

**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, 2004

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 No

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

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.

CITIGROUP GLOBAL MARKETS HOLDINGS INC. AND SUBSIDIARIES
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For the Quarter Ended September 30, 2004

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

Dollars in millions	Three Months		Nine Months	
Period Ended September 30,	2004	2003	2004	2003
Revenues:				
Commissions	\$ 934	\$ 974	\$ 3,117	\$ 2,733
Asset management and administration fees	1,001	864	3,037	2,457
Investment banking	779	792	2,545	2,684
Principal transactions	222	383	787	1,624
Other	137	41	359	136
Total non-interest revenues	3,073	3,054	9,845	9,634
Interest and dividends	2,457	1,797	6,871	5,942
Interest expense	1,645	1,121	4,183	3,870
Net interest and dividends	812	676	2,688	2,072
Revenues, net of interest expense	3,885	3,730	12,533	11,706
Non-interest expenses:				
Compensation and benefits	1,902	1,958	6,457	6,262
Communications	227	151	594	486
Floor brokerage and other production	181	155	563	493
Occupancy and equipment	140	134	411	405
Professional services	152	91	403	268
Advertising and market development	97	67	266	196
Other operating and administrative expenses	221	105	6,958	283
Total non-interest expenses	2,920	2,661	15,652	8,393
Income (loss) before income taxes	965	1,069	(3,119)	3,313
Provision (benefit) for income taxes	345	406	(1,232)	1,261
Net income (loss)	\$ 620	\$ 663	(\$ 1,887)	\$ 2,052

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

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

Dollars in millions	September 30, 2004 (Unaudited)	December 31, 2003
Assets:		
Cash and cash equivalents	\$ 5,761	\$ 6,312
Cash segregated and on deposit for Federal and other regulations or deposited with clearing organizations	3,755	2,806
Collateralized short-term financing agreements:		
Securities purchased under agreements to resell	\$132,604	\$108,984
Deposits paid for securities borrowed	<u>67,062</u>	<u>50,192</u>
	199,666	159,176
Financial instruments owned and contractual commitments:		
(Approximately \$95 billion and \$63 billion were pledged to various parties at September 30, 2004 and December 31, 2003, respectively)		
U.S. government and government agency securities	52,762	51,205
Corporate debt securities	42,736	33,221
Equity securities	29,955	19,610
Non-U.S. government and government agency securities	19,263	11,929
Contractual commitments	14,124	15,554
Mortgage loans and collateralized mortgage obligations	11,428	8,275
Municipal securities	10,117	7,736
Money market instruments	3,338	5,369
Other financial instruments	<u>518</u>	<u>946</u>
	184,241	153,845
Receivables:		
Customers	21,873	18,831
Brokers, dealers and clearing organizations	16,004	7,560
Other	<u>3,688</u>	<u>2,865</u>
	41,565	29,256
Property, equipment and leasehold improvements, net of accumulated depreciation and amortization of \$1,191 and \$1,081, respectively	1,544	1,384
Goodwill	1,811	1,531
Intangibles	838	800
Other assets	9,368	6,151
Total assets	\$448,549	\$361,261

The accompanying notes are an integral part of these unaudited 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, 2004	December 31, 2003
	(Unaudited)	
Liabilities and Stockholder's Equity:		
Commercial paper and other short-term borrowings	\$ 27,878	\$ 22,644
Collateralized short-term financing agreements:		
Securities sold under agreements to repurchase	\$ 165,199	\$135,301
Deposits received for securities loaned	<u>23,596</u>	<u>19,503</u>
	188,795	154,804
Financial instruments sold, not yet purchased, and contractual commitments:		
U.S. government and government agency securities	31,253	16,524
Non-U.S. government and government agency securities	23,824	24,373
Contractual commitments	18,997	18,698
Corporate debt securities and other	16,069	10,593
Equity securities	<u>8,900</u>	<u>4,436</u>
	99,043	74,624
Payables and accrued liabilities:		
Customers	30,371	23,848
Brokers, dealers and clearing organizations	7,908	11,317
Other	<u>23,820</u>	<u>14,660</u>
	62,099	49,825
Term debt	53,856	43,742
Stockholder's equity:		
Common stock (par value \$.01 per share 1,000 shares authorized; 1,000 shares issued and outstanding)	-	-
Additional paid-in capital	8,425	4,241
Retained earnings	8,445	11,375
Accumulated changes in equity from nonowner sources	<u>8</u>	<u>6</u>
Total stockholder's equity	16,878	15,622
Total liabilities and stockholder's equity	\$448,549	\$361,261

The accompanying notes are an integral part of these unaudited 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,	2004	2003
Cash flows from operating activities:		
Net income (loss)	(\$ 1,887)	\$ 2,052
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Depreciation and amortization	257	301
Net change in:		
Cash segregated and on deposit for Federal and other regulations or deposited with clearing organizations	(949)	(57)
Securities borrowed or purchased under agreements to resell	(40,490)	(19,359)
Financial instruments owned and contractual commitments	(30,396)	(20,637)
Receivables	(12,309)	(10,801)
Goodwill, intangibles and other assets, net	(3,453)	1,077
Securities loaned or sold under agreements to repurchase	33,991	15,742
Financial instruments sold, not yet purchased, and contractual commitments	24,419	12,464
Payables and accrued liabilities	12,274	16,959
Net cash used in operating activities	(18,543)	(2,259)
Cash flows from financing activities:		
Increase in commercial paper and other short-term borrowings	5,234	386
Proceeds from issuance of term debt	23,669	15,009
Term debt maturities and repurchases	(13,236)	(11,234)
Repayment of mandatorily redeemable securities of subsidiary trust	-	(400)
Capital contribution from Parent	4,100	500
Dividends paid	(1,024)	(694)
Other capital transactions	-	(28)
Net cash provided by financing activities	18,743	3,539
Cash flows from investing activities:		
Property, equipment, leasehold improvements and business acquisitions	(751)	(612)
Net cash used in investing activities	(751)	(612)
Net increase (decrease) in cash and cash equivalents	(551)	668
Cash and cash equivalents at January 1,	6,312	3,722
Cash and cash equivalents at September 30,	\$5,761	\$ 4,390

Cash payments for interest were \$3.6 billion and \$3.8 billion for the nine months ended September 30, 2004 and 2003, respectively.

Cash paid for income taxes, net of refunds, amounted to \$942 million during the nine months ended September 30, 2004 and cash paid for income taxes, net of refunds, amounted to \$982 million during the nine months ended September 30, 2003.

The accompanying notes are an integral part of these unaudited 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 unaudited 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 unaudited 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 unaudited condensed consolidated financial statements, may vary from actual results. 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 unaudited 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, 2003.

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

Consolidation of Variable Interest Entities

On January 1, 2004, the Company adopted Financial Accounting Standards Board (“FASB”) Interpretation No. 46, “*Consolidation of Variable Interest Entities (revised December 2003)*” (“FIN 46-R”), which includes substantial changes from the original FIN 46. Included in these changes, the calculation of expected losses and expected residual returns has been altered to reduce the impact of decision maker and guarantor fees in the calculation of expected residual returns and expected losses. In addition, the definition of a variable interest has been changed in the revised guidance. The cumulative effect of adopting FIN 46-R was an increase to assets and liabilities of approximately \$510 million, primarily due to certain structured finance transactions.

FIN 46 and FIN 46-R change the method of determining whether certain entities, including securitization entities, should be included in the Company’s Consolidated Financial Statements. An entity is subject to FIN 46 and FIN 46-R and is called a variable interest entity (“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 Statement of Financial Accounting Standards (“SFAS”) No. 94, “*Consolidation of All Majority-Owned Subsidiaries*” (“SFAS 94”). A VIE is consolidated by its primary beneficiary, which is the party involved with

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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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 interests of the VIE are 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 interests of the VIE. In October 2003, 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 implement the provisions of FIN 46 in the third quarter of 2003, resulting 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. See Note 8 to the condensed consolidated financial statements.

Profit Recognition on Bifurcated Hybrid Instruments

On January 1, 2004, the Company revised the application of Derivatives Implementation Group (“DIG”) Issue B6, “*Embedded Derivatives: Allocating the Basis of a Hybrid Instrument to the Host Contract and the Embedded Derivative.*” In December 2003, the Securities and Exchanges Commission (“SEC”) staff gave a speech which revised the accounting for derivatives embedded in financial instruments (“hybrid instruments”) to preclude the recognition of any profit on the trade date for hybrid instruments that must be bifurcated for accounting purposes. The trade-date profit must instead be amortized over the life of the hybrid instrument, which on the average is approximately four years. The impact of this change in application was a \$153 million pre-tax reduction in revenue, net of amortization, for the nine months ended September 30, 2004. This revenue will be recognized over the life of the transactions.

Costs Associated with Exit or Disposal Activities

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 were 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 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. FIN 45 also requires additional disclosures in financial statements for periods ending after December 15, 2002. Accordingly, these disclosures are included in Note 7 to the condensed consolidated financial statements.

CITIGROUP GLOBAL MARKETS HOLDINGS INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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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 December 31, 2002. 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. During the first quarter of 2004, the Company changed its option valuation method from the Black-Scholes model to the binomial method. The impact of this change was not material.

Derivative Instruments and Hedging Activities

On July 1, 2003, the Company adopted 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

On July 1, 2003, the Company adopted 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 condition. 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.

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Note 2. Comprehensive Income

Comprehensive income represents the sum of net income (loss) 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	
	2004	2003	2004	2003
Net income (loss)	\$620	\$663	(\$1,887)	\$2,052
Other changes in equity from nonowner sources	(1)	19	2	15
Total comprehensive income	\$619	\$682	(\$1,885)	\$2,067

Note 3. Capital Requirements

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, 2004, 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)	\$3,705	\$3,149
Citigroup Global Markets Limited	United Kingdom's Financial Services Authority	\$6,927	\$2,092

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, 2004, 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

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, in accordance with FASB Interpretation No. 39, "Offsetting of Amounts Relating to Certain Contracts", provided a legally enforceable master netting

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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, 2004 and December 31, 2003 are as follows:

Dollars in billions	September 30, 2004			December 31, 2003		
	Notional or Contractual Amounts	Current Market or Fair Value		Notional or Contractual Amounts	Current Market or Fair Value	
		Assets	Liabilities		Assets	Liabilities
Exchange-traded products:						
Futures contracts ^(a)	\$ 280.4	\$ -	\$ -	\$ 314.1	\$ -	\$ -
Other exchange-traded products:						
Equity options	94.3	.9	.8	50.5	1.7	1.8
Fixed income options	42.9	-	-	11.6	-	-
Foreign exchange options and commodity contracts	5.0	-	-	3.4	-	-
Total exchange-traded products	422.6	.9	.8	379.6	1.7	1.8
Over-the-counter (“OTC”) swaps, swap options, caps, floors and forward rate agreements:						
Swaps	3,132.6			2,136.5		
Swap options written	90.8			81.2		
Swap options purchased	55.7			62.2		
Caps, floors and forward rate agreements	150.5			151.5		
Total OTC swaps, swap options, caps, floors and forward rate agreements ^(b)	3,429.6	8.7	10.4	2,431.4	9.1	8.7
Other options and contractual commitments:						
Options and warrants on equities and equity indices	114.5	1.7	5.7	85.4	1.9	4.9
Options and forward contracts on fixed income securities	633.2	2.3	1.7	469.3	1.7	2.0
Foreign exchange contracts and options ^(b)	148.9	.3	.2	131.0	1.1	1.2
Commodity contracts	11.1	.2	.2	9.0	.1	.1
Total contractual commitments	\$4,759.9	\$14.1	\$19.0	\$3,505.7	\$15.6	\$18.7

(a) Margin on futures contracts is included in receivables/payables to brokers, dealers and clearing organizations on the unaudited 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 \$15.4 billion and \$1.5 billion at September 30, 2004, respectively, and \$14.4 billion and \$5.0 billion at December 31, 2003, respectively.

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

Note 5. Segment Information

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	
	2004	2003	2004	2003
Revenues, net of interest expense:				
Investment Services	\$ 2,100	\$ 1,997	\$ 6,903	\$ 6,766
Private Client Services	1,479	1,459	4,699	4,177
Asset Management	306	274	931	763
Total	\$ 3,885	\$ 3,730	\$ 12,533	\$ 11,706
Total non-interest expenses:				
Investment Services	\$ 1,502	\$ 1,342	\$ 11,308	\$ 4,564
Private Client Services	1,197	1,162	3,735	3,383
Asset Management	221	157	609	446
Total	\$ 2,920	\$ 2,661	\$ 15,652	\$ 8,393
Net income (loss):				
Investment Services	\$ 401	\$ 409	\$ (2,665)	\$ 1,369
Private Client Services	172	182	586	488
Asset Management	47	72	192	195
Total	\$ 620	\$ 663	\$ (1,887)	\$ 2,052

Total assets of the Investment Services, Private Client Services and Asset Management segments were \$430.6 billion, \$15.9 billion and \$2.0 billion, respectively, at September 30, 2004 and \$346.0 billion, \$13.6 billion and \$1.7 billion, respectively, at December 31, 2003. 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

In addition to the matters described under Part II, Item 1 of this Form 10-Q, the Company and its subsidiaries are defendants or co-defendants or parties in various litigation and regulatory matters incidental to and typical of the businesses in which they are engaged. In 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. Although the Company's management believes the ultimate resolution of these lawsuits and other proceedings is not likely to have a material adverse effect on the consolidated financial condition of the Company, such resolution 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

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

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 unaudited condensed consolidated statement of financial condition as of September 30, 2004 and December 31, 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 unaudited condensed consolidated statement of financial condition as of September 30, 2004 and December 31, 2003 for potential obligations that could arise 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, 2004 and December 31, 2003, the carrying amount of the liabilities related to these derivatives was \$1.4 billion and \$2.4 billion, respectively.

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, 2004, the maximum potential loss at notional value related to credit default swaps and total rate of return swaps amounted to \$195.9 billion, of which \$18.8 billion expires within one year and \$177.1 billion expires after one year. At December 31, 2003, the maximum potential loss at notional value related to credit default swaps and total rate of return swaps amounted to \$62.7 billion. At September 30, 2004 and December 31, 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 \$0.5 billion and \$2.1 billion, respectively.

Guarantees to joint ventures and other third parties primarily include guarantees of their debt obligations. At September 30, 2004, the carrying amount and the maximum potential loss related to these joint ventures and other third party guarantees were \$148 million, of which \$50 million expires within one year and \$98 million expires after one year. At December 31, 2003, the carrying amount and the maximum potential loss related to these joint venture and other third party guarantees were \$589 million. Securities and other marketable assets held as collateral to reimburse losses under other third party guarantees amounted to \$47 million and \$48 million at September 30, 2004 and December 31, 2003, respectively.

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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, 2004 and December 31, 2003, the carrying amount and the maximum potential loss related to guarantees of collection of contractual cash flows were \$24 million.

Note 8. Variable Interest Entities

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, 2004	December 31, 2003
Cash	\$ 28	\$ 25
Financial Instruments Owned & Contractual Commitments	4,280	3,127
Receivables – Other	368	124
Other Assets	873	753
Total Assets of Consolidated VIEs	<u>\$5,549</u>	<u>\$4,029</u>

The consolidated VIEs included in the table above represent hundreds of separate entities with which the Company is involved and includes approximately \$510 million related to VIEs newly consolidated as a result of adopting FIN 46-R. As of September 30, 2004 and December 31, 2003, approximately \$2.1 billion and \$1.8 billion, respectively, of the total assets of consolidated VIEs represent 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. As of September 30, 2004 and December 31, 2003, approximately \$3.4 billion and \$2.2 billion, respectively, 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 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-R, 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 packages and securitizes assets purchased in the financial markets in order to create new security offerings, including arbitrage CDOs and synthetic CDOs for institutional clients and retail customers, that match the clients’ investment needs and preferences. Typically these instruments diversify investors’ risk to a pool of assets as compared with investments in an individual asset. The VIEs, which are issuers of CDO securities, are generally organized as limited liability corporations. The Company typically receives fees for structuring and/or distributing the securities sold to investors. In some cases, the Company may repackage the investment with higher-rated debt CDO securities or U. S. Treasury securities to provide a greater or a very

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high degree of certainty, respectively, of the return of invested principal. A third-party manager is typically retained by the VIE to select collateral for inclusion in the pool and then actively manage it, or, in other cases, only to manage work-out credits. At September 30, 2004 and December 31, 2003, such transactions involved VIEs with approximately \$9.5 billion and \$8.0 billion in assets, respectively.

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 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, 2004 and December 31, 2003, such transactions involved VIEs with approximately \$72.6 billion and \$50.4 billion in assets, respectively.

As previously mentioned, the Company may provide liquidity facilities to the VIEs, may be a party to derivative contracts with VIEs, may provide 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 \$20.2 billion and \$8.6 billion at September 30, 2004 and December 31, 2003, respectively. 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.

Note 9. Related Party Balances

The Company has related party balances with Citigroup and certain of its subsidiaries and affiliates including cash accounts, collateralized financing transactions, margin accounts, short-term borrowings, receivables and payables from securities and underwriting transactions, derivative trading and charges for operational support. The Company also has long-term borrowings from Citigroup of \$12.1 billion at September 30, 2004 of which \$2 billion are subordinated borrowings. Related party transactions are generally conducted at prices equivalent to prices for transactions conducted at arm's length with unrelated third parties. Amounts charged for operational support represent an allocation of costs.

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Item 2.

RECENT EVENTS

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

During the 2004 second quarter, the Company recorded a charge of \$6.5 billion (\$4.1 billion after-tax) related to a settlement of class action litigation brought on behalf of purchasers of WorldCom securities and an increase in litigation reserves (the "WorldCom and Litigation Reserve Charge").

On November 5, 2004, the United States District Court for the Southern District of New York approved the class settlement between plaintiffs and the Citigroup-related defendants in *IN RE WORLDCOM, INC. SECURITIES LITIGATION*. The Court's approval is subject to possible appeal by plaintiffs. Subject to the terms of the settlement and the resolution of any appeals, the Company will make a payment of \$2.58 billion, or \$1.60 billion after-tax, to the settlement class, which consists of all persons who purchased or otherwise acquired publicly traded securities of WorldCom during the period from April 29, 1999 through and including June 25, 2002. The payment will be allocated between purchasers of WorldCom stock and purchasers of WorldCom bonds. Plaintiffs' attorneys' fees will come out of the settlement amount.

In connection with the settlement of the WorldCom class action lawsuit, the Company reevaluated its reserves for the numerous lawsuits and other legal proceedings arising out of the transactions and activities that were the subjects of:

- (i) the April 2003 settlement of the research and IPO spinning-related inquiries conducted by the Securities and Exchange Commission, the National Association of Securities Dealers, the New York Stock Exchange and the New York Attorney General;
- (ii) the July 2003 settlement of the Enron-related inquiries conducted by the Securities and Exchange Commission, the Federal Reserve Bank of New York, the Office of the Comptroller of the Currency, and the Manhattan District Attorney;
- (iii) underwritings for, and research coverage of, WorldCom; and
- (iv) the allocation of, and aftermarket trading in, securities sold in initial public offerings.

Accordingly, the Company increased its reserve for these matters. The Company believes that this reserve is adequate to meet all of its remaining exposure for these matters. However, in view of the large number of these matters, the uncertainties of the timing and outcome of this type of litigation, and the significant amounts involved, it is possible that the ultimate costs of these matters may exceed or be below the reserve. The Company will continue to defend itself vigorously in these cases, and seek to resolve them in the manner management believes is in the best interest of the Company.

The Company's litigation reserve for these matters following payment of the WorldCom settlement will be \$4.7 billion on a pre-tax basis.

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For the three months ended September 30, 2004 (the "2004 Quarter"), the Company recorded net income of \$620 million compared to net income of \$663 million for the three months ended September 30, 2003 (the "2003 Quarter"). Revenues, net of interest expense, were \$3,885 million in the 2004 Quarter, up slightly from the \$3,730 million in the 2003 Quarter. Commission revenues decreased slightly in the 2004 Quarter to \$934 million as a result of a decrease in listed commissions offset partially by an increase in OTC commissions. Asset management and administration fees increased significantly to \$1,001 million in the 2004 Quarter, primarily as a result of positive market action and cumulative net flows, and higher asset-based revenue, reflecting increased client asset levels, partially offset by lower transaction volume. Investment banking revenues of \$779 million in the 2004 Quarter were essentially unchanged compared to the 2003 Quarter. Principal transactions revenues decreased to \$222 million in the 2004 Quarter primarily as the result of decreases in fixed income and global equity trading. Net interest and dividend income increased to \$812 million in the 2004 Quarter, primarily driven by increased dividend income in the European Equity Finance and European Equity Derivative businesses and increased interest income due to higher municipal holdings. Total non-interest expenses increased to \$2,920 million in the 2004 Quarter as a result of increased voice and market data communication expense, increased floor brokerage and an increase in other operating and administrative expense primarily as a result of increased legal reserves. This increase was offset partially by a decrease in compensation and benefits expense.

For the nine months ended September 30, 2004 (the "2004 Period"), the Company recorded a net loss of \$1,887 million compared to net income of \$2,052 million for the nine months ended September 30, 2003 (the "2003 Period"). The decline is the result of the WorldCom and Litigation Reserve Charge, which was recorded in the 2004 second quarter. Revenues, net of interest expense, were \$12,533 million in the 2004 Period compared to \$11,706 million in the 2003 Period. Commission revenues increased in the 2004 Period to \$3,117 million as a result of an increase in OTC commissions. Asset management and administration fees increased significantly to \$3,037 million in the 2004 Period, primarily as a result of positive market action and cumulative net flows, increased customer trading volumes and higher asset-based revenue, reflecting increased client asset levels. Investment banking revenues declined to \$2,545 million in the 2004 Period as a result of decreases in high grade debt underwriting, partially offset by an increases in equity underwriting. Principal transactions revenues decreased to \$787 million in the 2004 Period primarily as the result of decreases in fixed income and global equity trading. Net interest and dividend income increased to \$2,688 million in the 2004 Period, primarily driven by increased dividend income in the European Equity Finance and European Equity Derivative businesses and increased interest income due to higher U.S. mortgage inventory levels and municipal holdings.

Total non-interest expenses increased to \$15,562 million in the 2004 Period as a result of the WorldCom and Litigation Reserve Charge, increased compensation and benefits, voice and market data communication, and floor brokerage and other production expenses.

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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	
	2004	2003	2004	2003
Revenues, net of interest expense	\$2,100	\$1,997	\$6,903	\$ 6,766
Total non-interest expense	1,502	1,342	11,308	4,564
Income (loss) before income taxes	598	655	(4,405)	2,202
Provision (benefit) for income taxes	197	246	(1,740)	833
Net income (loss)	\$ 401	\$ 409	(\$2,665)	\$ 1,369

The Company's Investment Services segment recorded net income of \$401 million in the 2004 Quarter and a net loss of \$2,665 in the 2004 Period, compared to net income of \$409 million in the 2003 Quarter and \$1,369 million in the 2003 Period.

Revenues, net of interest expense, increased 5% to \$2.1 billion in the 2004 Quarter. Revenues in the 2004 Period increased to \$6.9 billion compared to \$6.8 billion in the 2003 Period. Principal transactions revenues decreased in the 2004 Quarter and in the 2004 Period as a result of lower fixed income and global equity trading. Investment banking revenues declined in the 2004 Quarter and in the 2004 Period as a result of lower high grade debt and public finance underwriting, offset partially by an increase in equity underwriting fees. Commission revenue increased in the 2004 Quarter, primarily due to an increase in OTC and futures commissions, offset partially by a decline in listed commissions. Commission revenues increased in the 2004 Period as a result of increases in listed, and futures commissions. Net interest and dividend income increased in the 2004 Quarter and 2004 Period primarily driven by increased dividend income in the European Equity Finance and European Equity Derivative businesses and increased interest income due to higher municipal holdings. Net interest and dividends was also favorably impacted in the 2004 Period by increased interest income resulting from higher U.S. mortgage inventory levels.

Total non-interest expenses increased to \$1.5 billion in the 2004 Quarter as a result of increased employee compensation and benefits, floor brokerage and other production related expenses, voice and market data expense and increased legal reserves. The total non-interest expense increased to \$11.3 billion in the 2004 Period, primarily due to the WorldCom and Litigation Reserve Charge.

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Private Client Services

Dollars in millions	Three Months		Nine Months	
Period Ended September 30,	2004	2003	2004	2003
Revenues, net of interest expense	\$1,479	\$1,459	\$4,699	\$4,177
Total non-interest expense	1,197	1,162	3,735	3,383
Income before income taxes	282	297	964	794
Provision for income taxes	110	115	378	306
Net income	\$ 172	\$ 182	\$ 586	\$ 488

Private Client Services net income of \$172 million in the 2004 Quarter decreased \$10 million or 6% from the 2003 Quarter, primarily due to higher legal expenses and lower transactional revenue, partially offset by higher fee revenue. Net income of \$586 million in the 2004 Period increased \$98 million or 20% from the 2003 Period, primarily due to increases in both asset-based revenue and transactional revenue, partially offset by higher production-related compensation and legal costs.

Revenues, net of interest expense, of \$1,479 million in the 2004 Quarter increased \$20 million or 1% from the 2003 Quarter, primarily due to increases in asset-based fee revenue reflecting higher assets under fee-based management, partially offset by decreases in transactional revenue reflecting lower customer trading volumes. Fee-based revenue increased \$102 million or 16%, resulting from growth in assets under fee-based management. Transactional revenue decreased \$82 million or 11%, primarily due to decreased customer trading volumes resulting in lower total commissions. Revenues, net of interest expense, in the 2004 Period of \$4,699 million increased \$522 million or 12% from the 2003 Period, reflecting increases in both asset-based fee revenue and transactional revenue. Fee-based revenue increased \$426 million or 24%, resulting from growth in assets under fee-based management. Transactional revenue increased \$96 million or 5%, primarily due to increased customer trading volumes resulting in higher total commissions.

Total assets under fee-based management were \$220.9 billion as of September 30, 2004, up \$28.8 billion or 15% from the prior-year period. Total client assets, including assets under fee-based management, of \$1,087 billion in the 2004 Quarter increased \$89 billion or 9% compared to the 2003 Quarter, principally due to market appreciation and positive net inflows. Net inflows were \$3 billion in the 2004 Quarter compared to \$5 billion in the 2003 Quarter and \$14 billion in the 2004 Period compared to \$19 billion in the 2003 Period.

Operating expenses of \$1,197 million in the 2004 Quarter and \$3,735 million in the 2004 Period, increased \$35 million or 3% and \$352 million or 10%, respectively, from the comparable 2003 Quarter and Period. The increases were mainly due to higher production-related compensation reflecting increased revenue and higher legal costs.

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Assets under fee-based management were as follows:

Dollars in billions		
At September 30,	2004	2003
Financial Consultant managed accounts	\$ 76.3	\$ 64.3
Consulting Group and internally managed assets	144.6	127.8
Total assets under fee-based management (1)	\$220.9	\$192.1

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

Asset Management

Dollars in millions	Three Months		Nine Months	
Period Ended September 30,	2004	2003	2004	2003
Revenues, net of interest expense	\$306	\$274	\$931	\$763
Total non-interest expense	221	157	609	446
Income before income taxes	85	117	322	317
Provision for income taxes	38	45	130	122
Net income	\$ 47	\$ 72	\$192	\$195

The Company's Asset Management segment revenues, net of interest expense, increased to \$306 million and \$931 million in the 2004 Quarter and 2004 Period, respectively, compared to \$274 million and \$763 million in the 2003 Quarter and 2003 Period, respectively. The primary revenue for the Asset Management segment is asset management and administration fees, which increased to \$297 million and \$908 million in the 2004 Quarter and 2004 Period, respectively, compared to \$264 million in the 2003 Quarter and \$742 million in the 2003 Period. The increase in revenues in the 2004 Quarter and 2004 Period is primarily due to positive market action and cumulative net flows, partially offset by a change in the presentation of certain fee sharing arrangements which decreased both revenues and expenses by \$4 million and \$13 million in the 2004 Quarter and 2004 Period, respectively.

Assets under management for the segment were \$306.5 billion at September 30, 2004, compared to \$275.7 billion at September 30, 2003. This increase is primarily due to positive market action and the impact of positive net flows.

Total non-interest expenses were \$221 million and \$609 million in the 2004 Quarter and 2004 Period, respectively, compared to \$157 million and \$446 million in the 2003 Quarter and 2003 Period, respectively. The increase in expenses is due to higher legal expense and was partially offset by a change in the presentation of certain fee sharing arrangements, which decreased both revenue and expenses by \$4 million and \$13 million in the 2004 Quarter and 2004 Period, respectively.

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Assets under fee-based management were as follows:

Dollars in billions		
At September 30,	2004	2003
Money market funds	\$ 91.0	\$ 92.2
Mutual funds	89.3	80.5
Managed accounts	120.9	97.8
Unit investment trusts held in client accounts	5.3	5.2
Total	\$ 306.5	\$ 275.7

LIQUIDITY AND CAPITAL RESOURCES

The Company's total assets were \$449 billion at September 30, 2004, an increase from \$361 billion at year-end 2003. 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 are the Company's principal funding source. Such borrowings are reported net by counterparty, when applicable, pursuant to the provisions of FASB Interpretation No. 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 \$275.1 billion at September 30, 2004. 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 funding source. Sources of short-term uncollateralized borrowings include commercial paper, unsecured bank borrowings, promissory notes and corporate loans. Short-term uncollateralized borrowings totaled \$27.2 billion at September 30, 2004.

The Company has a \$2.5 billion 364-day committed uncollateralized revolving line of credit with unaffiliated banks. This facility has a two-year term-out provision with any borrowings maturing in 2007. The Company also has three-year facilities totaling \$1.4 billion with unaffiliated banks with any borrowings maturing in May 2007 and \$1.6 billion in committed uncollateralized 364-day facilities with unaffiliated banks that extend through various dates through 2007. 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, 2004, there were no outstanding borrowings under these facilities. The Company also has committed long-term financing facilities with unaffiliated banks. At September 30, 2004, the Company had drawn down the full \$1.7 billion then available under these facilities. A bank can terminate these facilities by giving the Company prior notice (generally one year). The Company compensates the banks for these facilities

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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 agreements). At September 30, 2004, this requirement was exceeded by approximately \$6.7 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. As a policy, the Company attempts to maintain sufficient capital and funding sources in order to have the capacity to finance itself on a fully collateralized basis in the event that the Company's access to uncollateralized financing is temporarily impaired. 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. The Company maintains a loan value of unencumbered securities in excess of its outstanding short-term unsecured liabilities. 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, 2004 and December 31, 2003. The VAR relating to accrual portfolios has been excluded from this analysis.

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Risk Exposures (\$ in Millions)	September 30, 2004	Third Quarter 2004 Average	Third Quarter 2004 High	Third Quarter 2004 Low	December 31, 2003
Interest rate	\$133	\$103	\$ 151	\$82	\$73
Equities	24	24	33	18	21
Commodities	15	18	26	10	7
Currency	6	10	14	6	9
Diversification Benefit	(39)	(49)	N/A	N/A	(34)
Total*	\$139	\$106	\$ 151	\$85	\$76

* Includes diversification benefit.

The quantification of market risk using VAR analysis requires a number of key assumptions. In calculating VAR at September 30, 2004, 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 has nearly completed a large-scale, long-term process of calculating its VAR by a more robust methodology. Approximately 90% 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, 2004, 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, 2003, as updated by the Company's Quarterly Reports on Form 10-Q for the quarters ended March 31, 2004 and June 30, 2004 and the Company's Current Reports on Form 8-K dated July 21, 2004 and October 21, 2004.

Enron Corp.

A Citigroup affiliate, along with other defendants, settled all claims against it in IN RE NEWPOWER HOLDINGS SECURITIES LITIGATION, a class action brought on behalf of certain investors in NewPower securities. Citigroup reached this settlement agreement without admitting any wrongdoing. On September 13, 2004, the United States District Court for the Southern District of New York preliminarily approved the settlement.

Dynegy Inc.

On October 7, 2004, the United States District Court for the Southern District of Texas granted the motion to dismiss all claims against the Citigroup defendants in IN RE DYNEGY INC. SECURITIES LITIGATION. The District Court also denied lead plaintiff's request for leave to replead. The case was a putative class action brought on behalf of purchasers of publicly traded Dynegy debt and equity securities.

WorldCom, Inc.

The United States Court of Appeals for the Second Circuit has affirmed the orders of the United States District Court for the Southern District of New York denying plaintiffs' motions to remand to state court a large group

of WorldCom-related actions. On September 13, 2004, plaintiffs filed a petition for a writ of certiorari to the United States Supreme Court seeking review of the Second Circuit's ruling.

On September 17, 2004, WEINSTEIN, ET AL. V. EBBERS, ET AL., a putative class action against Citigroup Global Markets Inc. ("CGMI") and others brought on behalf of holders of WorldCom securities asserting claims based on, among other things, CGMI's research reports concerning WorldCom, was dismissed with prejudice in its entirety by the United States District Court for the Southern District of New York. Plaintiffs have noticed an appeal of the dismissal to the United States Court of Appeals for the Second Circuit.

Citigroup and CGMI, along with a number of other defendants, have settled RETIREMENT SYSTEMS OF ALABAMA, ET AL. V. J.P. MORGAN CHASE & CO., ET AL., a WorldCom individual action that had been remanded to the Circuit Court of Montgomery County, Alabama. The settlement became final on September 30, 2004.

On June 28, 2004, the United States District Court for the Southern District of New York dismissed all claims under the Securities Act of 1933 and certain claims under the Securities Exchange Act of 1934 in IN RE TARGETS SECURITIES LITIGATION, a putative class action against Citigroup and CGMI and certain former employees, leaving only claims under the 1934 Act for purchases of Targeted Growth Enhanced Terms Securities With Respect to the Common Stock of MCI WorldCom, Inc. ("TARGETS") after July 30, 1999. On October 20, 2004, the parties signed a Memorandum of Understanding setting forth the terms of a settlement of all remaining claims in this action. The settlement must be approved by the Court.

On November 5, 2004, the United States District Court for the Southern District of New York approved the class settlement between plaintiffs and the Citigroup-related defendants in IN RE WORLDCOM, INC. SECURITIES LITIGATION. The Court's approval is subject to possible appeal by plaintiffs.

Research

Several individual actions have been filed against Citigroup and CGMI relating to, among other things, research on Qwest Communications International, Inc. alleging violations of state and federal securities laws.

Other

On October 13, 2004, the United States District Court for the Southern District of New York certified a class in various representative cases with respect to the allocation of shares for certain initial public offerings and related aftermarket transactions.

An appeal of the dismissal granted to CGMI in November 2003 with respect to the antitrust case relating to the allocation of shares for certain initial public offerings is scheduled to be argued in December 2004.

Item 6. EXHIBITS

<u>Exhibit Number</u>	<u>Description of Exhibit</u>
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.

† 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 12, 2004

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

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

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

<i>Dollars in millions</i>	Nine Months Ended September 30, <u>2004</u>
Losses from operations:	
Loss before income taxes	\$ (3,119)
Add fixed charges (see below)	<u>4,289</u>
Earnings as defined	<u><u>\$ 1,170</u></u>
Fixed charges from operations:	
Interest expense	\$ 4,183
Other adjustments	<u>106</u>
Fixed charges from operations as defined	<u><u>\$ 4,289</u></u>
Ratio of earnings to fixed charges	<u><u>0.27</u></u>

NOTE:

The ratio of earnings to fixed charges was calculated by dividing the sum of fixed charges into the sum of losses 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 12, 2004

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 12, 2004

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, 2004, 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 12, 2004

/s/ John C. Morris
John C. Morris
Chief Financial Officer
November 12, 2004

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.