

**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 March 31, 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](http://www.citigroup.com).



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

Dollars in millions		
Three Months Ended March 31,	2003	2002
Revenues:		
Investment banking	\$ 827	\$ 916
Commissions	823	955
Asset management and administration fees	798	922
Principal transactions	621	607
Other	27	(4)
Total non-interest revenues	3,096	3,396
Interest and dividends	2,032	2,231
Interest expense	1,372	1,553
Net interest and dividends	660	678
Revenues, net of interest expense	3,756	4,074
Non-interest expenses:		
Compensation and benefits	2,035	2,257
Communications	167	152
Floor brokerage and other production	158	144
Occupancy and equipment	136	127
Professional services	80	53
Advertising and market development	60	69
Other operating and administrative expenses	82	70
Total non-interest expenses	2,718	2,872
Income before income taxes and cumulative effect of change in accounting principle	1,038	1,202
Provision for income taxes	388	449
Income before cumulative effect of change in accounting principle	650	753
Cumulative effect of change in accounting principle (net of tax benefit of \$16)	-	(24)
Net income	\$ 650	\$ 729

*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	March 31, 2003 (Unaudited)	December 31, 2002
<b>Assets:</b>		
Cash and cash equivalents	\$ 3,700	\$ 3,722
Cash segregated and on deposit for Federal and other regulations or deposited with clearing organizations	2,410	2,461
<b>Collateralized short-term financing agreements:</b>		
Securities purchased under agreements to resell	\$98,855	\$94,775
Deposits paid for securities borrowed	52,732	45,439
	151,587	140,214
<b>Financial instruments owned and contractual commitments:</b>		
(Approximately \$38 billion and \$34 billion were pledged to various parties at March 31, 2003 and December 31, 2002, respectively)		
U.S. government and government agency securities	42,799	34,610
Corporate debt securities	18,786	17,597
Contractual commitments	15,909	15,788
Non-U.S. government and government agency securities	15,083	9,989
Equity securities	8,726	9,531
Money market instruments	8,504	6,565
Mortgage loans and collateralized mortgage securities	6,711	7,512
Other financial instruments	6,947	6,548
	123,465	108,140
<b>Receivables:</b>		
Customers	17,204	16,439
Brokers, dealers and clearing organizations	8,539	8,776
Other	2,528	2,858
	28,271	28,073
Property, equipment and leasehold improvements, net of accumulated depreciation and amortization of \$1,106 and \$1,048, respectively	955	1,025
Goodwill	1,530	1,530
Intangibles	805	808
Other assets	6,468	6,018
<b>Total assets</b>	<b>\$319,191</b>	<b>\$291,991</b>

*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	March 31, 2003 (Unaudited)	December 31, 2002
<b>Liabilities and Stockholder's Equity:</b>		
Commercial paper and other short-term borrowings	\$ 22,799	\$ 22,619
Collateralized short-term financing agreements:		
Securities sold under agreements to repurchase	\$134,715	\$118,878
Deposits received for securities loaned	<u>16,225</u>	<u>10,439</u>
	150,940	129,317
Financial instruments sold, not yet purchased, and contractual commitments:		
Non-U.S. government and government agency securities	23,327	21,783
Contractual commitments	13,932	14,821
U.S. government and government agency securities	12,641	13,133
Corporate debt securities and other	9,928	7,697
Equity securities	<u>3,910</u>	<u>4,243</u>
	63,738	61,677
Payables and accrued liabilities:		
Customers	18,485	16,724
Brokers, dealers and clearing organizations	6,932	5,074
Other	<u>10,979</u>	<u>11,320</u>
	36,396	33,118
Term debt	31,613	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	3,522	3,016
Retained earnings	10,187	9,543
Accumulated changes in equity from nonowner sources	<u>(4)</u>	<u>(1)</u>
Total stockholder's equity	13,705	12,558
<b>Total liabilities and stockholder's equity</b>	<b>\$319,191</b>	<b>\$291,991</b>

*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		
Three Months Ended March 31,	2003	2002
<b>Cash flows from operating activities:</b>		
Net income	\$ 650	\$ 729
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	75	82
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	51	2,397
Securities borrowed or purchased under agreements to resell	(11,373)	(20,717)
Financial instruments owned and contractual commitments	(15,325)	106
Receivables	(198)	8,413
Goodwill, intangibles and other assets, net	(382)	1,884
Securities loaned or sold under agreements to repurchase	21,623	8,516
Financial instruments sold, not yet purchased, and contractual commitments	2,061	4,333
Payables and accrued liabilities	3,278	(11,708)
<b>Net cash provided by (used in) operating activities</b>	<b>460</b>	<b>(5,941)</b>
<b>Cash flows from financing activities:</b>		
Increase in commercial paper and other short-term borrowings	180	4,302
Proceeds from issuance of term debt	2,440	4,090
Term debt maturities and repurchases	(3,194)	(2,660)
Repayment of mandatorily redeemable securities of subsidiary trust	(400)	-
Capital contribution from Parent	500	-
Dividends paid	(6)	(266)
Other capital transactions	-	4
<b>Net cash (used in) provided by financing activities</b>	<b>(480)</b>	<b>5,470</b>
<b>Cash flows from investing activities:</b>		
Property, equipment and leasehold improvements, net	(2)	(49)
<b>Net cash used in investing activities</b>	<b>(2)</b>	<b>(49)</b>
Net decrease in cash and cash equivalents	(22)	(520)
Cash and cash equivalents at January 1,	3,722	3,018
<b>Cash and cash equivalents at March 31,</b>	<b>\$ 3,700</b>	<b>\$ 2,498</b>

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

*The Company paid cash for income taxes, net of refunds, of \$470 million during the three months ended March 31, 2003 and paid cash for income taxes, net of refunds of \$1,438 million during the three months ended March 31, 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 or restated 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***

***Goodwill and 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 intangible assets resulting from business combinations consummated after June 30, 2001. The new rules require that all business combinations initiated 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.

The Company has performed the required impairment tests of goodwill and indefinite lived intangible assets as of January 1, 2002. There was no impairment of goodwill upon adoption of SFAS 142. The initial adoption resulted in a

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cumulative adjustment of \$24 million (net of tax benefit of \$16 million) recorded as a charge to earnings related to the impairment of certain intangible assets related to the Asset Management segment.

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

In June 2002, the Financial Accounting Standards Board (“FASB”) issued 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 be recognized when the liability is incurred. Existing generally accepted accounting principles provide 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 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 adoption of SFAS 146 did not materially affect the Company’s condensed consolidated financial statements.

***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 did not materially affect the Company’s condensed consolidated financial statements.

***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 evaluate 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.

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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 actively pursuing certain restructuring solutions that would enable certain VIEs to meet the criteria for non-consolidation. However, at this time, it is anticipated that the effect on the Company's condensed consolidated statement of financial condition could be an increase of as much as \$1.4 billion to assets and liabilities, primarily due to several structured finance entities in which the Company is involved if these non-consolidation solutions are not successful. 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.

***Accounting for 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 ended March 31,		2003 (1)	2002
Compensation expense related to stock	As reported	\$ 3	-
option plans, net of tax	Pro forma	34	42
Net income	As reported	\$650	\$729
	Pro forma	619	687

(1) The \$3 million "As reported" for the three months ended March 31, 2003, represents two months of the expense (net of tax) recognized for options granted in 2003. The "Pro Forma" amounts reflect the expense that would have been recognized had all issued option grants been expensed.

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 after December 31, 2002 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 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 also may 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 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.

**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 ended March 31,	2003	2002
Net income	\$650	\$729
Other changes in equity from nonowner sources	(3)	-
<b>Total comprehensive income</b>	<b>\$647</b>	<b>\$729</b>

**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 March 31, 2003 are as follows:

(Dollars in millions) Subsidiary	Jurisdiction	Net Capital or Equivalen t	Excess over Minimum Requirement s
Citigroup Global Markets Inc.	U.S. Securities and Exchange Commission Uniform Net Capital Rule (Rule 15c3-1)	\$3,799	\$3,374
Citigroup Global Markets Limited	United Kingdom’s Financial Services Authority	\$3,217	\$ 430

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 March 31, 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.

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**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 March 31, 2003 and December 31, 2002 is as follows:

	March 31, 2003			December 31, 2002		
	Notional or Amounts	Current Market or Fair Value		Notional or Contractual Amounts	Current Market or Fair Value	
		Assets	Liabilities		Assets	Liabilities
Dollars in billions						
Exchange-traded products:						
Futures contracts <sup>(a)</sup>	\$ 176.9	\$ -	\$ -	\$ 192.2	\$ -	\$ -
Other exchange-traded products:						
Equity contracts	56.7	2.4	3.0	50.8	1.4	2.0
Fixed income and commodity contracts	13.5	-	-	9.5	-	-
<b>Total exchange-traded products</b>	<b>247.1</b>	<b>2.4</b>	<b>3.0</b>	<b>252.5</b>	<b>1.4</b>	<b>2.0</b>
Over-the-counter ("OTC") swaps, swap options, caps, floors and forward rate agreements:						
Swaps	2,423.5			2,567.7		
Swap options written	70.0			60.1		
Swap options purchased	66.7			52.7		
Caps, floors and forward rate agreements	180.9			181.9		
<b>Total OTC swaps, swap options, caps, floors and forward agreements <sup>(b)</sup></b>	<b>2,741.1</b>	<b>10.7</b>	<b>7.6</b>	<b>2,862.4</b>	<b>11.9</b>	<b>9.4</b>
Other options and contractual commitments:						
Options and warrants on equities and equity indices	76.4	1.5	2.5	73.5	1.1	2.4
Options and forward contracts on fixed-income securities	936.4	.9	.3	628.7	.8	.4
Foreign exchange contracts and options <sup>(b)</sup>	72.7	.3	.3	58.7	.5	.5
Commodity contracts	9.8	.1	.2	9.2	.1	.1
<b>Total contractual commitments</b>	<b>\$4,083.5</b>	<b>\$15.9</b>	<b>\$13.9</b>	<b>\$3,885.0</b>	<b>\$15.8</b>	<b>\$14.8</b>

(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 \$14.6 billion and \$4.5 billion at March 31, 2003, respectively, and \$14.3 billion and \$4.1 billion at December 31, 2002, respectively.

**CITIGROUP GLOBAL MARKETS HOLDINGS INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
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**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		
Three months ended March 31,	2003	2002
Revenues, net of interest expense:		
Investment Services	\$ 2,210	\$ 2,283
Private Client Services	1,309	1,493
Asset Management	237	298
<b>Total</b>	<b>\$ 3,756</b>	<b>\$ 4,074</b>
Total non-interest expenses:		
Investment Services	\$ 1,510	\$ 1,550
Private Client Services	1,068	1,160
Asset Management	140	162
<b>Total</b>	<b>\$ 2,718</b>	<b>\$ 2,872</b>
Net Income:		
Investment Services	\$ 442	\$ 460
Private Client Services	148	211
Asset Management	60	58
<b>Total</b>	<b>\$ 650</b>	<b>\$ 729</b>

Total assets of the Investment Services, Private Client Services and Asset Management segments were \$306.1 billion, \$11.4 billion and \$1.7 billion, respectively, at March 31, 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**  
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**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 statement of financial condition as of March 31, 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 March 31, 2003, the carrying amount of the liabilities related to these derivatives was \$3.3 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 March 31, 2003, the maximum potential loss at notional value related to credit default swaps and total rate of return swaps amounted to \$40.1 billion, of which \$4.4 billion expire within one year and \$35.7 billion expire after one year. At March 31, 2003, the maximum potential loss at fair value related to derivative guarantees other than

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credit default swaps and total rate of return swaps amounted to \$3.1 billion.

Guarantees to joint ventures primarily include guarantees of their debt obligations. At March 31, 2003, the carrying amount of the liabilities and the maximum potential loss related to these joint venture guarantees were \$484 million and \$485 million, respectively.

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 March 31, 2003, the carrying amounts of the liabilities and the maximum potential loss related to guarantees of collection of contractual cash flows were \$22 million and \$24 million, respectively.

The Company has provided a residual value guarantee of \$78 million in connection with the lease of buildings occupied by the Company's executive offices and New York operations. The residual value guarantee provides that the guarantor will pay the difference between the fair value of the guaranteed property and the value specified in the contract to the guarantor at the termination or renewal date of the operating lease.

**CITIGROUP GLOBAL MARKETS HOLDINGS INC. AND SUBSIDIARIES  
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND  
RESULTS OF OPERATIONS**

**Item 2.**

**RESULTS OF OPERATIONS**

For the three months ended March 31, 2003 (the "2003 Quarter"), the Company recorded net income of \$650 million compared to \$729 million for the three months ended March 31, 2002 (the "2002 Quarter"). Revenues, net of interest expense, were \$3,756 million in the 2003 Quarter compared to \$4,074 million in the 2002 Quarter.

In the 2002 Quarter, 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 ("SFAS") No. 142, "*Goodwill and Other Intangible Assets*" ("SFAS 142").

Investment banking revenues decreased 10% in the 2003 Quarter as a result of a decline in equity underwriting, partially offset by increases in high yield and high grade debt underwriting, as well as merger and acquisition and bank loan arrangement fees. Included in investment banking revenues in the 2002 Quarter were fees from the Travelers Property Casualty Corp. initial public offering. Commission revenues decreased 14% primarily as a result of a decrease in listed commissions. Asset management and administration fees decreased 13% primarily as a result of negative market action and declines in fees from managed accounts. Total non-interest expenses decreased 5% in the 2003 Quarter due to a decrease in production-related compensation and benefits expenses reflecting reduced revenues of the Company.

**CITIGROUP GLOBAL MARKETS HOLDINGS INC. AND SUBSIDIARIES**  
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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		
For the three months ended March 31,	2003	2002
Revenues, net of interest expense	\$2,210	\$2,283
Total non-interest expenses	1,510	1,550
Income before income taxes	700	733
Provision for income taxes	258	273
Net income	\$ 442	\$ 460

The Company's Investment Services segment recorded net income in the 2003 Quarter of \$442 million compared to \$460 million in the 2002 Quarter.

Revenues, net of interest expense, decreased 3% to \$2.2 billion in the 2003 Quarter. Commission revenues decreased in 2003 as a result of a decrease in listed commissions, partially offset by an increase in OTC commissions. Investment banking revenues declined in the 2003 Quarter as a result of a decrease in equity underwritings. This decrease was partially offset by increases in high yield and high-grade debt underwritings, and merger and acquisition and bank loan arrangement fees. Included in investment banking revenues in the 2002 Quarter were fees from the Travelers Property Casualty Corp. initial public offering. Principal transactions revenue and net interest and dividends were essentially unchanged from the 2002 Quarter.

Total non-interest expenses decreased 3% in the 2003 Quarter primarily due to a decrease in production-related compensation and benefits expense and reduced floor brokerage and other production expense.

**Private Client Services**

Dollars in millions		
For the three months ended March 31,	2003	2002
Revenues, net of interest expense	\$1,309	\$1,493
Total non-interest expenses	1,068	1,160
Income before income taxes	241	333
Provision for income taxes	93	122
Net income	\$ 148	\$ 211

Private Client Services net income was \$148 million in the 2003 Quarter, down \$63 million or 30% from the prior year, primarily due to lower asset-based fee revenue, a decline in net interest revenue from securities-based lending, and lower transaction volumes, which were partially offset by lower production-related compensation, and the impact of continued expense control initiatives.

**CITIGROUP GLOBAL MARKETS HOLDINGS INC. AND SUBSIDIARIES**  
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Revenues, net of interest expense, of \$1,309 million in the 2003 Quarter decreased \$184 million or 12% from the prior-year period, primarily due to declines in fees from managed accounts, lower net interest revenue on security-based lending and lower customer transaction volumes.

Total assets under fee-based management were \$159.8 billion as of March 31, 2003, down \$30.6 billion or 16% from the prior-year quarter, primarily due to a decline in market values. Total client assets, including assets under fee-based management, of \$882 billion in the 2003 Quarter decreased \$103 billion or 10% compared to the prior year quarter principally due to market depreciation, partially offset by positive net inflows.

Total non-interest expenses of \$1,068 million in the 2003 Quarter, decreased \$92 million or 8% from the 2002 Quarter, 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 March 31,	2003	2002
Financial Consultant managed accounts	\$ 53.2	\$ 60.3
Consulting Group and internally managed assets	106.6	130.1
<b>Total assets under fee-based management (1)</b>	<b>\$159.8</b>	<b>\$190.4</b>

*(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		
For the three months ended March 31,	2003	2002
Revenues, net of interest expense	\$237	\$298
Total non-interest expenses	140	162
Income before income taxes and cumulative effect of change in accounting principle	97	136
Provision for income taxes	37	54
Cumulative effect of change in accounting principle (net of tax benefit of \$16)	-	(24)
Net income	\$ 60	\$ 58

The Company's Asset Management segment revenues, net of interest expense, decreased to \$237 million in the 2003 Quarter compared to \$298 million in the 2002 Quarter. The primary revenue for the Asset Management segment is asset management and administration fees, which decreased to \$234 million in the 2003 Quarter compared to \$288 million in the 2002 Quarter. The decrease in revenues in the 2003 Quarter reflects the impact of negative market action, 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 in the 2003 Quarter.

Assets under management for the segment were \$250.1 billion at March 31, 2003, compared to \$283.3 billion at March 31, 2002. This decrease is primarily due to the impact of negative market action as well as the impact of transfers of U.S. retail money market assets to the Smith Barney Bank Deposit Program. These decreases were partially offset by positive net flows.

Total noninterest expenses were \$140 million in the 2003 Quarter compared to \$162 million in the 2002 Quarter. The decrease in expenses is due to reduced compensation and benefits expense and the change in the presentation of certain fee sharing arrangements.

Assets under fee-based management were follows:

Dollars in billions		
At March 31,	2003	2002
Money market funds	\$ 90.3	\$ 101.1
Mutual funds	68.8	75.7
Managed accounts	85.9	99.5

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Unit investment trusts held in client accounts	5.1	7.0
Total Citigroup Asset Management	\$250.1	\$283.3

## **LIQUIDITY AND CAPITAL RESOURCES**

The Company's total assets were \$319 billion at March 31, 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 \$235.2 billion at March 31, 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 \$22.8 billion at March 31, 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 \$5.0 billion 364-day committed uncollateralized revolving line of credit with unaffiliated banks. Commitments under this facility terminate in May 2003. Any borrowings under this facility would mature in May 2005. The Company also has a \$100 million committed uncollateralized 364-day facility with an unaffiliated bank that extends through June 2003, with any borrowings under this facility maturing in June 2004, 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 March 31, 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 March 31, 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 March 31, 2003, this requirement was exceeded by approximately \$5.9 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

**CITIGROUP GLOBAL MARKETS HOLDINGS INC. AND SUBSIDIARIES**  
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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. 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.

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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 March 31, 2003 and December 31, 2002. The VAR relating to accrual portfolios has been excluded from this analysis.

<b>Risk Exposures (\$ in Millions)</b>	<b>March 31, 2003</b>	<b>First Quarter 2003 Average</b>	<b>First Quarter 2003 High</b>	<b>First Quarter 2003 Low</b>	<b>December 31, 2002</b>
Interest rate	\$56	\$60	\$ 71	\$49	\$63
Equities	18	19	88	10	12
Commodities	8	7	11	4	5
Currency	4	4	6	3	4
Diversification Benefit	(25)	(24)	N/A	N/A	(18)
<b>Total*</b>	<b>\$61</b>	<b>\$66</b>	<b>\$123</b>	<b>\$50</b>	<b>\$66</b>

\* Includes diversification benefit.

The quantification of market risk using VAR analysis requires a number of key assumptions. In calculating VAR at March 31, 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 60% 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 March 31, 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**

(a) Evaluation of Disclosure Controls and Procedures. The Company's Chief Executive Officer and Chief Financial Officer have evaluated the effectiveness of the Company's disclosure controls and procedures (as such term is defined in Rules 13a-14(c) and 15d-14(c) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"). Based on such evaluation, such officers have concluded that, as of the Evaluation Date, the Company's disclosure controls and procedures are effective in alerting them on a timely basis to material information relating to the Company (including its consolidated subsidiaries) required to be included in the Company's reports filed or submitted under the Exchange Act.

(b) Changes in Internal Controls. Since the Evaluation Date, there have not been any significant changes in the Company's internal controls or in other factors that could significantly affect such controls.

## **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.

#### **Settlement Of Certain Regulatory Matters**

On April 28, 2003, Salomon Smith Barney Inc. (SSB), now named Citigroup Global Markets Inc., announced final agreements with the Securities and Exchange Commission, the National Association of Securities Dealers, the New York Stock Exchange and the New York Attorney General (as lead state among the 50 states, the District of Columbia and Puerto Rico) to resolve on a civil basis all of their outstanding investigations into its research and IPO allocation and distribution practices. As part of the settlements, SSB has consented to the entry of (1) an injunction under the federal securities laws to be entered in the United States District Court for the Southern District of New York, barring SSB from violating provisions of the federal securities laws and related NASD and NYSE rules relating to research, certain IPO allocation practices, the safeguarding of material nonpublic information, and the maintenance of required books and records and requiring SSB to adopt and enforce new restrictions on the operation of research; (2) an NASD Acceptance Waiver and Consent requiring SSB to cease and desist from violations of corresponding NASD rules and requiring SSB to adopt and enforce the same new restrictions; (3) an NYSE Stipulation and Consent requiring SSB to cease and desist from violations of corresponding NYSE rules and requiring SSB to adopt and enforce the same new restrictions; and (4) an Assurance of Discontinuance with the New York Attorney General containing substantially the same or similar restrictions. As required by the settlements, SSB expects to enter into related settlements with each of the other states, the District of Columbia and Puerto Rico. Consistent with the settlement-in-principle announced in December 2002, these settlements require SSB to pay \$300 million for retrospective relief, plus \$25 million for investor education, and commit to spend \$75 million to provide independent third-party research to its clients at no charge. SSB reached these final settlement agreements without admitting or denying any wrongdoing or liability. The settlements do

not establish wrongdoing or liability for purposes of any other proceeding. The \$300 million was accrued during the 2002 fourth quarter.

**Enron:**

Hudson Soft Co. Ltd. v. Credit Suisse First Boston Corp., et al.

A proposed second amended complaint dropped as defendants Citigroup, SSB, and affiliate officers and employees.

New Power Holdings Actions

On April 17, 2003 the motion to dismiss the complaints in the putative class actions relating to the New Power Holdings common stock was denied.

Additional Actions

On March 5, 2003 an action was brought on behalf of the purchasers of the Yosemite Notes and Enron Credit Linked Notes, alleging violations of federal securities laws.

On April 9, 2003 an action was brought by a group of related mutual funds that purchased certain Yosemite Notes, alleging violations of state securities law and common law claims.

**Research:**

In Re At&T Corporation Securities Litigation

By order dated March 27, 2003, the court denied plaintiffs' leave to amend their complaint to add as defendants Citigroup, SSB, and certain of their executive officers and current and former employees.

Additional Actions

On March 31, 2003 an action was filed in the United States District Court for the Southern District of New York by twenty institutional investors alleging individual claims under Section 10(b) and Section 20(a) of the Securities Exchange Act of 1934 in connection with their purchase of common stock of Winstar Communications, Inc.

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

(a) Exhibits: See Exhibit Index.

(b) Reports on Form 8-K:

On January 22, 2003, the Company filed a Current Report on Form 8-K, dated January 21, 2003, reporting under Item 5 thereof the results of its operations for 2002 and 2001.

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

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.

## EXHIBIT INDEX

<b><u>Exhibit Number</u></b>	<b><u>Description of Exhibit</u></b>
3.01	Restated Certificate of Incorporation of Citigroup Global Markets Holdings Inc. (the "Company"), effective April 7, 2003, incorporated by reference to Exhibit 99.1 to the Company's Current Report on Form 8-K filed on April 7, 2003 (File No. 1-4346).
3.02	By-Laws of the Company, incorporated by reference to Exhibit 3.3 to Post-Effective Amendment No. 1 to the Company's Registration Statement on Form S-3 (No. 333-38931).
12.01†	Computation of ratio of earnings to fixed charges.
99.01†	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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† Filed herewith.

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

**SIGNATURES**

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

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

Date: May 14, 2003

By: /s/ Charles Prince  
Charles Prince  
Chief Executive Officer

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

## CERTIFICATIONS

I, Charles Prince, 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 quarterly 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 quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
  - a) designed such disclosure controls and procedures 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 quarterly report is being prepared;
  - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
  - c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
  - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: May 14, 2003

By: /s/ Charles Prince , Chief Executive Officer

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 quarterly 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 quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
  - a) designed such disclosure controls and procedures 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 quarterly report is being prepared;
  - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
  - c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
  - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: May 14, 2003

By: /s/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>	Three Months Ended March 31, 2003
<i>Earnings from operations:</i>	
Income before income taxes	\$ 1,038
Add fixed charges (see below)	<u>1,408</u>
Earnings as defined	<u><u>\$ 2,446</u></u>
 <i>Fixed charges from operations:</i>	
Interest expense	\$ 1,372
Other adjustments	<u>36</u>
Fixed charges from operations as defined	<u><u>\$ 1,408</u></u>
Ratio of earnings to fixed charges	<u><u>1.74</u></u>

**NOTE:**

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

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

**CERTIFICATION 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 March 31, 2003, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Charles Prince, 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/ Charles Prince  
Charles Prince  
Chief Executive Officer  
May 14, 2003

/s/ John C. Morris  
John C. Morris  
Chief Financial Officer  
May 14, 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.

