



FINANCIAL HIGHLIGHTS

CITIGROUP NET INCOME—SEGMENT AND PRODUCT VIEW

(in millions of dollars)

	Revenues			Net Income		
	2007	2006	% Change	2007	2006	% Change
GLOBAL CONSUMER						
U.S. Cards	\$13,418	\$13,508	(1%)	\$2,873	\$3,890	(26%)
U.S. Retail Distribution	10,209	9,584	7%	1,343	2,027	(34%)
U.S. Consumer Lending	6,459	5,519	17%	(626)	1,912	NM
U.S. Commercial Business	1,649	1,983	(17%)	518	561	(8%)
Total U.S. Consumer	\$31,735	\$30,594	4%	\$4,108	\$8,390	(51%)
International Cards	9,228	5,959	55%	2,013	1,137	77%
International Consumer Finance	3,182	3,318	(4%)	(508)	40	NM
International Retail Banking	12,878	10,518	22%	2,688	2,840	(5%)
Total International Consumer	\$25,288	\$19,795	28%	\$4,193	\$4,017	4%
Other	(39)	(90)	57%	(433)	(351)	(23%)
Total Global Consumer	\$56,984	\$50,299	13%	\$7,868	\$12,056	(35%)
MARKETS & BANKING						
Securities and Banking	2,684	21,218	(87%)	(7,604)	5,763	NM
Transaction Services	7,840	5,971	31%	2,215	1,426	55%
Other	(2)	(2)	0%	136	(62)	NM
Total Markets & Banking	\$10,522	\$27,187	(61%)	(\$5,253)	\$7,127	NM
GLOBAL WEALTH MANAGEMENT						
Smith Barney	10,529	8,160	29%	1,351	1,005	34%
Private Bank	2,457	2,017	22%	623	439	42%
Total Global Wealth Management	\$12,986	\$10,177	28%	\$1,974	\$1,444	37%
ALTERNATIVE INVESTMENTS	\$2,103	\$2,901	(28%)	\$672	\$1,276	(47%)
CORPORATE/OTHER	(\$897)	(\$949)	5%	(\$1,644)	(\$654)	NM
INCOME (LOSS) FROM CONTINUING OPERATIONS				\$3,617	\$21,249	(83%)
DISCONTINUED OPERATIONS				-	289	-
TOTAL CITI	\$81,698	\$89,615	(9%)	\$3,617	\$21,538	(83%)
DILUTED EARNINGS PER SHARE FROM CONTINUING OPERATIONS				\$0.72	\$4.25	(83%)
INTERNATIONAL RESULTS	\$43,980	\$38,211	15%	\$7,035	\$9,169	(23%)

NM—Not Meaningful

DEAR FELLOW SHAREHOLDERS,



It is with a great sense of honor and pride that I address my first letter to you.

2007 was a year marked by both great successes and significant disappointments. Many of our large businesses, including International Consumer, Global Wealth Management, Global Transaction Services, and our franchises in Asia and Latin America, generated record results and strong momentum. These firm-wide successes were overshadowed, however, by unprecedented losses resulting from the sudden and severe deterioration in the U.S. sub-prime market. These losses, combined with higher credit costs in the U.S. Consumer portfolio, drove a sharp decline in earnings. Our overall results for 2007 were clearly unacceptable to us all.

But 2008 is a new year, and I hope that after reading this letter you will share my excitement about our businesses. In my first few months as CEO, we have taken decisive action on a number of issues. Our actions will leverage Citi's footprint and many fundamental strengths, and enhance the company's ability to generate sustainable, long-term growth in earnings.

STRENGTHENING OUR BALANCE SHEET

Since November we have raised more than \$30 billion of new capital through public and private offerings to long-term investors. The success of these transactions speaks to the underlying strength of our franchise and the growth opportunities before us. Having raised this capital, we are well positioned to endure a potential economic slowdown and stand firmly by our clients in these volatile markets.

RESETTING OUR DIVIDEND

In January 2008, the company lowered the dividend to \$0.32. This was a very difficult but necessary decision. We realize its significance for many of you, particularly in these tough market conditions. Nonetheless, this new dividend level will allow us to reinvest in growth and at the same time ensure Citi is properly positioned for both favorable and unfavorable economic conditions.

REVIEWING OUR BUSINESSES

With our capital base strengthened, we have been conducting an objective review of every one of our businesses to ensure that the company is well positioned in light of new global trends. I am keenly aware of the need to distinguish between our strong operating assets and those that are lower-returning. Our lower-returning assets need to be astutely managed as they mature and wind down, and we are doing just that.

Citi's strong operating businesses will fuel our future earnings power. We are fortunate to have businesses that are specifically positioned to capture trends in global growth. With capital flows around the world rising rapidly and sizable new wealth being created in developing markets, the need for financial products and services is growing at a multiple of economic growth. Citi sits squarely in the middle of these trends.

For example, our institutional businesses, such as Global Transaction Services, have benefitted from the dramatic rise in the number and influence of multinational corporations as well as from the enormous growth in trade flows. Furthermore, our Securities and Banking business is preeminently positioned to take advantage of increasing foreign exchange, emerging markets, and cross-border capital flows the world over.

Our consumer-related operations are capturing the gains from the rising affluence of a new middle class in emerging countries. As people begin to be able to purchase more goods, they need dependable credit and payment vehicles and our credit card business is serving such customers around the world. For the developed and emerging markets' booming affluent communities, which may be new to financial decisions, Citi Private Bank and Smith Barney, as well as our CitiGold offering, are helping clients to simplify and manage their assets and liabilities.

Each business is firmly situated on a highway of vast global and cross-border flows, in large part due to our long presence – more than 100 years each – in countries such as Mexico, India, Poland, and China; we were also early among international banks in establishing a local bank in Russia, in 1994. Part of Citi's strength lies in its ability to bring its global reach together with its local depth.

OUR PRIORITIES

I am sharply focused on excellence in productivity, efficient use of capital, operating excellence, and making sure the right people are in the right place. Let me elaborate:

- **Capital allocation.** This is my top priority, and I am aggressively building a new risk culture at Citi. We have named a new Chief Risk Officer and I will stay actively involved in strengthening and reshaping our risk philosophy

and strategy. My goal is to have the best risk management in the business, to transform it into a key competitive advantage driving bottom-line results.

A key component of excellence in capital allocation is asset productivity. We are eliminating low-return, nonstrategic assets that do not support our growth strategy. During the fourth quarter, we decreased assets by \$176 billion, the first time in six years that we saw a reduction in Generally Accepted Accounting Principles (GAAP) assets on a continuing operations basis. This strategy began in the third quarter; since then we have reduced our positions in mortgage-backed securities in the U.S. lending business, decreased low-returning assets in our Markets & Banking business, divested Nikko Cordial's Simplex Investment Advisors, and sold a portion of our stake in Redecard.

We have also ensured that our subprime-related exposures in Securities and Banking are being managed actively and separately. As these assets mature or are sold, that capital will be redirected to higher-return opportunities to drive shareholder value in the future. We are applying the same strategy in an ongoing way to segregate other low-returning assets from those that will increase our earnings power.

- **Operations.** Core to our priorities are strong expense management and the ability to execute productively against our plans. Chief Financial Officer Gary Crittenden is leading our efforts in reengineering and expense management to make Citi simpler, leaner, and more efficient. Reengineering has been established as an ongoing process embedded in our operating culture.
- **Client relationships.** Citi has been serving clients since 1812. Our goal is to make financial matters better and easier for them in every way that we can. The marketplace is becoming ever more complex, a situation which encourages a deepening interdependency between Citi and its clients. During our business reviews I have found it incredibly gratifying to see the depth of relationships that Citi enjoys around the world. The company's rich and enduring history has enabled global partnerships that remain strong over time, and we will continue to augment and prize them as we go forward.
- **Technology.** Key to deepening our client relationships will be the benefits of emerging technology. As we respond quicker, communicate more effectively, simplify transactions, and innovate faster, we will be able to drive superior service to our clients across the globe. The more we harness emerging technologies, the easier it will be for our clients to work with us. As our clients increasingly incorporate technology into their financial routines, Citi will be positioned to capitalize on this by building on our deep history of technological innovation.

Our longstanding presence in growing markets abroad has allowed us to build a huge repository of information. Our innovations in technology let us better take advantage of our size and scope. As Walter Wriston, the longtime chairman of Citicorp in the 1970s, said, "Information about money is as important as money itself." By sharing insights and ideas across borders, we create profitable synergies among our business segments and ultimately drive down costs.

- **Talent.** The difference between success and failure in financial services is the quality of the people who work with our clients. Citi has the single largest pool of talent in the financial services business. We must manage that talent even more effectively by rewarding demonstrated performance and by putting the right people in the right positions. I have appointed a Chief Talent Officer who is mandated to find, track, and deploy the best talent. Our goal is to empower our business leaders and create a more demanding performance-management system to instill a meritocracy at every level. By encouraging respect, teamwork, and a supportive culture that drives excellence in performance, we want Citi to be the financial services industry's employer of choice.

While we approach 2008 with tempered optimism, there are global economic realities that we cannot ignore. As a worldwide business, Citi's financial results are closely tied to the global economic environment, and we see a risk of a U.S. and/or a global downturn in 2008. My decisions and actions will continue to be firmly rooted in accountability to you, our owners, and we will continue to be candid about both our successes and our setbacks.

Before closing, I'd like to thank the board members for their support. They have been extraordinary in their dedication and efforts to strengthen the company. The power of the Citi brand is unparalleled in the world, and each of us is personally proud to represent that brand every day. Although these are challenging times in the financial markets, Citi is a strong franchise unmatched in scale, expertise, or talent. I have been inspired by the commitment of our people and the support from our clients. I look forward to leading this great company into the future.



Vikram Pandit
Chief Executive Officer, Citigroup Inc.

BUSINESS HIGHLIGHTS

U.S. CONSUMER

- Average deposits and loans grew by 16% and 10%, respectively. Revenues increased 6% for the fourth quarter and 4% for the year, continuing the positive trend.
- CitiFinancial opened 110 branches in 2007, bringing its total branch network to 2,499. CitiFinancial is the leading community-based lender in the U.S., with the largest distribution network of any consumer finance business in North America.
- Citi Cards significantly grew new accounts through affiliate channels, partners, and online acquisitions while transforming its customer experience with e-mail alerts and award-winning color statements.
- CitiMortgage completed its acquisition and integration of ABN Amro Holdings' U.S.-based mortgage group, which included \$9 billion in net assets and a \$224 billion mortgage servicing portfolio. CitiMortgage is the fourth-largest originator and the No. 3 servicer of residential mortgage loans, according to *Inside Mortgage Finance*.
- Forrester Research in November named Citibank.com the No. 1 U.S. online banking site, saying Citibank "has the strongest overall site" among the largest U.S. banks.

INTERNATIONAL CONSUMER

- Average loans and deposits grew by 25% and 15%, respectively. Investment sales rose 20%. Revenues increased 45% for the fourth quarter and 28% for the year, driven primarily by organic volume growth and the impact of recent acquisitions.
- Citi continued to grow market share in key growth countries, with a 21% increase of 6 million card accounts, 12% increase of 6 million retail banking accounts, and the opening or acquisition of 510 new branches in 2007.
- Acquisitions helped spur growth of revenues and our international client base. Citi acquired the Bank of Overseas Chinese, expanding Citi's network by 55 branches in Taiwan. Citi completed the acquisition of Grupo Financiero Uno and Grupo Cuscatlan in Central America. The company also established a strategic partnership with Quiñenco through which Citi operations in Chile will be combined with Banco de Chile, the second-largest bank in Chile. These deals added 258 new branches, 3 million new retail accounts, and 4.2 million new card accounts internationally.

GLOBAL WEALTH MANAGEMENT

- Client assets under fee-based management rose by 27% to \$507 billion. Gains in Citi Private Bank as well as Citi Smith Barney combined to boost total Global Wealth Management revenues by 28% and net income by 37%.
- GWM's international revenues and net income more than doubled, leveraging market share gains in Asia, Latin America, and the Middle East.
- GWM added 2.3 million new client accounts and 1,487 new Financial Advisors through Citi's acquisition of Nikko Cordial Corporation.
- *U.S. Banker* magazine named GWM "Top Wealth Management Team," and Citi Private Bank earned the title of "Overall Best Global Private Bank" from *AsiaMoney* magazine for the third straight year.

CITI ALTERNATIVE INVESTMENTS

- CAI client capital under management grew by 26% across its diverse product line mainly from inflows from institutional and high-net-worth clients and the acquisition of Old Lane.
- CAI made several key acquisitions and strengthened its management team in its effort to create a world-class alternatives platform characterized by outstanding investment management, client service, and innovative products.

CITI MARKETS AND BANKING

- 2007 was a record year in Asia and Latin America. In Asia, revenues and net income increased, up 38% and 56%, respectively. In Latin America, revenues grew 60% and net income grew 70%.
- Citi advised on seven of the world's ten largest announced mergers and acquisitions deals for 2007.
- Citi was the leading debt and equity underwriter globally for the sixth straight year.
- In Japan, Citi took a 49% joint venture position with Nikko Cordial Corporation, a leading Japanese securities firm, to 100% ownership in early January 2008.
- Global Transaction Services reached record revenues of \$7.8 billion, up 31%, net income was \$2.2 billion, up 55%, and the business won more than 450 industry awards.
- Revenue in Equity Markets rose 24%, reflecting high equity valuations, robust turnover and increased market share.



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