

**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 June 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 1-4346

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.

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For the Quarter Ended June 30, 2003

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

Dollars in millions	Three Months		Six Months	
Period Ended June 30,	2003	2002	2003	2002
Revenues:				
Investment banking	\$ 1,065	\$ 958	\$ 1,892	\$ 1,874
Commissions	936	1,003	1,759	1,958
Asset management and administration fees	795	956	1,593	1,878
Principal transactions	620	56	1,241	663
Other	68	78	95	74
Total non-interest revenues	3,484	3,051	6,580	6,447
Interest and dividends	2,113	2,483	4,145	4,714
Interest expense	1,377	1,702	2,749	3,255
Net interest and dividends	736	781	1,396	1,459
Revenues, net of interest expense	4,220	3,832	7,976	7,906
Non-interest expenses:				
Compensation and benefits	2,269	2,100	4,304	4,357
Floor brokerage and other production	180	182	338	326
Communications	168	162	335	314
Occupancy and equipment	135	139	271	266
Professional services	97	69	177	122
Advertising and market development	69	77	129	146
Other operating and administrative expenses	96	114	178	184
Total non-interest expenses	3,014	2,843	5,732	5,715
Income before income taxes and cumulative effect of change in accounting principle	1,206	989	2,244	2,191
Provision for income taxes	467	370	855	819
Income before cumulative effect of change in accounting principle	739	619	1,389	1,372
Cumulative effect of change in accounting principle (net of tax benefit of \$16)	-	-	-	(24)
Net income	\$ 739	\$ 619	\$ 1,389	\$ 1,348

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	June 30, 2003 (Unaudited)	December 31, 2002
Assets:		
Cash and cash equivalents	\$ 3,694	\$ 3,722
Cash segregated and on deposit for Federal and other regulations or deposited with clearing organizations	2,826	2,461
Collateralized short-term financing agreements:		
Securities purchased under agreements to resell	\$104,467	\$94,775
Deposits paid for securities borrowed	<u>54,896</u>	<u>45,439</u>
	159,363	140,214
Financial instruments owned and contractual commitments:		
(Approximately \$38 billion and \$34 billion were pledged to various parties at June 30, 2003 and December 31, 2002, respectively)		
U.S. government and government agency securities	36,333	34,610
Corporate debt securities	23,664	17,597
Contractual commitments	17,375	15,788
Non-U.S. government and government agency securities	12,831	9,989
Equity securities	12,797	9,531
Mortgage loans and collateralized mortgage obligations	8,047	7,512
Money market instruments	4,724	6,565
Other financial instruments	<u>7,955</u>	<u>6,548</u>
	123,726	108,140
Receivables:		
Customers	23,607	16,439
Brokers, dealers and clearing organizations	20,922	8,776
Other	<u>3,204</u>	<u>2,858</u>
	47,733	28,073
Property, equipment and leasehold improvements, net of accumulated depreciation and amortization of \$1,093 and \$1,048, respectively	1,500	1,025
Goodwill	1,530	1,530
Intangibles	805	808
Other assets	5,952	6,018
Total assets	\$347,129	\$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	June 30, 2003 (Unaudited)	December 31, 2002
Liabilities and Stockholder's Equity:		
Commercial paper and other short-term borrowings	\$ 23,790	\$ 22,619
Collateralized short-term financing agreements:		
Securities sold under agreements to repurchase	\$120,976	\$118,878
Deposits received for securities loaned	<u>19,863</u>	<u>10,439</u>
	140,839	129,317
Financial instruments sold, not yet purchased, and contractual commitments:		
Non-U.S. government and government agency securities	22,931	21,783
U.S. government and government agency securities	18,091	13,133
Contractual commitments	16,738	14,821
Corporate debt securities and other	11,498	7,697
Equity securities	<u>4,856</u>	<u>4,243</u>
	74,114	61,677
Payables and accrued liabilities:		
Customers	27,299	16,724
Brokers, dealers and clearing organizations	21,092	5,074
Other	<u>12,957</u>	<u>11,320</u>
	61,348	33,118
Term debt	32,911	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	3,547	3,016
Retained earnings	10,585	9,543
Accumulated changes in equity from nonowner sources	<u>(5)</u>	<u>(1)</u>
Total stockholder's equity	14,127	12,558
Total liabilities and stockholder's equity	\$347,129	\$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 CASH FLOWS
(UNAUDITED)

Dollars in millions		
Six Months Ended June 30,	2003	2002
Cash flows from operating activities:		
Net income	\$ 1,389	\$ 1,348
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	146	164
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	(365)	1,871
Securities borrowed or purchased under agreements to resell	(19,149)	(15,302)
Financial instruments owned and contractual commitments	(15,586)	(5,888)
Receivables	(19,660)	14,677
Goodwill, intangibles and other assets, net	469	2,250
Securities loaned or sold under agreements to repurchase	11,522	17,774
Financial instruments sold, not yet purchased, and contractual commitments	12,437	(3,061)
Payables and accrued liabilities	28,230	(16,272)
Net cash used in operating activities	(567)	(2,415)
Cash flows from financing activities:		
Increase in commercial paper and other short-term borrowings	1,171	1,911
Proceeds from issuance of term debt	8,086	5,944
Term debt maturities and repurchases	(7,856)	(4,567)
Repayment of mandatorily redeemable securities of subsidiary trust	(400)	-
Capital contribution from Parent	500	-
Dividends paid	(347)	(640)
Other capital transactions	-	4
Net cash provided by financing activities	1,154	2,652
Cash flows from investing activities:		
Property, equipment and leasehold improvements, net	(615)	(86)
Net cash used in investing activities	(615)	(86)
Net increase (decrease) in cash and cash equivalents	(28)	151
Cash and cash equivalents at January 1,	3,722	3,018
Cash and cash equivalents at June 30,	\$ 3,694	\$ 3,169

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 \$471 million during the six months ended June 30, 2003 and paid cash for income taxes, net of refunds of \$1,163 million during the six months ended June 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. 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

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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intangible assets related to the Asset Management segment.

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 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”). This Interpretation changes 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 is called a variable interest entity (“VIE”) if it has equity that is insufficient to permit the entity to finance its activities without additional subordinated financial support from other parties, or 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 in accordance with 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.

The provisions of FIN 46 are to be applied immediately to VIEs created after January 31, 2003, and to VIEs in which an enterprise obtains an interest after that date. For VIEs in which an enterprise holds a variable interest that it acquired before February 1, 2003, FIN 46 applies in the first fiscal period beginning after June 15, 2003. 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 Company is evaluating the impact of applying FIN 46 to existing VIEs in which it has variable interests and has not yet completed this analysis. The Company is restructuring certain VIEs to enable them to meet the criteria for non-consolidation. At this time, it is anticipated that the effect on the Company's condensed consolidated statement of

CITIGROUP GLOBAL MARKETS HOLDINGS INC. AND SUBSIDIARIES
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financial condition could be an increase of as much as \$2.5 billion to both assets and liabilities. As the Company continues to evaluate the impact of applying FIN 46, additional entities may be identified that would need to be consolidated by the Company.

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, net income would have been the pro forma amounts indicated below:

Dollars in millions		Three Months		Six Months	
Period ended June 30,		2003	2002	2003	2002
Compensation expense					
related to stock option	As reported	\$ 7	\$ -	\$ 11	\$ -
plans, net of tax	Pro forma	34	47	68	89
Net income	As reported	739	619	1,389	1,348
	Pro forma	712	572	1,332	1,259

The Company, through its parent, has made changes to various stock-based compensation plan provisions for awards granted in 2003. 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, 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, 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, subject to certain minimum ownership guidelines, over the term of their employment. Original option grants in 2003 and thereafter will not have a reload feature; however, previously granted options will retain that feature. Other changes may also be made that may impact the expense recognized under SFAS 123.

CITIGROUP GLOBAL MARKETS HOLDINGS INC. AND SUBSIDIARIES
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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 is not expected to 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 at the beginning of the first interim period beginning after June 15, 2003. SFAS 150 is not expected to 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, net of tax:

Dollars in millions	Three Months		Six Months	
Period ended June 30,	2003	2002	2003	2002
Net income	\$739	\$619	\$1,389	\$1,348
Other changes in equity from nonowner sources	(1)	5	(4)	5
Total comprehensive income	\$738	\$624	\$1,385	\$1,353

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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 June 30, 2003 are as follows:

(Dollars in millions) Subsidiary	Jurisdiction	Net Capital (U.S.) or Financial Resource s (U.K.)	Excess over Minimum Requirement s
Citigroup Global Markets Inc.	U.S. Securities and Exchange Commission Uniform Net Capital Rule (Rule 15c3-1)	\$3,326	\$2,715
Citigroup Global Markets Limited	United Kingdom's Financial Services Authority	\$3,273	\$ 566

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 June 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.

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

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

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, 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 June 30, 2003 and December 31, 2002 is as follows:

	June 30, 2003			December 31, 2002		
	Notional or Amounts	Current Market or Fair Value		Notional or Contractual Amounts	Current Market or Fair Value	
Dollars in billions		Assets	Liabilities		Assets	Liabilities
Exchange-traded products:						
Futures contracts ^(a)	\$ 285.0	\$ -	\$ -	\$ 192.2	\$ -	\$ -
Other exchange-traded products:						
Equity contracts	47.5	2.8	2.9	50.8	1.4	2.0
Fixed income, foreign exchange and commodity	15.2	-	-	9.5	-	-
Total exchange-traded products	347.7	2.8	2.9	252.5	1.4	2.0
Over-the-counter ("OTC") swaps, swap options, caps, floors and forward rate agreements:						
Swaps	2,092.7			2,567.7		
Swap options written	68.4			60.1		
Swap options purchased	60.8			52.7		
Caps, floors and forward rate agreements	171.0			181.9		
Total OTC swaps, swap options, caps, floors and forward agreements ^(b)	2,392.9	11.5	9.3	2,862.4	11.9	9.4
Other options and contractual commitments:						
Options and warrants on equities and equity indices	91.5	1.5	3.5	73.5	1.1	2.4
Options and forward contracts on fixed-income securities	792.1	.9	.3	628.7	.8	.4
Foreign exchange contracts and options ^(b)	105.1	.6	.6	58.7	.5	.5
Commodity contracts	9.4	.1	.1	9.2	.1	.1
Total contractual commitments	\$3,738.7	\$17.4	\$16.7	\$3,885.0	\$15.8	\$14.8

(a) Margin on futures contracts is included in receivable/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 \$14.0 billion and \$5.2 billion at June 30, 2003, respectively, and \$14.3 billion and \$4.1 billion at December 31, 2002, respectively.

Note 5. Segment Information

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(UNAUDITED)

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	Three Months		Six Months	
Period ended June 30,	2003	2002	2003	2002
Revenues, net of interest expense:				
Investment Services	\$ 2,537	\$ 1,987	\$ 4,747	\$ 4,270
Private Client Services	1,431	1,536	2,740	3,029
Asset Management	252	309	489	607
Total	\$ 4,220	\$ 3,832	\$ 7,976	\$ 7,906
Total non-interest expenses:				
Investment Services	\$ 1,712	\$ 1,473	\$ 3,222	\$ 3,023
Private Client Services	1,153	1,191	2,221	2,351
Asset Management	149	179	289	341
Total	\$ 3,014	\$ 2,843	\$ 5,732	\$ 5,715
Net Income:				
Investment Services	\$ 505	\$ 322	\$ 947	\$ 782
Private Client Services	171	218	319	429
Asset Management	63	79	123	137
Total	\$ 739	\$ 619	\$ 1,389	\$ 1,348

Total assets of the Investment Services, Private Client Services and Asset Management segments were \$333.4 billion, \$12.0 billion and \$1.7 billion, respectively, at June 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.

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

Note 6. Legal Proceedings

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 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. In addition, the Company is a member of 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 indemnification clauses are often standard contractual terms and were entered into in the normal course of business based on an assessment that the risk of loss would be remote. In many cases, there are no stated or notional amounts included in the indemnification clauses and the contingencies 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 June 30, 2003, related to these indemnifications.

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 June 30, 2003, the carrying amount of the liabilities related to these derivatives was \$2 billion.

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 June 30, 2003, the maximum potential loss at notional value related to credit default swaps and total rate of return swaps amounted to \$45 billion, of which \$5.5 billion expire within one year and \$39.5 billion expire after one year. At June 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 \$2.3 billion.

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

Guarantees to joint ventures and other third parties primarily include guarantees of their debt obligations. At June 30, 2003, the carrying amounts of the liabilities and the maximum potential loss related to these joint venture and other third party guarantees were \$510 million, of which \$385 million expires within one year and \$125 million expires after one year. Securities and other marketable assets held as collateral to reimburse losses under other third party guarantees amounted to \$23 million at June 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 June 30, 2003, the carrying amounts of the liabilities and the maximum potential loss related to guarantees of collection of contractual cash flows were \$24 million.

**CITIGROUP GLOBAL MARKETS HOLDINGS INC. AND SUBSIDIARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND
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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. 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 agreed to submit 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. The Company and certain other Citigroup subsidiaries had previously established a reserve for the cost of these settlements.

RESULTS OF OPERATIONS

For the three months ended June 30, 2003 (the "2003 Quarter"), the Company recorded net income of \$739 million compared to \$619 million for the three months ended June 30, 2002 (the "2002 Quarter"). Revenues, net of interest expense, were \$4,220 million in the 2003 Quarter compared to \$3,832 million in the 2002 Quarter. Principal transactions revenues increased significantly to \$620 million in the 2003 Quarter compared to \$56 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 \$1,065 million as the result of increases in high yield and high grade debt underwritings offset by declines in merger and acquisition fees. Commission revenues declined in the 2003 Quarter to \$936 million as a result of a decline in listed commissions. Asset management and administration fees declined to \$795 million as the result of market weakness and declines in fees from managed accounts. Net interest and dividends decreased to \$736 million in the 2003 Quarter primarily as a result of a decrease in mortgage-backed trading interest. Total non-interest expenses increased 6% in the 2003 Quarter to \$3,014 million as a result of increased production-related compensation and benefits expense.

For the six months ended June 30, 2003 (the "2003 Period"), the Company recorded net income of \$1,389 million compared to \$1,348 million for the six months ended June 30, 2002 (the "2002 Period"). Revenues, net of interest expense, were \$7,976 million in the 2003 Period compared to \$7,906 million in the 2002 Period. Principal transactions revenues increased significantly to \$1,241 million in the 2003 Period compared to \$663 million in the 2002 Period primarily as the result of an increase in fixed income trading. Commission revenues decreased to \$1,759 million primarily as a result of a decrease in listed commissions. Asset management and administration fees decreased 15% primarily as a result of market weakness and declines in fees from managed accounts. Net interest and dividends decreased to \$1,396 million in the 2003 Period primarily as a result of a decrease in mortgage-backed trading interest. Total non-interest expenses in the 2003 Period were essentially unchanged when compared to the 2002 Period.

CITIGROUP GLOBAL MARKETS HOLDINGS INC. AND SUBSIDIARIES
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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 June 30,	Three Months		Six Months	
	2003	2002	2003	2002
Revenues, net of interest expense	\$2,537	\$1,987	\$4,747	\$4,270
Total non-interest expense	1,712	1,473	3,222	3,023
Income before income taxes	825	514	1,525	1,247
Provision for income taxes	320	192	578	465
Net income	\$ 505	\$ 322	\$ 947	\$ 782

The Company's Investment Services segment recorded net income in the 2003 Quarter of \$505 million and \$947 million in the 2003 Period, compared to \$322 million and \$782 million in the 2002 Quarter and the 2002 Period, respectively.

Revenues, net of interest expense, increased 28% and 11% to \$2.5 billion and \$4.7 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 an increase in fixed income 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 increases in high yield and high grade debt underwritings, offset by a decline in merger and acquisition fees. In the 2003 Period, investment banking revenues were essentially unchanged. 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 \$1.7 billion and \$3.2 billion in the 2003 Quarter and the 2003 Period, respectively, primarily due to an increase in production-related compensation and benefits expense, partially offset by reduced floor brokerage and other production expenses.

Private Client Services

Dollars in millions Period Ended June 30,	Three Months		Six Months	
	2003	2002	2003	2002
Revenues, net of interest expense	\$1,431	\$1,536	\$2,740	\$3,029
Total non-interest expense	1,153	1,191	2,221	2,351
Income before income taxes	278	345	519	678
Provision for income taxes	107	127	200	249
Net income	\$ 171	\$ 218	\$ 319	\$ 429

CITIGROUP GLOBAL MARKETS HOLDINGS INC. AND SUBSIDIARIES
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Private Client Services net income was \$171 million in the 2003 Quarter, down \$47 million or 22% from the prior year, primarily due to lower asset-based fee revenue and a decline in net interest revenue from securities-based lending, partially offset by an increase in transaction volumes, lower production-related compensation, and the impact of continued expense control initiatives. Net income declined in the 2003 Period primarily due to lower asset-based fee revenue along with lower transactional volumes.

Revenues, net of interest expense, of \$1,431 million in the 2003 Quarter and \$2,740 million in the 2003 Period decreased \$105 million or 7% and \$289 million or 10%, respectively, from the prior-year periods. The decrease in the 2003 Quarter primarily reflects declines in fees from managed accounts and lower net interest revenue on security-based lending, partially offset by higher commissions and other transactional revenue. 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 \$182.4 billion as of June 30, 2003, up \$11.7 billion or 7% from June 30, 2002, primarily due to an increase in market values and positive net flows. Total client assets, including assets under fee-based management, were \$959 billion as of June 30, 2003, an increase of \$27 billion or 3% compared to the 2002 Quarter. This increase was principally due to market appreciation and positive net flows. Net flows were \$9 billion in the 2003 Quarter, maintaining the same level as the prior year period.

Operating expenses of \$1,153 million in the 2003 Quarter and \$2,221 million in the 2003 Period, decreased 3% and 6%, respectively, from the prior-year periods, 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 June 30,	2003	2002
Financial Consultant managed accounts	\$ 60.9	\$ 54.7
Consulting Group and internally managed assets	121.5	116.0
Total assets under fee-based management (1)	\$182.4	\$170.7

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

CITIGROUP GLOBAL MARKETS HOLDINGS INC. AND SUBSIDIARIES
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Asset Management

Dollars in millions Period Ended June 30,	Three Months		Six Months	
	2003	2002	2003	2002
Revenues, net of interest expense	\$252	\$309	\$489	\$607
Total non-interest expense	149	179	289	341
Income before income taxes and cumulative effect of change in accounting principle	103	130	200	266
Provision for income taxes	40	51	77	105
Cumulative effect of change in accounting principle (net of tax benefit of \$16)	-	-	-	(24)
Net income	\$ 63	\$ 79	\$123	\$137

The Company's Asset Management segment revenues, net of interest expense, decreased to \$252 million and \$489 million in the 2003 Quarter and 2003 Period, respectively, compared to \$309 million and \$607 million in the 2002 Quarter and 2002 Period, respectively. The primary revenue for the Asset Management segment is asset management and administration fees, which decreased to \$244 million and \$478 million in the 2003 Quarter and 2003 Period, respectively, compared to \$300 million in the 2002 Quarter and \$588 million in the 2002 Period, respectively. The decrease in revenues in the 2003 Quarter and 2003 Period reflects the impact of market weakness, reduced fee revenues and the impact of outflows of U.S. retail money market funds. 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 \$11 million and \$20 million in the 2003 Quarter and 2003 Period, respectively.

Assets under management for the segment were \$264.6 billion at June 30, 2003, compared to \$270.2 billion at June 30, 2002. This decrease is primarily due to the net outflows of U.S. retail money market funds, which includes the transfer of assets to the Smith Barney Bank Deposit Program. These decreases were partially offset by positive market action and positive net flows.

Total noninterest expenses were \$149 million and \$289 million in the 2003 Quarter and 2003 Period, respectively, compared to \$179 million and \$341 million in the 2002 Quarter and 2002 Period, respectively. The decrease in expenses is due to reduced compensation and benefits expense and the change in the presentation of certain fee sharing arrangements.

CITIGROUP GLOBAL MARKETS HOLDINGS INC. AND SUBSIDIARIES
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Assets under fee-based management were as follows:

Dollars in billions		
At June 30,	2003	2002
Money market funds	\$ 87.0	\$ 98.8
Mutual funds	77.5	71.4
Managed accounts	94.8	93.9
Unit investment trusts held in client accounts	5.3	6.1
Total Citigroup Asset Management	\$264.6	\$270.2

LIQUIDITY AND CAPITAL RESOURCES

The Company's total assets were \$347 billion at June 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 \$222.0 billion at June 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 and letters of credit, deposit liabilities, promissory notes and corporate loans. Short-term uncollateralized borrowings totaled \$23.1 billion at June 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

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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 June 30, 2003, there were no 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 June 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 June 30, 2003, this requirement was exceeded by approximately \$6.0 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 June 30, 2003 and December 31, 2002. The VAR relating to

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accrual portfolios has been excluded from this analysis.

Risk Exposures (\$ in Millions)	June 30, 2003	Second Quarter 2003 Average	Second Quarter 2003 High	Second Quarter 2003 Low	December 31, 2002
Interest rate	\$81	\$71	\$ 96	\$56	\$63
Equities	18	15	22	9	12
Commodities	6	6	10	3	5
Currency	5	5	9	3	4
Diversification Benefit	(21)	(24)	N/A	N/A	(18)
Total*	\$89	\$73	\$ 96	\$58	\$66

* Includes diversification benefit.

The quantification of market risk using VAR analysis requires a number of key assumptions. In calculating VAR at June 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 June 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 Report on Form 10-Q for the quarter ended March 31, 2003 and our Current Report on Form 8-K dated April 28, 2003.

Enron

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. 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 agreed to submit 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.

Additional Actions

Several additional actions, previously identified, have been consolidated 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 April 17, 2003, an action was brought by two investment firms in connection with purchases of Osprey Trust certificates for alleged violations of federal securities laws and state securities and other laws. Also, in July 2003, an action was brought by purchasers in the secondary market of Enron bank debt against Citigroup, Citibank, Citigroup Global Markets Inc. ("CGMI"), and others, alleging claims for common law fraud, conspiracy, gross negligence, negligence and breach of fiduciary duty.

Research

On June 23, 2003, the West Virginia Attorney General filed an action against CGMI and nine other firms that were parties to the April 28, 2003 settlement with the SEC, the National Association of Securities Dealers ("NASD"), the New York Stock Exchange ("NYSE") and the New York Attorney General (the "Research Settlement"). The West Virginia Attorney General alleges that the firms violated the West Virginia Consumer Credit and Protection Act in connection with their research activities and seeks monetary penalties.

In May 2003, the SEC, NYSE and NASD issued a subpoena and letters to CGMI requesting documents and information with respect to their continuing investigation of individuals in connection with the supervision of the research and investment banking departments of CGMI. Other parties to the Research Settlement have received similar subpoena and letters.

In April 2003, to effectuate the Research Settlement, the SEC filed a Complaint and Final Judgment in the United States District Court for the Southern District of New York. The Final Judgment has not yet been entered by the court, and the court has asked for certain additional information. Also in April 2003, the NASD accepted the Letter of Acceptance, Waiver and Consent entered into with CGMI in connection with the Research Settlement; and in May 2003, the NYSE advised CGMI that the Hearing Panel's Decision, in which it accepted the Research Settlement, had become final. CGMI is currently in discussion with various of the states with respect to completion of the state components of the Research Settlement. Payment will be made in conformance with the payment provisions of the Final Judgment.

WorldCom, Inc.

On May 19, 2003, the motion to dismiss the amended complaint in the WorldCom, Inc. Securities Litigation was denied.

Dynegy Inc.

On June 6, 2003, the complaint in a pre-existing putative class action pending in the United States District Court for the Southern District of Texas, brought by purchasers of publicly traded debt and equity securities of Dynegy Inc., was amended to add Citigroup, Citibank and CGMI, as well as other banks, as defendants. The plaintiffs allege violations of the federal securities laws against the Citigroup defendants.

Adelphia Communications Corporation

On July 6, 2003, an adversary proceeding was filed by the Official Committee of Unsecured Creditors on behalf of Adelphia against certain lenders and investment banks, including CGMI, Citibank, N.A., Citicorp USA, Inc., and Citigroup Financial Products, Inc. (together, the Citigroup Parties). The Complaint alleges that the Citigroup Parties and numerous other defendants committed acts in violation of the Bank Company Holding Act and the common law. The complaint seeks equitable relief and an unspecified amount of compensatory and punitive damages.

In addition, Salomon Smith Barney Inc. (predecessor of Citigroup Global Markets Inc.) is among the underwriters named in numerous civil actions brought to date by investors in Adelphia debt securities in connection with Adelphia securities offerings between September 1997 and October 2001. Three of the complaints also assert claims against Citigroup Inc. and Citibank, N.A. All of the complaints allege violations of federal securities laws, and certain of the complaints also allege violations of state securities laws and the common law. The complaints seek unspecified damages.

Other

MKP Master Fund, LDC et al. v. Salomon Smith Barney Inc.

In July 2003, CGMI's motion for summary judgment was granted.

Item 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits: See Exhibit Index.

(b) Reports on Form 8-K:

On April 7, 2003, the Company filed a Current Report on Form 8-K, dated April 7, 2003, (a) reporting under Item 5 thereof that it had filed a Restated Certificate of Incorporation with the Secretary of State of the State of New York changing its name from Salomon Smith Barney Holdings Inc. to Citigroup Global Markets Holdings Inc. and (b) filing as an exhibit under Item 7 thereof its Restated Certificate of Incorporation.

On April 14, 2003, the Company filed a Current Report on Form 8-K, dated April 14, 2003, reporting under Item 5 thereof the results of its operations for the three-month periods ended March 31, 2003 and 2002.

On April 28, 2003, the Company filed a Current Report on Form 8-K, dated April 28, 2003, (a) reporting under Item 5 thereof the settlement by Citigroup Global Markets Inc. (formerly Salomon Smith Barney Inc.) with the SEC, the NASD, the NYSE and the New York Attorney General of all outstanding investigations into research, IPO allocation and distribution practices and (b) filing as an exhibit under Item 7 thereof a copy of the related press release dated April 28, 2003.

On April 30, 2003, the Company filed a Current Report on Form 8-K, dated April 24, 2003, filing certain exhibits under Item 7 thereof relating to the offer and sale of the Company's Stock Market Upturn Notes based upon the Dow Jones Industrial Average Due April 29, 2005.

On June 2, 2003, the Company filed a Current Report on Form 8-K, dated May 27, 2003, filing certain exhibits under Item 7 thereof relating to the offer and sale of the Company's 7.0% Select Equity Indexed Notes based upon the common stock of Intel Corporation due May 27, 2005.

On June 30, 2003, the Company filed a Current Report on Form 8-K, dated June 24, 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 June 28, 2004.

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

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.

EXHIBIT INDEX

<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: August 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)

	Six Months Ended June 30, 2003
<i>Dollars in millions</i>	
Earnings from operations:	
Income before income taxes	\$ 2,244
Add fixed charges (see below)	<u>2,823</u>
Earnings as defined	<u>\$ 5,067</u>
Fixed charges from operations:	
Interest expense	\$ 2,749
Other adjustments	<u>74</u>
Fixed charges from operations as defined	<u>\$ 2,823</u>
Ratio of earnings to fixed charges	<u>1.79</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, 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: August 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 June 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
August 13, 2003

/s/ John C. Morris
John C. Morris
Chief Financial Officer
August 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.

