

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

**FORM 10-Q**

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

For the quarterly period ended September 30, 2003

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 1-15286

**CITIGROUP GLOBAL MARKETS HOLDINGS INC.**

(Exact name of registrant as specified in its charter)

New York  
(State or other jurisdiction of  
incorporation or organization)

11-2418067  
(I.R.S. Employer  
Identification No.)

388 Greenwich Street  
New York, New York  
(Address of principal  
executive offices)

10013  
(Zip Code)

Registrant's telephone number, including area code: (212) 816-6000

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

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes \_\_\_\_\_  
No X

The registrant is a wholly owned subsidiary of Citigroup Inc. As of the date hereof, 1,000 shares of the registrant's Common Stock, par value \$.01 per share, were issued and outstanding.

**REDUCED DISCLOSURE FORMAT**

The registrant meets the conditions set forth in General Instruction H (1) (a) and (b) of Form 10-Q and therefore is filing this form with the reduced disclosure format contemplated thereby.

Available on the Web @ [www.citigroup.com](http://www.citigroup.com).

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**For the Quarter Ended September 30, 2003**

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CITIGROUP GLOBAL MARKETS HOLDINGS INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF INCOME  
(UNAUDITED)

Dollars in millions	Three Months		Nine Months	
Period Ended September 30,	2003	2002	2003	2002
<b>Revenues:</b>				
Commissions	\$ 974	\$ 952	\$ 2,733	\$ 2,910
Investment banking	792	757	2,684	2,631
Asset management and administration fees	864	868	2,457	2,746
Principal transactions	383	(35)	1,624	628
Other	41	113	136	187
<b>Total non-interest revenues</b>	<b>3,054</b>	<b>2,655</b>	<b>9,634</b>	<b>9,102</b>
Interest and dividends	1,797	2,475	5,942	7,189
Interest expense	1,121	1,829	3,870	5,084
<b>Net interest and dividends</b>	<b>676</b>	<b>646</b>	<b>2,072</b>	<b>2,105</b>
<b>Revenues, net of interest expense</b>	<b>3,730</b>	<b>3,301</b>	<b>11,706</b>	<b>11,207</b>
<b>Non-interest expenses:</b>				
Compensation and benefits	1,958	1,719	6,262	6,076
Floor brokerage and other production	155	162	493	488
Communications	151	161	486	475
Occupancy and equipment	134	136	405	402
Professional services	91	89	268	211
Advertising and market development	67	66	196	212
Other operating and administrative expenses	105	129	283	313
Restructuring credit	-	(9)	-	(9)
<b>Total non-interest expenses</b>	<b>2,661</b>	<b>2,453</b>	<b>8,393</b>	<b>8,168</b>
<b>Income before income taxes and cumulative effect of change in accounting principle</b>	<b>1,069</b>	<b>848</b>	<b>3,313</b>	<b>3,039</b>
<b>Provision for income taxes</b>	<b>406</b>	<b>319</b>	<b>1,261</b>	<b>1,138</b>
<b>Income before cumulative effect of change in accounting principle</b>	<b>663</b>	<b>529</b>	<b>2,052</b>	<b>1,901</b>
<b>Cumulative effect of change in accounting principle (net of tax benefit of \$16 )</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(24)</b>
<b>Net income</b>	<b>\$ 663</b>	<b>\$ 529</b>	<b>\$ 2,052</b>	<b>\$ 1,877</b>

*The accompanying notes are an integral part of these condensed consolidated financial statements.*

## CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

Dollars in millions	September 30, 2003	December 31, 2002
	(Unaudited)	
Assets:		
Cash and cash equivalents	\$ 4,390	\$ 3,722
Cash segregated and on deposit for Federal and other regulations or deposited with clearing organizations	2,518	2,461
Collateralized short-term financing agreements:		
Securities purchased under agreements to resell	\$109,603	\$94,775
Deposits paid for securities borrowed	49,874	45,439
	159,477	140,214
Financial instruments owned and contractual commitments:		
(Approximately \$52 billion and \$34 billion were pledged to various parties at September 30, 2003 and December 31, 2002, respectively)		
U.S. government and government agency securities	36,541	34,610
Corporate debt securities	28,616	17,597
Contractual commitments	15,216	15,788
Non-U.S. government and government agency securities	13,533	9,989
Equity securities	13,386	9,531
Mortgage loans and collateralized mortgage obligations	8,970	7,512
Money market instruments	5,571	6,565
Other financial instruments	6,732	6,548
	128,565	108,140
Receivables:		
Customers	23,220	16,439
Brokers, dealers and clearing organizations	12,145	8,776
Other	3,047	2,858
	38,412	28,073
Property, equipment and leasehold improvements, net of accumulated depreciation and amortization of \$1,065 and \$1,048, respectively	1,429	1,025
Goodwill	1,531	1,530
Intangibles	799	808
Other assets	5,455	6,018
Total assets	\$342,576	\$291,991

*The accompanying notes are an integral part of these condensed consolidated financial statements.*

**CITIGROUP GLOBAL MARKETS HOLDINGS INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION**

Dollars in millions, except share data	September 30, 2003	December 31, 2002
	(Unaudited)	
Liabilities and Stockholder's Equity:		
Commercial paper and other short-term borrowings	\$ 22,938	\$ 22,619
Collateralized short-term financing agreements:		
Securities sold under agreements to repurchase	\$ 126,640	\$118,878
Deposits received for securities loaned	<u>18,419</u>	<u>10,439</u>
	145,059	129,317
Financial instruments sold, not yet purchased, and contractual commitments:		
Non-U.S. government and government agency securities	24,098	21,783
Contractual commitments	16,918	14,821
U.S. government and government agency securities	16,827	13,133
Corporate debt securities and other	11,092	7,697
Equity securities	<u>4,661</u>	<u>4,243</u>
	73,596	61,677
Payables and accrued liabilities:		
Customers	29,464	16,724
Brokers, dealers and clearing organizations	7,926	5,074
Other	<u>12,654</u>	<u>11,320</u>
	50,044	33,118
Term debt	36,478	32,302
Company-obligated mandatorily redeemable securities of subsidiary trust holding solely junior subordinated debt securities of the Company	-	400
Stockholder's equity:		
Common stock (par value \$.01 per share 1,000 shares authorized; 1,000 shares issued and outstanding)	-	-
Additional paid-in capital	3,552	3,016
Retained earnings	10,895	9,543
Accumulated changes in equity from nonowner sources	<u>14</u>	<u>(1)</u>
Total stockholder's equity	14,461	12,558
Total liabilities and stockholder's equity	<u>\$342,576</u>	<u>\$291,991</u>

*The accompanying notes are an integral part of these condensed consolidated financial statements.*

CITIGROUP GLOBAL MARKETS HOLDINGS INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
(UNAUDITED)

Dollars in millions		
Nine Months Ended September 30,	2003	2002
<b>Cash flows from operating activities:</b>		
Net income	\$ 2,052	\$ 1,877
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	209	242
Cumulative effect of change in accounting principle	-	24
Net change in:		
Cash segregated and on deposit for Federal and other regulations or deposited with clearing organizations	(57)	2,688
Securities borrowed or purchased under agreements to resell	(19,359)	(19,830)
Financial instruments owned and contractual commitments	(20,637)	(10,445)
Receivables	(10,801)	14,630
Goodwill, intangibles and other assets, net	1,164	2,291
Securities loaned or sold under agreements to repurchase	15,742	9,195
Financial instruments sold, not yet purchased, and contractual commitments	12,464	11,728
Payables and accrued liabilities	16,959	(16,938)
<b>Net cash used in operating activities</b>	<b>(2,264)</b>	<b>(4,538)</b>
<b>Cash flows from financing activities:</b>		
Increase in commercial paper and other short-term borrowings	386	3,100
Proceeds from issuance of term debt	15,009	9,034
Term debt maturities and repurchases	(11,234)	(6,552)
Repayment of mandatorily redeemable securities of subsidiary trust	(400)	-
Capital contribution from Parent	500	-
Dividends paid	(694)	(954)
Other capital transactions	(28)	12
<b>Net cash provided by financing activities</b>	<b>3,539</b>	<b>4,640</b>
<b>Cash flows from investing activities:</b>		
Property, equipment and leasehold improvements, net	(607)	(109)
<b>Net cash used in investing activities</b>	<b>(607)</b>	<b>(109)</b>
Net increase (decrease) in cash and cash equivalents	668	(7)
Cash and cash equivalents at January 1,	3,722	3,018
<b>Cash and cash equivalents at September 30,</b>	<b>\$ 4,390</b>	<b>\$ 3,011</b>

*Interest paid did not differ materially from the amount of interest expense recorded for financial statement purposes.*

*The Company paid cash for income taxes, net of refunds, of \$982 million during the nine months ended September 30, 2003 and paid cash for income taxes, net of refunds of \$1,620 million during the nine months ended September 30, 2002.*

*The accompanying notes are an integral part of these condensed consolidated financial statements.*

**CITIGROUP GLOBAL MARKETS HOLDINGS INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(UNAUDITED)**

**Note 1. Summary of Significant Accounting Policies**

***Basis of Presentation***

The condensed consolidated financial statements reflect the accounts of Citigroup Global Markets Holdings Inc. (formerly, Salomon Smith Barney Holdings Inc.) (“CGMHI”), a New York corporation, and its subsidiaries (collectively, the “Company”). The Company is a wholly owned subsidiary of Citigroup Inc. (“Citigroup”). Material intercompany transactions have been eliminated.

The condensed consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America, which require the use of management’s best judgment and estimates. Estimates, including the fair value of financial instruments and contractual commitments, the outcome of litigation, realization of deferred tax assets and other matters that affect the reported amounts and disclosures of contingencies in the condensed consolidated financial statements, may vary from actual results. The condensed consolidated financial statements are unaudited; however, in the opinion of management, all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation have been reflected. Certain prior period amounts have been reclassified to conform to the current period presentation.

These condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements included in CGMHI’s Annual Report on Form 10-K for the year ended December 31, 2002.

Certain financial information that is normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America, but that is not required for interim reporting purposes, has been condensed or omitted.

***Accounting Changes***

***Business Combinations, Goodwill and Other Intangible Assets***

Effective July 1, 2001, the Company adopted the provisions of Statement of Financial Accounting Standards ("SFAS") No. 141, *Business Combinations* and certain provisions of SFAS No. 142, *Goodwill and Other Intangible Assets* (“SFAS 142”), as required for goodwill and indefinite-lived intangible assets resulting from business combinations consummated after June 30, 2001. The new rules require that all business combinations consummated after June 30, 2001 be accounted for under the purchase method. The nonamortization provisions of the new rules affecting goodwill and intangible assets deemed to have indefinite lives are effective for all purchase business combinations completed after June 30, 2001.

On January 1, 2002, the Company adopted the remaining provisions of SFAS 142, when the rules became effective for calendar year companies. Under the new rules, effective January 1, 2002, goodwill and intangible assets deemed to have indefinite lives are no longer amortized, but are subject to annual impairment tests. Other intangible assets will continue to be amortized over their useful lives.

There was no impairment of goodwill upon adoption of SFAS 142. The adoption resulted in a cumulative adjustment of \$24 million (net of tax benefit of \$16 million) reported as a charge to earnings related to the impairment of certain intangible assets related to the Asset Management segment.

***Costs Associated with Exit or Disposal Activities***

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On January 1, 2003, the Company adopted SFAS No. 146, “*Accounting for Costs Associated with Exit or Disposal Activities*” (“SFAS 146”). SFAS 146 requires that a liability for costs associated with exit or disposal activities, other than in a business combination, be recognized when the liability is incurred. Previous generally accepted accounting principles provided for the recognition of such costs at the date of management’s commitment to an exit plan. In addition, SFAS 146 requires that the liability be measured at fair value and be adjusted for changes in estimated cash flows.

The provisions of the new standard are effective for exit or disposal activities initiated after December 31, 2002. The impact of adopting SFAS 146 was not material.

### ***Guarantees and Indemnifications***

On January 1, 2003, the Company adopted the recognition and measurement provisions of Financial Accounting Standards Board (“FASB”) Interpretation No. 45, “*Guarantor’s Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others*” (“FIN 45”), which requires that, for guarantees within the scope of FIN 45 issued or amended after December 31, 2002, a liability for the fair value of the obligation undertaken in issuing the guarantee be recognized. The impact of adopting FIN 45 was not material.

### ***Consolidation of Variable Interest Entities***

In January 2003, the FASB released FASB Interpretation No. 46, “*Consolidation of Variable Interest Entities*” (“FIN 46”). The provisions of FIN 46 are to be applied immediately to variable interest entities (“VIEs”) created after January 31, 2003, and to VIEs in which an enterprise obtains an interest after that date. In October 2003, the FASB announced that the effective date of FIN 46 was deferred from July 1, 2003 to periods ending after December 15, 2003 for VIEs created prior to February 1, 2003. The Company elected to adopt the remaining provisions of FIN 46 in the third quarter of 2003. FIN 46 changes the method of determining whether certain entities, including securitization entities, should be included in the Company’s Condensed Consolidated Financial Statements. An entity is subject to FIN 46 and is called a VIE if it has (1) equity that is insufficient to permit the entity to finance its activities without additional subordinated financial support from other parties, or (2) equity investors that cannot make significant decisions about the entity’s operations, or that do not absorb the expected losses or receive the expected returns of the entity. All other entities are evaluated for consolidation under SFAS No. 94, “*Consolidation of All Majority-Owned Subsidiaries.*” A VIE is consolidated by its primary beneficiary, which is the party involved with the VIE that has a majority of the expected losses or a majority of the expected residual returns or both.

For any VIEs that must be consolidated under FIN 46 that were created before February 1, 2003, the assets, liabilities and noncontrolling interest of the VIE would be initially measured at their carrying amounts with any difference between the net amount added to the balance sheet and any previously recognized interest being recognized as the cumulative effect of an accounting change. If determining the carrying amounts is not practicable, fair value at the date FIN 46 first applies may be used to measure the assets, liabilities and noncontrolling interest of the VIE. The implementation of FIN 46 on July 1, 2003, resulted in the consolidation of VIEs increasing both total assets and total liabilities by approximately \$712 million.

The implementation of FIN 46 encompassed a review of thousands of entities to determine the impact of adoption and considerable judgment was used in evaluating whether or not a VIE should be consolidated. The

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FASB continues to provide additional guidance on implementing FIN 46 through FASB Staff Positions. In addition, a draft interpretation of FIN 46 has been issued for comment. As this guidance is finalized, the Company will continue to review the status of the VIEs it is involved with. As a result of changes in the guidance, additional VIEs may ultimately be required to be consolidated.

The following table represents the carrying amounts and classification of consolidated assets that are collateral for VIE obligations, including VIEs that were consolidated prior to the implementation of FIN 46 under existing guidance and VIEs that the Company became involved with after July 1, 2003:

<i>In millions of dollars</i>	September 30, 2003
Cash	\$ 87
Financial Instruments Owned & Contractual Commitments	2,199
Receivables - Other	329
Other Assets	656
<b>Total Assets of Consolidated VIEs</b>	<b>\$ 3,271</b>

The consolidated VIEs included in the table above represent hundreds of separate entities with which the Company is involved and includes approximately \$712 million related to VIEs newly consolidated as a result of adopting FIN 46. Approximately \$1.5 billion of the total assets of consolidated VIEs represents structured transactions where the Company packages and securitizes assets purchased in the financial markets or from clients in order to create new security offerings and financing opportunities for its clients. Approximately \$1.8 billion of the total assets of consolidated VIEs represents investment vehicles that were established to provide a return to the investors in the vehicles.

The Company may provide liquidity facilities to the VIEs, may be a party to derivative contracts with VIEs, may provide second loss enhancement in the form of guarantees to the VIEs, and may also have an ownership interest or other investment in certain VIEs. In general, the investors in the obligations of consolidated VIEs have recourse only to the assets of those VIEs and do not have recourse to the Company except where the Company has provided a liquidity facility to the VIE, a guarantee to the investors, or is the counterparty to a derivative transaction involving the VIE.

In addition to the VIEs that are consolidated in accordance with FIN 46, the Company has significant variable interests in certain other VIEs that are not consolidated because the Company is not the primary beneficiary. These include collateralized debt obligations (“CDOs”), structured finance transactions, and various investment funds and are explained in the paragraphs which follow.

The Company also securitizes clients’ debt obligations in transactions involving SPEs that issue CDOs. A majority of the transactions are on behalf of clients where the Company first purchases the assets at the request of the clients and warehouses them until the securitization transaction is executed. Other CDOs are structured where the underlying debt obligations are purchased directly in the open market or from issuers. Some CDOs have static unmanaged portfolios of assets, while others have more actively managed portfolios of financial assets. The Company receives market-rate fees for structuring and distributing the CDO securities to investors. At September 30, 2003, assets in the CDOs amounted to \$7.7 billion.

The Company packages and securitizes assets purchased in the financial markets or from clients in order to create new security offerings and financing opportunities for institutional and private bank clients as well as

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retail customers, including hedge funds, mutual funds, unit investment trusts, and other investment funds that match the clients' investment needs and preferences. These transactions include trust preferred entities, investment vehicles and other structured transactions. At September 30, 2003, such transactions involved VIEs with approximately \$33.4 billion in assets.

As previously mentioned, the Company may provide liquidity facilities to the VIEs, may be a party to derivative contracts with VIEs, may provide second loss enhancement in the form of guarantees to the VIEs and may also have an ownership interest in certain VIEs. Although actual losses are not expected to be material, the Company's maximum exposure to loss as a result of its involvement with VIEs that are not consolidated was \$3.6 billion at September 30, 2003. For this purpose, maximum exposure is considered to be the notional amounts of guarantees and liquidity facilities, the notional amounts of credit default swaps and certain total return swaps, and the amount invested where the Company has an ownership interest in the VIEs.

***Stock-Based Compensation***

On January 1, 2003, the Company adopted the fair value recognition provisions of SFAS No. 123, "Accounting for Stock-based Compensation" ("SFAS 123"), prospectively to all awards granted, modified, or settled after January 1, 2003. The prospective method is one of the adoption methods provided for under SFAS No. 148, "Accounting for Stock-Based Compensation-Transition and Disclosure," issued in December 2002. SFAS 123 requires that compensation cost for all stock awards be calculated and recognized over the service period (generally equal to the vesting period). This compensation cost is determined using option pricing models, intended to estimate the fair value of the awards at the grant date. Similar to Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," the alternative method of accounting, an offsetting increase to stockholder's equity under SFAS 123 is recorded equal to the amount of compensation expense charged.

Had the Company applied SFAS 123 in accounting for the Company's stock option plans for all options granted, including options granted before January 1, 2003, net income would have been the pro forma amounts indicated below:

Dollars in millions		Three Months		Nine Months	
Period ended September 30,		2003	2002	2003	2002
Compensation expense					
related to stock option	As reported	\$ 16	\$ -	\$ 27	\$ -
plans, net of tax	Pro forma	35	39	103	128
Net income					
	As reported	663	529	2,052	1,877
	Pro forma	644	490	1,976	1,749

The Company, through its parent, Citigroup, has made changes to various stock-based compensation plan provisions for awards granted after 2002. For example, the vesting period and the term of stock options granted after 2002 have been shortened to three and six years, respectively. In addition, with certain limited exceptions in certain overseas locations, the sale of underlying shares acquired through the exercise of options granted in 2003 is restricted for a two-year period. The Company, through its parent, Citigroup, continues its existing stock ownership commitment for senior executives which requires executives to retain at least 75% of the shares they own and acquire from the Company over the term of their employment. Original option grants in 2003 and thereafter will not have a reload feature; however, previously granted options which carry a reload

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feature will retain that feature. Other changes may also be made that may impact the SFAS 123 adoption estimates disclosed on the preceding page.

***Derivative Instruments and Hedging Activities***

In April 2003, the FASB issued SFAS No. 149, “*Amendment of Statement 133 on Derivative Instruments and Hedging Activities*” (“SFAS 149”). SFAS 149 amends and clarifies accounting for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities under SFAS 133. In particular, SFAS 149 clarifies under what circumstances a contract with an initial net investment meets the characteristic of a derivative and when a derivative contains a financing component that warrants special reporting in the statement of cash flows. SFAS 149 is generally effective for contracts entered into or modified after June 30, 2003, and did not have a material impact on the Company’s condensed consolidated financial statements.

***Liabilities and Equity***

In May 2003, the FASB issued SFAS No. 150 “*Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity*” (“SFAS 150”). SFAS 150 establishes standards for how an issuer measures certain financial instruments with characteristics of both liabilities and equity and classifies them in its statement of financial position. It requires that an issuer classify a financial instrument that is within its scope as a liability (or an asset in some circumstances) when that financial instrument embodies an obligation of the issuer. SFAS 150 is effective for financial instruments entered into or modified after May 31, 2003, and otherwise is effective July 1, 2003, and did not have a material impact on the Company’s condensed consolidated financial statements.

**Note 2. Comprehensive Income**

Comprehensive income represents the sum of net income and other changes in stockholder’s equity from nonowner sources, which, for the Company, are comprised of cumulative translation adjustments and unrealized gains and losses on certain investments held by equity method investees, net of tax:

Dollars in millions Period ended September 30,	Three Months		Nine Months	
	2003	2002	2003	2002
Net income	\$663	\$529	\$2,052	\$1,877
Other changes in equity from nonowner sources	19	(3)	15	2
<b>Total comprehensive income</b>	<b>\$682</b>	<b>\$526</b>	<b>\$2,067</b>	<b>\$1,879</b>

**Note 3. Capital Requirements**

**CITIGROUP GLOBAL MARKETS HOLDINGS INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(UNAUDITED)**

Certain U.S. and non-U.S. subsidiaries are subject to securities and commodities regulations and capital adequacy requirements promulgated by the regulatory and exchange authorities of the countries in which they operate. Capital requirements related to CGMHI's principal regulated subsidiaries at September 30, 2003, are as follows:

(Dollars in millions) Subsidiary	Jurisdiction	Net Capital (U.S.) or Financial Resources (U.K.)	Excess over Minimum Requirements
Citigroup Global Markets Inc.	U.S. Securities and Exchange Commission Uniform Net Capital Rule (Rule 15c3-1)	\$3,913	\$3,298
Citigroup Global Markets Limited	United Kingdom's Financial Services Authority	\$3,235	\$ 175

In addition, in order to maintain its triple-A rating, Salomon Swapco Inc. ("Swapco"), an indirect wholly owned subsidiary of CGMHI, must maintain minimum levels of capital in accordance with agreements with its rating agencies. At September 30, 2003, Swapco was in compliance with all such agreements. Swapco's capital requirements are dynamic, varying with the size and concentration of its counterparty receivables.

**Note 4. Contractual Commitments**

**CITIGROUP GLOBAL MARKETS HOLDINGS INC. AND SUBSIDIARIES**  
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Contractual commitments used for trading purposes include derivative instruments such as interest rate, equity, currency and commodity swap agreements, swap options, caps and floors, options, warrants and financial commodity futures and forward contracts. The fair values (unrealized gains and losses) associated with contractual commitments are reported net by counterparty, provided a legally enforceable master netting agreement exists, and are netted across products and against cash collateral when such provisions are stated in the master netting agreement. Contractual commitments in a net receivable position, as well as options owned and warrants held, are reported as assets in "Contractual commitments." Similarly, contractual commitments in a net payable position, as well as options written and warrants issued are reported as liabilities in "Contractual commitments." Revenues generated from these contractual commitments are reported primarily as "Principal transactions" and include realized gains and losses as well as unrealized gains and losses resulting from changes in the market or fair value of such instruments.

A summary of the Company's contractual commitments as of September 30, 2003 and December 31, 2002 is as follows:

	September 30, 2003			December 31, 2002		
	Notional or Contractual Amounts	Current Market or Fair Value		Notional or Contractual Amounts	Current Market or Fair Value	
		Assets	Liabilities		Assets	Liabilities
Dollars in billions						
Exchange-traded products:						
Futures contracts <sup>(a)</sup>	\$ 241.6	\$ -	\$ -	\$ 192.2	\$ -	\$ -
Other exchange-traded products:						
Equity contracts	34.4	2.3	2.6	50.8	1.4	2.0
Fixed income, foreign exchange and commodity contracts	18.0	-	-	9.5	-	-
<b>Total exchange-traded products</b>	<b>294.0</b>	<b>2.3</b>	<b>2.6</b>	<b>252.5</b>	<b>1.4</b>	<b>2.0</b>
Over-the-counter ("OTC") swaps, swap options, caps, floors and forward rate agreements:						
Swaps	2,080.7			2,567.7		
Swap options written	73.7			60.1		
Swap options purchased	60.3			52.7		
Caps, floors and forward rate agreements	163.9			181.9		
<b>Total OTC swaps, swap options, caps, floors and forward rate agreements <sup>(b)</sup></b>	<b>2,378.6</b>	<b>9.2</b>	<b>7.9</b>	<b>2,862.4</b>	<b>11.9</b>	<b>9.4</b>
Other options and contractual commitments:						
Options and warrants on equities and equity indices	107.5	2.1	5.0	73.5	1.1	2.4
Options and forward contracts on fixed-income securities	506.0	.8	.5	628.7	.8	.4
Foreign exchange contracts and options <sup>(b)</sup>	126.7	.7	.8	58.7	.5	.5
Commodity contracts	8.2	.1	.1	9.2	.1	.1
<b>Total contractual commitments</b>	<b>\$3,421.0</b>	<b>\$15.2</b>	<b>\$16.9</b>	<b>\$3,885.0</b>	<b>\$15.8</b>	<b>\$14.8</b>

(a) Margin on futures contracts is included in receivables/payables to brokers, dealers and clearing organizations on the condensed consolidated statements of financial condition.

(b) Includes notional values of swap agreements and forward currency contracts for non-trading activities (primarily related to the Company's fixed-rate long-term debt) of \$13.9 billion and \$5.0 billion at September 30, 2003, respectively, and \$14.3 billion and \$4.1 billion at December 31, 2002, respectively.

**Note 5. Segment Information**

**CITIGROUP GLOBAL MARKETS HOLDINGS INC. AND SUBSIDIARIES**  
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The following table summarizes the results of operations for the Company's three operating segments, Investment Services, Private Client Services and Asset Management.

Dollars in millions Period ended September 30,	Three Months		Nine Months	
	2003	2002	2003	2002
Revenues, net of interest expense:				
Investment Services	\$ 1,986	\$ 1,609	\$ 6,733	\$ 5,879
Private Client Services	1,470	1,411	4,210	4,440
Asset Management	274	281	763	888
<b>Total</b>	<b>\$ 3,730</b>	<b>\$ 3,301</b>	<b>\$ 11,706</b>	<b>\$ 11,207</b>
Total non-interest expenses:				
Investment Services	\$ 1,342	\$ 1,174	\$ 4,564	\$ 4,197
Private Client Services	1,162	1,128	3,383	3,479
Asset Management	157	151	446	492
<b>Total</b>	<b>\$ 2,661</b>	<b>\$ 2,453</b>	<b>\$ 8,393</b>	<b>\$ 8,168</b>
Net income:				
Investment Services	\$ 402	\$ 272	\$ 1,349	\$ 1,054
Private Client Services	189	179	508	608
Asset Management	72	78	195	215
<b>Total</b>	<b>\$ 663</b>	<b>\$ 529</b>	<b>\$ 2,052</b>	<b>\$ 1,877</b>

Total assets of the Investment Services, Private Client Services and Asset Management segments were \$328.4 billion, \$12.5 billion and \$1.7 billion, respectively, at September 30, 2003 and \$278.5 billion, \$11.9 billion and \$1.6 billion, respectively, at December 31, 2002. For further discussion of the Company's operating segments, please refer to the Results of Operations section of Management's Discussion and Analysis.

**Note 6. Legal Proceedings**

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During the third quarter of 2003, the Company, through Citigroup, resolved certain Enron-related investigations that were conducted by the SEC, the bank regulators, and the Manhattan District Attorney. With regard to Enron, the Company made payments totaling \$25.35 million. Those payments and payments for the retrospective portions of the settlements of the global research settlement announced last April are covered by the reserves previously established toward the anticipated cost of resolving these regulatory inquiries as well as associated litigation matters. These remaining matters continue to be at early stages and therefore reserves may be subject to further revision.

For a discussion of certain legal proceedings, see Part II, Item 1 of this Form 10-Q. In addition, in the ordinary course of business, the Company and its subsidiaries are defendants or co-defendants or parties in various litigation and other regulatory matters incidental to and typical of the business in which they are engaged. In connection with its discontinued commodities processing operations, the Company and certain of its subsidiaries are subject to claims asserted by the U.S. Environmental Protection Agency, certain state agencies and private parties in connection with environmental matters. 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.

**Note 7. Obligations Under Guarantees**

The Company provides a variety of guarantees and indemnifications to customers to enhance their credit standing and enable them to complete a wide variety of business transactions. The Company believes the guarantees which are provided relate to an asset, liability, or equity security of the guaranteed parties.

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 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. 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 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 accompanying condensed consolidated statement of financial condition as of September 30, 2003 related to these indemnifications.

In addition, the Company is a member of or shareholder in numerous 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 obligation 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, there are no amounts reflected on the accompanying condensed consolidated statement of financial condition as of September 30, 2003 for potential obligations that could arise

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from the Company's involvement with VTN associations.

Derivative instruments which include guarantees are credit default swaps, total return swaps, written foreign exchange options, written put options, written equity warrants, and written caps and floors. At September 30, 2003, the carrying amount of the liabilities related to these derivatives was \$947 million.

The maximum potential loss represents the amounts that could be lost under the guarantees if there were a total default by the guaranteed parties, without consideration of possible recoveries under recourse provisions or from collateral held or pledged. Such amounts bear no relationship to the anticipated losses on these guarantees and greatly exceed anticipated losses. At September 30, 2003, the maximum potential loss at notional value related to credit default swaps and total rate of return swaps amounted to \$50.2 billion, of which \$5.3 billion expire within one year and \$44.9 billion expire after one year. At September 30, 2003, the maximum potential loss at fair value related to derivative guarantees other than credit default swaps and total rate of return swaps amounted to \$2.2 billion.

Guarantees to joint ventures and other third parties primarily include guarantees of their debt obligations. At September 30, 2003, the amount and the maximum potential loss related to these joint venture and other third party guarantees were \$566 million, of which \$412 million expires within one year and \$154 million expires after one year. Securities and other marketable assets held as collateral to reimburse losses under other third party guarantees amounted to \$47 million at September 30, 2003.

Guarantees of collection of contractual cash flows protect investors in securitization trusts from loss of principal and interest relating to insufficient collections on the underlying receivables in the trust. At September 30, 2003, the amount and the maximum potential loss related to guarantees of collection of contractual cash flows were \$24 million.

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**Item 2.**

**SETTLEMENT OF CERTAIN LEGAL AND REGULATORY MATTERS**

On July 28, 2003, Citigroup entered into a final settlement agreement with the Securities and Exchange Commission ("SEC") to resolve the SEC's outstanding investigations into Citigroup transactions with Enron and Dynegy. Pursuant to the settlement, Citigroup has, among other terms, (1) consented to the entry of an administrative cease and desist order, which bars Citigroup from committing or causing violations of provisions of the federal securities laws, and (2) agreed to pay \$120 million (\$101.25 million allocable to Enron and \$18.75 million allocable to Dynegy). Citigroup entered into this settlement without admitting or denying any wrongdoing or liability, and the settlement does not establish wrongdoing or liability for purposes of any other proceeding. Citigroup has made full payment to the SEC. On July 28, 2003, Citibank, N.A. entered into an agreement with the Office of the Comptroller of the Currency ("OCC") and Citigroup entered into an agreement with the Federal Reserve Bank of New York ("FED") to resolve their inquiries into certain of Citigroup's transactions with Enron. Pursuant to the agreements, Citibank and Citigroup have submitted plans to the OCC and FED, respectively, regarding the handling of complex structured finance transactions. Also on July 28, 2003, Citigroup entered into a settlement agreement with the Manhattan District Attorney's Office to resolve its investigation into certain of Citigroup's transactions with Enron; pursuant to the settlement, Citigroup has agreed to pay \$25.5 million and to abide by its agreements with the SEC, OCC and FED. Citigroup has made full payment to the Manhattan District Attorney's Office. The Company and certain other Citigroup subsidiaries had previously established reserves for the cost of these settlements.

**RESULTS OF OPERATIONS**

For the three months ended September 30, 2003 (the "2003 Quarter"), the Company recorded net income of \$663 million compared to \$529 million for the three months ended September 30, 2002 (the "2002 Quarter"). Revenues, net of interest expense, were \$3,730 million in the 2003 Quarter compared to \$3,301 million in the 2002 Quarter. Principal transactions revenues increased significantly to \$383 million in the 2003 Quarter compared to a loss of \$35 million in the 2002 Quarter primarily as the result of an increase in fixed income trading. Investment banking revenues increased in the 2003 Quarter to \$792 million as the result of increases in high yield and high grade debt underwritings, partially offset by declines in public finance underwriting and private placement and public financing fees. Commission revenues and asset management and administration fees were essentially unchanged in the 2003 Quarter as compared to the 2002 Quarter. Net interest and dividends increased to \$676 million in the 2003 Quarter primarily as a result of reduced financing costs for European equity trading, offset partially by reduced dividend income. Total non-interest expenses increased 8% in the 2003 Quarter to \$2,661 million as a result of increased compensation and benefits expense.

For the nine months ended September 30, 2003 (the "2003 Period"), the Company recorded net income of \$2,052 million compared to \$1,877 million for the nine months ended September 30, 2002 (the "2002 Period"). Revenues, net of interest expense, were \$11,706 million in the 2003 Period compared to \$11,207 million in the 2002 Period. Principal transactions revenues increased significantly to \$1,624 million in the 2003 Period compared to \$628 million in the 2002 Period primarily as the result of an increase in fixed income trading. Commission revenues decreased to \$2,733 million primarily as a result of a decrease in listed commissions. Asset management and administration fees decreased 11% primarily as a result of market weakness and declines in asset-based fee revenue along with lower transactional volumes. Net interest and dividends of \$2,072 million in the 2003 Period was essentially unchanged compared to the 2002 Period. Total non-interest expenses in the 2003 Period increased to \$8,393 million as a result of increased compensation and benefits

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expense and professional services expense, offset partially by a decline in advertising and market development expense.

In the 2002 Period, the Company recorded a cumulative after-tax loss of \$24 million (net of tax benefit of \$16 million) which related to the adoption of Statement on Financial Accounting Standards No. 142, "*Goodwill and Other Intangible Assets*."

Following is a discussion of the results of operations of the Company's three operating segments, Investment Services, Private Client Services and Asset Management.

**Investment Services**

Dollars in millions Period Ended September 30,	Three Months		Nine Months	
	2003	2002	2003	2002
Revenues, net of interest expense	\$1,986	\$1,609	\$6,733	\$5,879
Total non-interest expense	1,342	1,174	4,564	4,197
Income before income taxes	644	435	2,169	1,682
Provision for income taxes	242	163	820	628
Net income	\$ 402	\$ 272	\$1,349	\$1,054

The Company's Investment Services segment recorded net income of \$402 million in the 2003 Quarter and \$1,349 million in the 2003 Period, compared to \$272 million and \$1,054 million in the 2002 Quarter and the 2002 Period, respectively.

Revenues, net of interest expense, increased 23% and 15% to \$2.0 billion and \$6.7 billion in the 2003 Quarter and the 2003 Period, respectively. Principal transactions revenues increased significantly in the 2003 Quarter and 2003 Period as a result of improved results in fixed income, municipal and commodities trading. Commission revenues decreased in the 2003 Quarter and the 2003 Period as a result of a decrease in listed commissions. Investment banking revenues increased in the 2003 Quarter as a result of an increase in high yield underwriting. In the 2003 Period, the increase was attributable to increased high yield and high grade debt underwriting, partially offset by a decline in equity underwriting. Included in investment banking revenues in the 2002 Period were fees from the Travelers Property Casualty Corp. initial public offering.

Total non-interest expenses increased to \$1.3 billion and \$4.6 billion in the 2003 Quarter and the 2003 Period, respectively, primarily due to an increase in compensation and benefits expense, partially offset by reduced floor brokerage and other production expenses.

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**Private Client Services**

Dollars in millions	Three Months		Nine Months	
Period Ended September 30,	2003	2002	2003	2002
Revenues, net of interest expense	\$1,470	\$1,411	\$4,210	\$4,440
Total non-interest expense	1,162	1,128	3,383	3,479
Income before income taxes	308	283	827	961
Provision for income taxes	119	104	319	353
Net income	\$ 189	\$ 179	\$ 508	\$ 608

Private Client Services net income was \$189 million in the 2003 Quarter, an increase of \$10 million or 6% from the 2002 Quarter, primarily reflecting higher commissions due to increased customer trading activity and increased asset-based fee revenues reflecting higher client asset levels. These increases were partially offset by a decline in net interest revenue from securities-based lending, higher production-related compensation, advertising and marketing expenses, and legal expenses. Net income declined in the 2003 Period primarily due to lower asset-based fee revenue.

Revenues, net of interest expense, of \$1,470 million in the 2003 Quarter increased 4% from the 2002 Quarter, reflecting increases in both transactional and fee-based revenues. Transactional revenues increased \$43 million in the 2003 Quarter primarily reflecting higher customer activity. Fee-based revenues increased \$16 million in the 2003 Quarter reflecting higher client asset levels. The decrease in the 2003 Period was primarily due to lower asset-based fee revenue along with lower transactional volumes.

Total assets under fee-based management were \$192.1 billion as of September 30, 2003, up \$40 billion or 26% from September 30, 2002, primarily due to an increase in market values and positive net flows. Total client assets, including assets under fee-based management, were \$998 billion as of September 30, 2003, an increase of \$148 billion or 17% compared to the prior-year period. This increase was principally due to market appreciation and positive net flows. Net flows were \$5 billion in the 2003 Quarter, down \$2 billion from the prior-year period.

Operating expenses of \$1,162 million in the 2003 Quarter increased 3% from the 2002 Quarter primarily reflecting higher production-related compensation, higher advertising and marketing expenses and higher legal expenses. Operating expenses of \$3,383 million in the 2003 Period declined 3% from the 2002 Period, primarily reflecting lower production-related compensation resulting from a decline in revenue combined with the impact of expense control initiatives.

Assets under fee-based management were as follows:

Dollars in billions		
At September 30,	2003	2002
Financial Consultant managed accounts	\$ 64.3	\$ 49.5
Consulting Group and internally managed assets	127.8	102.6
Total assets under fee-based management (1)	\$192.1	\$152.1

(1) Includes certain assets managed jointly with Citigroup Asset Management.

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**Asset Management**

Dollars in millions	Three Months		Nine Months	
Period Ended September 30,	2003	2002	2003	2002
Revenues, net of interest expense	\$274	\$281	\$763	\$888
Total non-interest expense	157	151	446	492
Income before income taxes and cumulative effect of change in accounting principle	117	130	317	396
Provision for income taxes	45	52	122	157
Cumulative effect of change in accounting principle (net of tax benefit of \$16)	-	-	-	(24)
Net income	\$ 72	\$ 78	\$195	\$215

The Company's Asset Management segment revenues, net of interest expense, of \$274 million and \$763 million in the 2003 Quarter and 2003 Period, respectively, decreased \$7 million or 2% from the 2002 Quarter and \$125 million or 14% from the 2002 Period. The primary revenue for the Asset Management segment is asset management and administration fees, which decreased to \$264 million and \$742 million in the 2003 Quarter and 2003 Period, respectively, compared to \$272 million in the 2002 Quarter and \$859 million in the 2002 Period. The decrease in revenues in the 2003 Quarter and 2003 Period reflects the impact of weakness in global equity markets versus the prior year, reduced fee revenues and the impact of a decrease in U.S. retail money market funds, partially offset by positive market action in the 2003 Quarter and cumulative positive net flows in the 2003 Quarter and the 2003 Period. The reduced fee revenues primarily resulted from changes in product mix and revenue sharing arrangements with internal Citigroup distributors and a change in the presentation of certain fee sharing arrangements which decreased both revenues and expenses by \$9 million and \$29 million in the 2003 Quarter and 2003 Period, respectively.

Assets under management for the segment were \$275.7 billion at September 30, 2003, compared to \$245.6 billion at September 30, 2002. This increase is due to positive net flows and positive market action, which was partially offset by a decline of U.S. retail money market funds. The increase was also partially due to a transfer of certain institutional managed accounts of \$3 billion from Citicorp, an affiliate.

Total non-interest expenses were \$157 million and \$446 million in the 2003 Quarter and 2003 Period, respectively, compared to \$151 million and \$492 million in the 2002 Quarter and 2002 Period, respectively. The increase in the 2003 Quarter is due to increased compensation and benefits expense and was partially offset by the change in the presentation of certain fee sharing arrangements. The decline in the 2003 Period primarily reflected continued expense management and a decline in incentive compensation.

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Assets under fee-based management were as follows:

Dollars in billions		
At September 30,	2003	2002
Money market funds	\$ 92.2	\$ 92.4
Mutual funds	80.5	65.5
Managed accounts	97.8	82.2
Unit investment trusts held in client accounts	5.2	5.5
<b>Total Citigroup Asset Management</b>	<b>\$275.7</b>	<b>\$245.6</b>

## LIQUIDITY AND CAPITAL RESOURCES

The Company's total assets were \$343 billion at September 30, 2003, an increase from \$292 billion at year-end 2002. Due to the nature of the Company's trading activities, it is not uncommon for the Company's asset levels to fluctuate from period to period.

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

The Company funds its operations through the use of collateralized and uncollateralized short-term borrowings, long-term borrowings, and its equity. Collateralized short-term financing, including repurchase agreements and secured loans, is the Company's principal funding source. Such borrowings are reported net by counterparty, when applicable, pursuant to the provisions of Financial Accounting Standards Board Interpretation 41, *"Offsetting of Amounts Related to Certain Repurchase and Reverse Repurchase Agreements"* ("FIN 41"). Excluding the impact of FIN 41, short-term collateralized borrowings totaled \$213.4 billion at September 30, 2003. Uncollateralized short-term borrowings provide the Company with a source of short-term liquidity and are also utilized as an alternative to secured financing when they represent a less expensive source. Sources of short-term uncollateralized borrowings include commercial paper, unsecured bank borrowings, promissory notes and corporate loans. Short-term uncollateralized borrowings totaled \$22.3 billion at September 30, 2003. On March 3, 2003, the Company redeemed for cash all of the mandatorily redeemable securities of SSBH Capital I, a wholly-owned subsidiary trust, at the redemption price of \$25 per preferred security plus any accrued interest and unpaid distributions thereon.

The Company has a \$4.85 billion 364-day committed uncollateralized revolving line of credit with unaffiliated banks. Commitments under this facility terminate in May 2004. Any borrowings under this facility would mature in May 2006. The Company also has a \$125 million committed uncollateralized 364-day facility with an unaffiliated bank that extends through May 2004, with any borrowings under this facility maturing in May 2005, and a \$100 million 364-day collateralized facility that extends through December 2003. The Company may borrow under these revolving credit facilities at various interest rate options (LIBOR or base rate), and compensates the banks for these facilities through facility fees. At September 30, 2003, there were no

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outstanding borrowings under these facilities. The Company also has committed long-term financing facilities of \$1.7 billion with unaffiliated banks which were fully drawn at September 30, 2003. A bank can terminate its facility by giving the Company prior notice (generally one year). The Company compensates the banks for the facilities through facility fees. Under all of these facilities, the Company is required to maintain a certain level of consolidated adjusted net worth (as defined in the agreement). At September 30, 2003, this requirement was exceeded by approximately \$6.3 billion. The Company also has substantial borrowing arrangements consisting of facilities that the Company 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 the Company's short-term requirements.

The Company's borrowing relationships are with a broad range of banks, financial institutions and other firms, including affiliates, from which it draws funds. The volume of the Company's borrowings generally fluctuates in response to changes in the level of the Company's financial instruments, commodities and contractual commitments, customer balances, the amount of securities purchased under agreements to resell, and securities borrowed transactions. As the Company's activities increase, borrowings generally increase to fund the additional activities. Availability of financing to the Company can vary depending upon market conditions, credit ratings and the overall availability of credit to the securities industry. The Company seeks to expand and diversify its funding mix as well as its creditor sources. Concentration levels for these sources, particularly for short-term lenders, are closely monitored both in terms of single investor limits and daily maturities.

The Company monitors liquidity by tracking asset levels, collateral and funding availability to maintain flexibility to meet its financial commitments. The Company's liquidity management process includes a contingency funding plan designed to ensure adequate liquidity even if access to unsecured funding sources is severely restricted or unavailable. This plan is reviewed periodically to keep the funding options current and in line with market conditions. The management of this plan includes an analysis used to determine the Company's ability to withstand varying levels of stress, including ratings downgrades, which could impact its liquidation horizons and required margins. In addition, the Company monitors its leverage and capital ratios on a daily basis.

## **RISK MANAGEMENT**

### **Market Risk**

Measuring market risk using statistical risk management models has recently become the main focus of risk management efforts by many companies whose earnings are exposed to changes in the fair value of financial instruments. Management believes that statistical models alone do not provide a reliable method of monitoring and controlling risk. While Value at Risk ("VAR") models are relatively sophisticated, they are of limited use for internal risk management because they do not give any indication of the direction or magnitude of individual risk exposures or which market scenarios represent the largest risk exposures. These models are used by the Company only as a supplement to other risk management tools.

The following table shows the results of the Company's VAR analysis, which includes all of the Company's financial assets and liabilities which are marked to market at September 30, 2003 and December 31, 2002. The VAR relating to accrual portfolios has been excluded from this analysis.

<b>Risk Exposures (\$ in Millions)</b>	September 30, 2003	Third Quarter 2003 Average	Third Quarter 2003 High	Third Quarter 2003 Low	December 31, 2002
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Interest rate	\$70	\$76	\$ 91	\$60	\$63
Equities	26	17	29	12	12
Commodities	6	6	8	4	5
Currency	5	6	9	5	4
Diversification Benefit	(32)	(28)	N/A	N/A	(18)
Total*	\$75	\$77	\$ 93	\$65	\$66

\* Includes diversification benefit.

The quantification of market risk using VAR analysis requires a number of key assumptions. In calculating VAR at September 30, 2003, the Company simulates changes in market factors by using historical volatilities and correlations and assuming lognormal distributions for changes in each market factor. VAR is calculated at the 99% confidence level, assuming a static portfolio subject to a one-day change in market factors. The historical volatilities and correlations used in the simulation are calculated using a look back period of three years. The Company is in the middle of a large-scale, long-term process of calculating its VAR by a more robust methodology. Approximately 65% of the total portfolio is calculated under the new methodology, which simulates tens of thousands of market factors to measure VAR. The previous methodology simulated fewer market factors to measure VAR. VAR reflects the risk profile of the Company at September 30, 2003, and is not a predictor of future results.

### Forward-Looking Statements

Certain of the statements contained herein that are not historical facts are forward-looking statements within the meaning of the Private Securities Litigation Reform Act. The Company's actual results may differ materially from those included in the forward-looking statements. Forward-looking statements are typically identified by the words "believe," "expect," "anticipate," "intend," "estimate," and similar expressions. These forward-looking statements involve risks and uncertainties including, but not limited to, the following: changes in economic conditions, including the performance of global financial markets, and risks associated with fluctuating currency values and interest rates; competitive, regulatory or tax changes that affect the cost of or the demand for the Company's products; the impact of the implementation of new accounting rules; and the resolution of legal proceedings and environmental matters.

### **Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

See Item 2, "Management's Discussion and Analysis of Financial Condition and Results of Operations."

### **Item 4. CONTROLS AND PROCEDURES**

Disclosure Controls and Procedures. The Company's management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of the end of the period covered by this report. Based on such evaluation, the Company's Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of such period, the Company's disclosure controls and procedures are effective in recording, processing, summarizing and reporting, on a timely basis, information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act.

Internal Control Over Financial Reporting. There have not been any changes in the Company's internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the fiscal quarter to which this report relates that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

## **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 the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2002, as updated by our Quarterly Reports on Form 10-Q for the quarters ended March 31, 2003 and June 30, 2003 and our Current Report on Form 8-K dated April 28, 2003.

#### ***ENRON***

TITTLE, ET AL. v. ENRON CORP., ET AL.

On September 30, 2003, all of the claims against Citigroup in this litigation were dismissed.

#### **Additional Actions**

Several additional actions, previously identified, have been consolidated or coordinated with the Newby action and are stayed, except with respect to certain discovery, until after the Court's decision on class certification. In addition, on August 15, 2003, a purported class action was brought by purchasers of Enron stock alleging state law claims of negligent misrepresentation, fraud, breach of fiduciary duty and aiding and abetting a breach of fiduciary duty. On August 29, 2003, an investment company filed a lawsuit alleging that Citigroup, CGMI and several other defendants (including, among others, Enron's auditor, financial institutions, outside law firms and rating agencies) engaged in a conspiracy, which purportedly caused plaintiff to lose credit (in the form of a commodity sales contract) it extended to an Enron subsidiary in purported reliance on Enron's financial statements. On September 24, 2003, Enron filed an adversary proceeding in its chapter 11 bankruptcy proceedings to recover alleged preferential payments and fraudulent transfers involving Citigroup, CGMI and other entities, and to disallow or to subordinate bankruptcy claims that Citigroup, CGMI and other entities have filed against Enron.

**Research**

In connection with the global research settlement, on October 31, 2003, final judgment was entered against CGMI and nine other investment banks. In addition, CGMI has entered into separate settlement agreements with numerous states and certain U.S. territories.

**WORLDCOM**

Citigroup and/or CGMI are now named in approximately 35 individual state court actions brought by pension funds and other institutional investors based on underwriting of debt securities of WorldCom. Most of these actions have been removed to federal court and transferred to the United States District Court for the Southern District of New York for centralized pretrial hearings with other WorldCom actions. On October 24, 2003, the court granted plaintiffs' motion to have this matter certified as a class action.

**OTHER**

On November 3, 2003, the United States District Court for the Southern District of New York granted the Company's motion to dismiss the consolidated amended complaint asserting violations of certain federal and state antitrust laws in connection with the allocation of shares in initial public offerings when acting as underwriters.

**Item 6. EXHIBITS AND REPORTS ON FORM 8-K**

(a) Exhibits: See Exhibit Index.

(b) Reports on Form 8-K:

On July 14, 2003, the Company filed a Current Report on Form 8-K, dated July 11, 2003, filing as an exhibit under Item 7 thereof the Global Selling Agency Agreement relating to the offer and sale of the Company's Medium-Term Senior Notes, Series A, and Medium-Term Subordinated Notes, Series B.

On July 15, 2003, the Company filed a Current Report on Form 8-K, dated July 14, 2003, reporting under Item 5 thereof the results of its operations for the three- and six-month periods ended June 30, 2003 and 2002.

On July 31, 2003, the Company filed a Current Report on Form 8-K, dated July 25, 2003, filing certain exhibits under Item 7 thereof relating to the offer and sale of the Company's 8% Select Equity Indexed Notes based upon the common stock of Texas Instruments Incorporated due July 25, 2005.

On August 28, 2003, the Company filed a Current Report on Form 8-K, dated August 22, 2003, filing certain exhibits under Item 7 thereof relating to the offer and sale of the Company's Equity Linked Securities (ELKS) based upon the common stocks of five companies due August 30, 2004.

On September 22, 2003, the Company filed a Current Report on Form 8-K, dated September 22, 2003, filing as an exhibit under Item 7 thereof the Global Selling Agency Agreement relating to the offer and sale of the Company's Retail Medium-Term Notes, Series C.

On September 30, 2003, the Company filed a Current Report on Form 8-K, dated September 24, 2003, filing certain exhibits under Item 7 thereof relating to the offer and sale of the Company's 7% Select Equity Indexed Notes based upon the Class A Special common stock of Comcast Corporation due September 29, 2005.

No other reports on Form 8-K were filed during the third quarter of 2003, however:

On October 20, 2003, the Company filed a Current Report on Form 8-K, dated October 20, 2003, reporting under Item 5 thereof the results of its operations for the three- and nine-month periods ended September 30, 2003 and 2002.

On November 5, 2003, the Company filed a Current Report on Form 8-K, dated October 28, 2003, filing certain exhibits under Item 7 thereof relating to the offer and sale of the Company's Enhanced Income Strategy Principal-Protected Notes with Income and Appreciation Potential Linked to the Dynamic Portfolio Index due November 4, 2008.

## EXHIBIT INDEX

<b><u>Exhibit Number</u></b>	<b><u>Description of Exhibit</u></b>
3.01	Restated Certificate of Incorporation of Citigroup Global Markets Holdings Inc. (the "Company"), effective April 7, 2003, incorporated by reference to Exhibit 99.1 to the Company's Current Report on Form 8-K filed on April 7, 2003 (File No. 1-4346).
3.02	By-Laws of the Company, incorporated by reference to Exhibit 4(b) to the Company's Registration Statement on Form S-3 (No. 333-106272).
12.01†	Computation of ratio of earnings to fixed charges.
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.

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† Filed herewith.

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 SEC upon request.

**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.

**CITIGROUP GLOBAL MARKETS HOLDINGS INC.**  
(Registrant)

Date: November 13, 2003

By: /s/ Robert Druskin  
Robert Druskin  
President and Chief Executive Officer

By: /s/ John C. Morris  
John C. Morris  
Chief Financial Officer

**EXHIBIT 12.01****CITIGROUP GLOBAL MARKETS HOLDINGS INC. AND SUBSIDIARIES**  
**CALCULATION OF RATIO OF EARNINGS TO FIXED CHARGES**  
(Unaudited)

	Nine Months Ended September 30, 2003
<i>Dollars in millions</i>	
Earnings from operations:	
Income before income taxes	\$ 3,313
Add fixed charges (see below)	<u>3,980</u>
Earnings as defined	<u><u>\$ 7,293</u></u>
Fixed charges from operations:	
Interest expense	\$ 3,870
Other adjustments	<u>110</u>
Fixed charges from operations as defined	<u><u>\$ 3,980</u></u>
Ratio of earnings to fixed charges	<u><u>1.83</u></u>

**NOTE:**

The ratio of earnings to fixed charges was calculated by dividing the sum of fixed charges into the sum of income before income taxes and fixed charges.

Fixed charges consist of interest expense, including capitalized interest and a portion of rental expense representative of the interest factor.

CERTIFICATION

I, Robert Druskin, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Citigroup Global Markets Holdings Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 13, 2003

By: /s/ Robert Druskin, Chief Executive Officer

## CERTIFICATION

I, John C. Morris, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Citigroup Global Markets Holdings Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 13, 2003

By: /s/John C. Morris , Chief Financial Officer

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of Citigroup Global Markets Holdings Inc. (the "Company") for the quarterly period ended September 30, 2003, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Robert Druskin, as Chief Executive Officer of the Company, and John C. Morris, as Chief Financial Officer of the Company, each hereby certifies, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Robert Druskin  
Robert Druskin  
Chief Executive Officer  
November 13, 2003

/s/ John C. Morris  
John C. Morris  
Chief Financial Officer  
November 13, 2003

This certification accompanies each Report pursuant to §906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of §18 of the Securities Exchange Act of 1934, as amended.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.