ 47	$ 889	$ 1,162	$ 21,884	$ (889)	$ 32,014
Income (loss) from continuing operations before taxes, minority interest, and equity in undistributed income of subsidiaries	$ (690)	$ (10,916)	$ 801	$	$ 350	$ (1,602)	$ (1,448)	$ (13,505)
Income taxes (benefits)	(775)	(4,380)	280	11	131	(1,476)	(11)	(6,220)
Minority interest, net of taxes						55		55
Equities in undistributed income of subsidiaries	(7,691)						7,691	
Net income (loss)	$ (7,606)	$ (6,536)	$ 521	$ (11)	$ 219	$ (181)	$ 6,254	$ (7,340)

	Six Months Ended June 30, 2008							
						(266)		(266)
	$ (7,606)	$ (6,536)	$ 521	$ (11)	$ 219	$ (447)	$ 6,254	$ (7,606)

CONDENSED CONSOLIDATING STATEMENT OF INCOME

	Six Months Ended June 30, 2007							
In millions of dollars	Citigroup parent company	CGMHI	CFI	CCC	Associates	Other Citigroup subsidiaries, eliminations	Consolidating adjustments	Citigroup consolidated
Revenues								
Dividends from subsidiary banks and bank holding companies	$ 6,836	$	$	$	$	$	$ (6,836)	$
Interest revenue	$ 196	$ 15,222	$	$ 3,206	$ 3,761	$ 39,062	$ (3,206)	$ 58,241
Interest revenue intercompany	2,642	696	2,696	73	263	(6,297)	(73)	
Interest expense	3,710	11,999	1,938	93	371	18,297	(93)	36,315
Interest expense intercompany	(43)	2,526	396	1,034	1,368	(4,247)	(1,034)	
Net interest revenue	$ (829)	$ 1,393	$ 362	$ 2,152	$ 2,285	$ 18,715	$ (2,152)	$ 21,926
Commissions and fees	$	$ 5,673	$	$ 44	$ 87	$ 6,467	$ (44)	$ 12,227
Commissions and fees intercompany		39		10	10	(49)	(10)	
Principal transactions	(201)	2,326	(472)		3	4,141		5,797
Principal transactions intercompany	(17)	13	151		(38)	(109)		
Other income	966	2,350	136	220	345	7,767	(220)	11,564
Other income intercompany	(826)	628	(115)	13	(43)	356	(13)	
Total non-interest revenues	$ (78)	$ 11,029	$ (300)	$ 287	$ 364	$ 18,573	$ (287)	$ 29,588
Total revenues, net of interest expense	$ 5,929	$ 12,422	$ 62	$ 2,439	$ 2,649	$ 37,288	$ (9,275)	$ 51,514
Provisions for credit losses and for benefits and claims	$	$ 24	$	$ 828	$ 928	$ 4,708	$ (828)	$ 5,660
Expenses								
Compensation and benefits	$ 52	$ 7,004	$	$ 331	$ 441	$ 10,070	$ (331)	$ 17,567
Compensation and benefits intercompany	6			81	81	(87)	(81)	
Other expense	240	1,606	1	276	374	10,276	(276)	12,497
Other expense intercompany	113	876	29	151	188	(1,206)	(151)	
Total operating expenses	$ 411	$ 9,486	$ 30	$ 839	$ 1,084	$ 19,053	$ (839)	$ 30,064
Income from continuing operations before taxes, minority interest, and equity in undistributed income of subsidiaries	$ 5,518	$ 2,912	$ 32	$ 772	$ 637	$ 13,527	$ (7,608)	$ 15,790
Income taxes (benefits)	(561)	974	13	278	233	3,850	(278)	4,509
Minority interest, net of taxes						170		170
Equities in undistributed income of subsidiaries	5,159						(5,159)	
Net income (loss)	$ 11,238	$ 1,938	$ 19	$ 494	$ 404	$ 9,507	$ (12,489)	$ 11,111
						127		127

	Six Months Ended June 30, 2007							
	$ 11,238	$ 1,938	$ 19	$ 494	$ 404	$ 9,634	$ (12,489)	$ 11,238

136

CONDENSED CONSOLIDATING BALANCE SHEET

	June 30, 2008							
In millions of dollars	Citigroup parent company	CGMHI	CFI	CCC	Associates	Other Citigroup subsidiaries and eliminations	Consolidating adjustments	Citigroup consolidated
Assets								
Cash and due from banks	$	$ 3,395	$	$ 170	$ 277	$ 41,152	$ (170)	$ 44,824
Cash and due from banks intercompany	25	699	30	136	153	(907)	(136)	
Federal funds sold and resale agreements		197,721				22,448		220,169
Federal funds sold and resale agreements intercompany		16,131				(16,131)		
Trading account assets	21	231,861	903		21	272,633		505,439
Trading account assets intercompany	149	9,730	2,082		1	(11,962)		
Investments	35,492	589		2,344	2,884	193,563	(2,344)	232,528
Loans, net of unearned income		686		50,100	59,327	686,777	(50,100)	746,790
Loans, net of unearned income intercompany			113,566	5,681	13,150	(126,716)	(5,681)	
Allowance for loan losses		(92)		(2,105)	(2,335)	(18,350)	2,105	(20,777)
Total loans, net	$	$ 594	$ 113,566	$ 53,676	$ 70,142	$ 541,711	$ (53,676)	$ 726,013
Advances to subsidiaries	121,641					(121,641)		
Investments in subsidiaries	163,421						(163,421)	
Other assets	11,868	92,048	19	5,717	7,311	247,220	(5,717)	358,466
Other assets intercompany	7,086	59,881	4,010	255	789	(71,766)	(255)	
Assets of discontinued operations held for sale						12,946		12,946
Total assets	$ 339,703	$ 612,649	$ 120,610	$ 62,298	$ 81,578	$ 1,109,266	$ (225,719)	$ 2,100,385
Liabilities and stockholders' equity								
Deposits	$	$	$	$	$	$ 803,642	$	$ 803,642
Federal funds purchased and securities loaned or sold		201,083				45,024		246,107
Federal funds purchased and securities loaned or sold intercompany		18,195				(18,195)		
Trading account liabilities		101,788	50			87,630		189,468
Trading account liabilities intercompany	102	7,988	1,685		18	(9,793)		
Short-term borrowings	1,168	15,211	39,340		1,414	57,312		114,445
Short-term borrowings intercompany		68,891	30,428	11,505	41,136	(140,455)	(11,505)	
Long-term debt	185,534	21,164	45,331	2,556	12,265	153,634	(2,556)	417,928
Long-term debt intercompany		57,998	732	39,009	17,662	(76,392)	(39,009)	
Advances from subsidiaries	8,622					(8,622)		
Other liabilities	5,852	104,362	404	2,102	2,352	78,964	(2,102)	191,934
Other liabilities intercompany	2,020	8,171	193	777	232	(10,616)	(777)	
Liabilities of discontinued operations held for sale						456		456
Stockholders' equity	136,405	7,798	2,447	6,349	6,499	146,677	(169,770)	136,405

	June 30, 2008							
Total liabilities and stockholders' equity	$ 339,703	$ 612,649	$ 120,610	$ 62,298	$ 81,578	$ 1,109,266	$ (225,719)	$ 2,100,385

137

CONDENSED CONSOLIDATING BALANCE SHEET

In millions of dollars	Citigroup parent company	CGMHI	CFI	CCC	Associates	Other Citigroup subsidiaries and eliminations	Consolidating adjustments	Citigroup consolidated
	December 31, 2007							
Assets								
Cash and due from banks	$	$ 4,405	$ 2	$ 182	$ 280	$ 33,519	$ (182)	$ 38,206
Cash and due from banks intercompany	19	892		139	160	(1,071)	(139)	
Federal funds sold and resale agreements		242,771				31,295		274,066
Federal funds sold and resale agreements intercompany		12,668				(12,668)		
Trading account assets	12	273,662	303		30	264,977		538,984
Trading account assets intercompany	262	7,648	1,458		5	(9,373)		
Investments	10,934	431		2,275	2,813	200,830	(2,275)	215,008
Loans, net of unearned income		758		49,705	58,944	718,291	(49,705)	777,993
Loans, net of unearned income intercompany			106,645	3,987	12,625	(119,270)	(3,987)	
Allowance for loan losses		(79)		(1,639)	(1,828)	(14,210)	1,639	(16,117)
Total loans, net	$	$ 679	$ 106,645	$ 52,053	$ 69,741	$ 584,811	$ (52,053)	$ 761,876
Advances to subsidiaries	111,155					(111,155)		
Investments in subsidiaries	165,866						(165,866)	
Other assets	7,804	88,333	76	5,552	7,227	255,900	(5,552)	359,340
Other assets intercompany	6,073	32,051	4,846	273	480	(43,450)	(273)	
Total assets	$ 302,125	$ 663,540	$ 113,330	$ 60,474	$ 80,736	$ 1,193,615	$ (226,340)	$ 2,187,480
Liabilities and stockholders' equity								
Deposits	$	$	$	$	$	$ 826,230	$	$ 826,230
Federal funds purchased and securities loaned or sold		260,129				44,114		304,243
Federal funds purchased and securities loaned or sold intercompany	1,486	10,000				(11,486)		
Trading account liabilities		117,627	121			64,334		182,082
Trading account liabilities intercompany	161	6,327	375		21	(6,884)		
Short-term borrowings	5,635	16,732	41,429		1,444	81,248		146,488
Short-term borrowings intercompany		59,461	31,691	5,742	37,181	(128,333)	(5,742)	
Long-term debt	171,637	31,401	36,395	3,174	13,679	174,000	(3,174)	427,112
Long-term debt intercompany		39,606	957	42,293	19,838	(60,401)	(42,293)	
Advances from subsidiaries	3,555					(3,555)		
Other liabilities	4,580	98,425	268	2,027	1,960	82,645	(2,027)	187,878
Other liabilities intercompany	1,624	9,640	165	847	271	(11,700)	(847)	

	December 31, 2007							
Stockholders' equity	113,447	14,192	1,929	6,391	6,342	143,403	(172,257)	113,447
Total liabilities and stockholders' equity	$ 302,125	$ 663,540	$ 113,330	$ 60,474	$ 80,736	$ 1,193,615	$ (226,340)	$ 2,187,480

138

CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS

	Six Months Ended June 30, 2008							
In millions of dollars	Citigroup parent company	CGMHI	CFI	CCC	Associates	Other Citigroup subsidiaries and eliminations	Consolidating adjustments	Citigroup Consolidated
Net cash provided by (used in) operating activities of continuing operations	$ 2,372	$ 849	$ 891	$ 2,225	$ 2,383	$ 46,839	$ (2,225)	$ 53,334
Cash flows from investing activities								
Change in loans	$	$ 91	$ (6,360)	$ (2,288)	$ (2,442)	$ (126,192)	$ 2,288	$ (134,903)
Proceeds from sales and securitizations of loans		26				142,913		142,939
Purchases of investments	(124,202)	(159)		(525)	(734)	(88,375)	525	(213,470)
Proceeds from sales of investments	10,206			128	275	48,784	(128)	59,265
Proceeds from maturities of investments	89,480		2	278	316	41,668	(278)	131,466
Changes in investments and advances intercompany	(15,297)			(1,695)	(525)	15,822	1,695	
Business acquisitions								
Other investing activities		(20,351)				22,479		2,128
Net cash (used in) provided by investing activities	$ (39,813)	$ (20,393)	$ (6,358)	$ (4,102)	$ (3,110)	$ 57,099	$ 4,102	$ (12,575)
Cash flows from financing activities								
Dividends paid	$ (3,873)	$	$	$	$	$	$	$ (3,873)
Dividends paid-intercompany	(119)	(59)				178		
Issuance of common stock	4,961							4,961
Issuance/(Redemptions) of preferred stock	27,424							27,424
Treasury stock acquired	(6)							(6)
Proceeds/(Repayments) from issuance of long-term debt third-party, net	10,121	(8,685)	8,599	(618)	(1,414)	(16,523)	618	(7,902)
Proceeds/(Repayments) from issuance of long-term debt-intercompany, net		19,176		(3,284)	(2,176)	(17,000)	3,284	
Change in deposits						(22,588)		(22,588)
Net change in short-term borrowings and other investment banking and brokerage borrowings third-party	(4,347)	(1,521)	(1,941)		352	(24,586)		(32,043)
Net change in short-term borrowings and other advances intercompany	3,611	9,430	(1,163)	5,764	3,955	(15,833)	(5,764)	
Capital contributions from parent								
Other financing activities	(325)							(325)
Net cash provided by (used in) financing activities	$ 37,447	$ 18,341	$ 5,495	$ 1,862	$ 717	$ (96,352)	$ (1,862)	$ (34,352)
Effect of exchange rate changes on cash and due from banks	$	$	$	$	$	$ 212	$	$ 212
Net cash from discontinued operations	$	$	$	$	$	$ (1)	$	$ (1)

	Six Months Ended June 30, 2008							
Net increase (decrease) in cash and due from banks	$ 6	$ (1,203)	$ 28	$ (15)	$ (10)	$ 7,797	$ 15	$ 6,618
Cash and due from banks at beginning of period	19	5,297	2	321	440	32,448	(321)	38,206
Cash and due from banks at end of period	$ 25	$ 4,094	$ 30	$ 306	$ 430	$ 40,245	$ (306)	$ 44,824
Supplemental disclosure of cash flow information								
Cash paid during the year for:								
Income taxes	$ 952	$ (2,599)	$ 160	$ 149	$ 24	$ 2,378	$ (149)	$ 915
Interest	4,853	10,249	2,113	1,428	184	13,457	(1,428)	30,856
Non-cash investing activities:								
Transfers to repossessed assets	$	$	$	$ 712	$ 741	$ 764	$ (712)	$ 1,505

139

CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS

	Six Months Ended June 30, 2007							
In millions of dollars	**Citigroup parent company**	**CGMHI**	**CFI**	**CCC**	**Associates**	**Other Citigroup subsidiaries and eliminations**	**Consolidating adjustments**	**Citigroup Consolidated**
Net cash provided by (used in) operating activities of continuing operations	$ 4,625	$ (36,368)	$ (305)	$ 1,785	$ (796)	$ (7,057)	$ (1,785)	$ (39,901)
Cash flows from investing activities								
Change in loans	$	$ (22)	$ (25,728)	$ (2,912)	$ (3,778)	$ (144,535)	$ 2,912	$ (174,063)
Proceeds from sales and securitizations of loans						127,275		127,275
Purchases of investments	(6,669)	(211)		(352)	(839)	(130,349)	352	(138,068)
Proceeds from sales of investments	3,110			73	201	89,246	(73)	92,557
Proceeds from maturities of investments	6,021			157	501	64,500	(157)	71,022
Changes in investments and advances intercompany	(21,959)		(10,378)	247	(134)	32,471	(247)	
Business acquisitions						(13,525)		(13,525)
Other investing activities		(1,547)	4			(17,553)		(19,096)
Net cash (used in) provided by investing activities	$ (19,497)	$ (1,780)	$ (36,102)	$ (2,787)	$ (4,049)	$ 7,530	$ 2,787	$ (53,898)
Cash flows from financing activities								
Dividends paid	$ (5,387)	$	$	$	$	$	$	$ (5,387)
Dividends paid-intercompany		(1,842)		(4,900)	(1,500)	3,342	4,900	
Issuance of common stock	852							852
(Redemption)/Issuance of preferred stock	(400)							(400)
Treasury stock acquired	(653)							(653)
Proceeds/(Repayments) from issuance of long-term debt third-party, net	15,917	(705)	13,328	237	778	(3,424)	(237)	25,894
Proceeds/(Repayments) from issuance of long-term debt-intercompany, net	(16)	3,444	(207)	4,648	(4,876)	1,655	(4,648)	
Change in deposits						43,434		43,434
Net change in short-term borrowings and other investment banking and brokerage borrowings third-party	7,525	8,520	11,389	(977)	1,105	6,195	977	34,734
Net change in short-term borrowings and other advances intercompany	(2,062)	29,504	11,537	1,951	9,314	(48,293)	(1,951)	
Capital contributions from parent			375			(375)		
Other financing activities	(843)		6	(1)		(6)	1	(843)
Net cash provided by (used in) financing activities	$ 14,933	$ 38,921	$ 36,428	$ 958	$ 4,821	$ 2,528	$ (958)	$ 97,631
Effect of exchange rate changes on cash and due from banks	$	$	$	$	$	$ 289	$	$ 289
Net cash from discontinued operations	$	$	$	$	$	$	$	$
Net increase (decrease) in cash and due from banks	$ 61	$ 773	$ 21	$ (44)	$ (24)	$ 3,290	$ 44	$ 4,121
	21	4,421		388	503	21,569	(388)	26,514

	Six Months Ended June 30, 2007							
Cash and due from banks at beginning of period								
Cash and due from banks at end of period	$ 82	$ 5,194	$ 21	$ 344	$ 479	$ 24,859	$ (344)	$ 30,635
Supplemental disclosure of cash flow information								
Cash paid during the year for:								
Income taxes	$ (677)	$ (309)	$ (11)	$ 131	$ 42	$ 3,607	$ (131)	$ 2,652
Interest	3,007	14,927	2,210	738	230	13,360	(738)	33,734
Non-cash investing activities:								
Transfers to repossessed assets	$	$	$	$ 567	$ 583	$ 299	$ (567)	$ 882

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

The following information supplements and amends our discussion set forth under Part I, Item 3 "Legal Proceedings" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2007, as updated by our Quarterly Report on Form 10-Q for the quarter ended March 31, 2008.

Enron Corp.

Over the first two quarters of 2008, Citigroup agreed to settle the following cases, brought by clients of a single law firm in connection with the purchase and holding of Enron securities, and naming Citigroup as a third-party defendant: (1) AHLICH v. ARTHUR ANDERSEN, L.L.P.; (2) DELGADO v. FASTOW; (3) PEARSON v. FASTOW; (4) ROSEN v. FASTOW; (5) BULLOCK v. ARTHUR ANDERSEN, L.L.P.; (6) CHOUCROUN v. ARTHUR ANDERSEN, L.L.P.; (7) GUY v. ARTHUR ANDERSEN, L.L.P. (8) ADAMS v. ARTHUR ANDERSEN, L.L.P.; (9) JOSE v. ARTHUR ANDERSEN, L.L.P.; and (10) ODAM, ET AL., v. ENRON CORP., ET AL. The amount paid to settle these actions was covered by existing Citigroup litigation reserves.

On May 23, 2008, Citigroup agreed to settle SILVERCREEK MANAGEMENT INC., ET AL. v. SALOMON SMITH BARNEY, INC. ET AL., and SILVERCREEK MANAGEMENT INC., ET AL. v. CITIGROUP INC., ET AL., two actions brought by investors in Enron debt securities. The amount paid to settle this action was covered by existing Citigroup litigation reserves.

On May 30, 2008, the Southern District of Texas approved Citigroup's settlement of WESTPAC BANKING CORP. v. CITIBANK, N.A., an action arising out of an Enron-related credit derivative transaction between Citibank and the plaintiff. The amount paid to settle this action was covered by existing Citigroup litigation reserves.

On July 9, 2008, Citigroup agreed to settle PUBLIC UTILITY DISTRICT NO. 1 OF SNOHOMISH COUNTY, WASHINGTON v. CITIGROUP, ET AL., an action brought by a utility in connection with alleged electricity overcharges by Enron. The amount paid to settle this action was covered by existing Citigroup litigation reserves.

Parmalat

In BONDI v. CITIGROUP, a jury trial in Bergen County, New Jersey Superior Court commenced on plaintiff's claim, and on Citi's counterclaims, on May 5, 2008. The trial is expected to conclude in the fall.

IPO Securities Litigation

On March 26, 2008, the Southern District of New York denied in part and granted in part Defendants' motions to dismiss the amended complaints in the IPO allocation focus cases.

Subprime Mortgage-Related Litigation

Derivative Actions. The Company filed a motion to dismiss the Consolidated Amended Derivative Complaint in the matter IN RE CITIGROUP INC. SHAREHOLDER DERIVATIVE LITIGATION, pending in Delaware Chancery Court, on April 21, 2008.

Other Matters. On June 3, 2008, plaintiffs in IN RE AMERICAN HOME MORTGAGE SECURITIES LITIGATION, pending in the Eastern District of New York, filed a consolidated amended class action complaint.

On April 11, 2008, plaintiffs in IN RE COUNTRYWIDE FINANCIAL CORP. SECURITIES LITIGATION, pending in the Central District of California, filed a consolidated amended class action complaint. Defendants, including the Company, filed motions to dismiss on June 10, 2008.

Interchange Fees

After filing their class certification motion on May 8, 2008, plaintiffs sought leave to file an amended complaint. Discovery is ongoing.

Other Matters

On June 16, 2008, the Company settled a previously disclosed investigation by the Securities and Exchange Commission arising from the economic and political turmoil in Argentina in the fourth quarter of 2001 and agreed to the entry of a Cease and Desist Order pursuant to Section 21C of the Securities Exchange Act which stated that the Company violated certain books and records provisions of the Federal securities law by improperly accounting for several Argentina related developments which resulted in an overstatement of after-tax income by $311 million in that quarter. No fine or penalty was imposed and no restatement of prior financial statements was required by the SEC. The Company consented to the issuance of the Order without admitting or denying the Commission's findings.

Auction Rate Securities-Related Actions. Several individual and putative class action lawsuits have been filed against the Company related to its marketing, sale and underwriting of auction rate securities ("ARS"). These lawsuits allege, among other things, violations of the federal securities laws, federal investment adviser laws and state common law. Several of the putative class action lawsuits have been consolidated in the Southern District of New York under the caption IN RE CITIGROUP AUCTION RATE SECURITIES LITIGATION.

In addition, the Company, along with other industry participants, has received subpoenas and/or requests for information from various self regulatory agencies and federal governmental authorities including the SEC, which has issued a formal order of investigation into whether various provisions of the federal securities laws have been violated in connection with the sale of ARS. In addition, the Company is responding to subpoenas from various state agencies, including those in New York, Texas and Massachusetts.

Falcon/ASTA/MAT Actions. On May 20, 2008, an investor in Falcon Two, filed a putative class action complaint against Falcon Two and several Citi-related entities, among others, in the Southern District of New York, in an action captioned FERGUSON FAMILY TRUST v. FALCON

STRATEGIES TWO LLC, ET AL., alleging violations of the federal securities laws and Delaware state law in connection with a tender offer for interests in Falcon Two. On June 17, 2008, the Court denied plaintiff's application for a preliminary injunction.

Several civil litigations have been filed against the Company and related individuals and entities alleging violations of the federal securities laws and Delaware state law in connection with investments in MAT Five LLC. The putative class action lawsuits have been consolidated in the Southern District of New York under the caption IN RE MAT FIVE SECURITIES LITIGATION. Similar related actions have been filed in California, Delaware and New York state court. The Company removed the New York state court action to federal court and currently is responding to a motion for a preliminary injunction filed in the Delaware Chancery Court action seeking to enjoin a tender offer interest in MAT Five LLC.

In addition, the Company has received requests for information from various governmental and self-regulatory agencies relating to the Falcon, ASTA and MAT Citi-managed hedge funds. The Company is cooperating fully with such requests.

142

Item 1A. Risk Factors

There are no material changes from the risk factors set forth under Part I, Item 1A. "Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2007.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

(c) Share Repurchases

Under its long-standing repurchase program, the Company buys back common shares in the market or otherwise from time to time. This program is used for many purposes, including to offset dilution from stock-based compensation programs.

The following table summarizes the Company's share repurchases during the first six months of 2008:

In millions, except per share amounts	Total shares repurchased		Average price paid per share		Dollar value of remaining authorized repurchase program
First quarter 2008					
Open market repurchases(1)	0.2	$	27.19	$	6,743
Employee transactions(2)	5.0		25.26		N/A
Total first quarter 2008	5.2	$	25.31	$	6,743
April 2008					
Open market repurchases		$		$	6,743
Employee transactions	0.2	$	22.53		N/A
May 2008					
Open market repurchases		$		$	6,743
Employee transactions	0.3	$	24.09		N/A
June 2008					
Open market repurchases		$		$	6,743
Employee transactions	0.3	$	22.00		N/A
Second Quarter 2008					
Open market repurchases		$		$	6,743
Employee transactions	0.8	$	22.91		N/A
Total Second Quarter 2008	0.8	$	22.91	$	6,743
Year-to-date 2008					
Open market repurchases	0.2	$	27.19	$	6,743
Employee transactions	5.8	$	24.93		N/A
Total year-to-date 2008	6.0	$	24.97	$	6,743

(1) All open market repurchases were transacted under an existing authorized share repurchase plan. On April 17, 2006, the Board of Directors authorized up to an additional $10 billion in share repurchases. Shares repurchased in the first and second quarters of 2008 relate to customer fails/errors.

(2) Consists of shares added to treasury stock related to activity on employee stock option program exercises, where the employee delivers existing shares to cover the option exercise, or under the Company's employee restricted or deferred stock program, where shares are withheld to satisfy tax requirements.

N/A Not applicable.

143

Item 6. Exhibits

See Exhibit Index.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on the 1st day of August, 2008.

CITIGROUP INC.
(Registrant)

By /s/ GARY CRITTENDEN

Gary Crittenden
Chief Financial Officer
(Principal Financial Officer)

By /s/ JOHN C. GERSPACH

John C. Gerspach
Controller and Chief Accounting Officer
(Principal Accounting Officer)

EXHIBIT INDEX

3.01.1 Restated Certificate of Incorporation of Citigroup Inc. (the Company), incorporated by reference to Exhibit 4.01 to the Company's Registration Statement on Form S-3 filed December 15, 1998 (No. 333-68949).

3.01.2 Certificate of Designation of 5.321% Cumulative Preferred Stock, Series YY, of the Company, incorporated by reference to Exhibit 4.45 to Amendment No. 1 to the Company's Registration Statement on Form S-3 filed January 22, 1999 (No. 333-68949).

3.01.3 Certificate of Amendment to the Restated Certificate of Incorporation of the Company dated April 18, 2000, incorporated by reference to Exhibit 3.01.3 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2000 (File No. 1-9924).

3.01.4 Certificate of Amendment to the Restated Certificate of Incorporation of the Company dated April 17, 2001, incorporated by reference to Exhibit 3.01.4 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2001 (File No. 1-9924).

3.01.5 Certificate of Designation of 6.767% Cumulative Preferred Stock, Series YYY, of the Company, incorporated by reference to Exhibit 3.01.5 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2001 (File No. 1-9924).

3.01.6 Certificate of Amendment to the Restated Certificate of Incorporation of the Company dated April 18, 2006, incorporated by reference to Exhibit 3.01.6 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2006 (File No. 1-9924).

3.01.7 Certificate of Designation of 7% Non-Cumulative Convertible Preferred Stock, Series A, of the Company, incorporated by reference to Exhibit 3.01 to the Company's Current Report on Form 8-K filed January 25, 2008 (File No. 1-9924).

3.01.8 Certificate of Designation of 7% Non-Cumulative Convertible Preferred Stock, Series B, of the Company, incorporated by reference to Exhibit 3.02 to the Company's Current Report on Form 8-K filed January 25, 2008 (File No. 1-9924).

3.01.9 Certificate of Designation of 7% Non-Cumulative Convertible Preferred Stock, Series C, of the Company, incorporated by reference to Exhibit 3.03 to the Company's Current Report on Form 8-K filed January 25, 2008 (File No. 1-9924).

3.01.10 Certificate of Designation of 7% Non-Cumulative Convertible Preferred Stock, Series D, of the Company, incorporated by reference to Exhibit 3.04 to the Company's Current Report on Form 8-K filed January 25, 2008 (File No. 1-9924).

3.01.11 Certificate of Designation of 7% Non-Cumulative Convertible Preferred Stock, Series J, of the Company, incorporated by reference to Exhibit 3.05 to the Company's Current Report on Form 8-K filed January 25, 2008 (File No. 1-9924).

3.01.12 Certificate of Designation of 7% Non-Cumulative Convertible Preferred Stock, Series K, of the Company, incorporated by reference to Exhibit 3.06 to the Company's Current Report on Form 8-K filed January 25, 2008 (File No. 1-9924).

3.01.13 Certificate of Designation of 7% Non-Cumulative Convertible Preferred Stock, Series L1, of the Company, incorporated by reference to Exhibit 3.07 to the Company's Current Report on Form 8-K filed January 25, 2008 (File No. 1-9924).

3.01.14 Certificate of Designation of 7% Non-Cumulative Convertible Preferred Stock, Series N, of the Company, incorporated by reference to Exhibit 3.08 to the Company's Current Report on Form 8-K filed January 25, 2008 (File No. 1-9924).

3.01.15 Certificate of Designation of 6.5% Non-Cumulative Convertible Preferred Stock, Series T, of the Company, incorporated by reference to Exhibit 3.09 to the Company's Current Report on Form 8-K filed January 25, 2008 (File No. 1-9924).

3.01.16 Certificate of Designation of 8.125% Non-Cumulative Preferred Stock, Series AA, of the Company, incorporated by reference to Exhibit 3.10 to the Company's Current Report on Form 8-K filed January 25, 2008 (File No. 1-9924).

3.01.17 Certificate of Designation of 8.40% Fixed Rate/Floating Rate Non-Cumulative Preferred Stock, Series E, of the Company, incorporated by reference to Exhibit 3.01 to the Company's Current Report on Form 8-K filed April 28, 2008 (File No. 1-9924).

3.01.18 Certificate of Designation of 8.50% Non-Cumulative Preferred Stock, Series F, of the Company, incorporated by reference to Exhibit 3.01 to the Company's Current Report on Form 8-K filed May 13, 2008 (File No. 1-9924)

3.02	By-Laws of the Company, as amended, effective October 16, 2007, incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed October 19, 2007 (File No. 1-9924).
12.01+	Calculation of Ratio of Income to Fixed Charges.
12.02+	Calculation of Ratio of Income to Fixed Charges (including preferred stock dividends).

31.01+ Certification of principal executive officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

31.02+ Certification of principal financial officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

32.01+ Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

99.01+ Residual Value Obligation Certificate.

The total amount of securities authorized pursuant to any instrument defining rights of holders of long-term debt of the Company does not exceed 10% of the total assets of the Company and its consolidated subsidiaries. The Company will furnish copies of any such instrument to the Securities and Exchange Commission upon request.

+ Filed herewith

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