

CITIBANK INTERNATIONAL PLC

(Registered Number: 1088249)

UNAUDITED INTERIM REPORT AND FINANCIAL STATEMENTS

for the six months ended 30 June 2014

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CITIBANK INTERNATIONAL PLC

These condensed consolidated interim financial statements are unaudited

DIRECTORS' REPORT

for the six months ended 30 June 2014

The Directors present their report and the financial statements of Citibank International plc (the Company) and its subsidiaries (the Group) for the six months ended 30 June 2014. The Directors are responsible for preparing the Directors' Report (which for the purpose of the Transparency Directive is intended to be the Interim Management Report).

Principal activities and business review

The Company is a wholly-owned indirect subsidiary of Citigroup Inc. and is authorised by the Prudential Regulatory Authority (PRA) and regulated by the Financial Conduct Authority (FCA) and PRA. The words "Citigroup" and "Citi" are used interchangeably throughout this document and both refer to Citigroup Inc.

The Group provides corporate and investment banking, private banking and consumer banking products and services in the United Kingdom (UK) and Continental Europe through its branches. The Group's headquarters are in London and it currently has sixteen branches in other European financial centres, including two non-banking service centres in Hungary and Poland. These Citigroup Service Centres (CSC) have increased in size significantly over the past few years and now employ 56% of total headcount of the Group. They provide primarily operational and global functions support to the Group and other Citigroup entities.

The Group has two reporting segments, Citicorp and Citi Holdings, consistent with the reporting segments of Citigroup Inc. The Group's strategy has been in line with that of Citigroup, which continues to wind down Citi Holdings as soon as practicable, in an economically rational manner, while working to generate long-term profitability and growth from Citicorp, which comprises its core franchise.

The Group's interim results continue to be influenced by the operating environment, as economic concerns, both locally and across the region, impact corporate confidence and market activity. Such uncertainty could have a continued negative impact on investor and consumer activity. The full year 2013 financial statements provide information on some of the key risks to which the Group is exposed.

On 13 June 2014, the Group signed an agreement to sell its Consumer banking business in Greece to Alpha Bank. The business is part of the Group's Citi Holdings segment and the disposal is expected to be completed in the third quarter of 2014, following regulatory and other customary approvals. At 30 June 2014, the Group's Consumer banking business in Greece was classified as discontinued operations, the details of which are presented in Note 5 'Discontinued operations'.

The Group generated a pre-tax profit from continuing activities of £58 million in the six months to 30 June 2014 compared with a profit of £20 million in the same six month period in 2013. Citicorp made a profit before tax of £86 million in the six months to 30 June 2014 compared to £36 million in the same period in 2013. Citi Holdings incurred pre-tax losses of £44 million in the period, including a pre-tax loss on discontinued operations of £16 million, compared to a loss of £52 million in the same period in 2013, including a pre-tax loss of discontinued operations of £36 million.

Income

Total operating income was £215 million, a 12 per cent decrease on the same period from the previous year.

Citi Holdings revenues increased following consistent revenues in consumer Greece with no losses upon divestitures, as was seen in early 2013.

The Group's Citicorp income is predominantly driven by three core businesses:

- Banking revenues, including treasury and trade solutions, of £104 million were £7 million lower than 2013, driven by lower interest rates and reduced lending activity.
- Markets and securities revenues of £77 million were £28 million lower than 2013, driven by strong performance of the credit trading business in early 2013, predominantly on the secondary loan trading business.
- Global Consumer Banking revenues of £17 million were consistent with prior year levels.

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DIRECTORS' REPORT

for the six months ended 30 June 2014

Costs

Cost control remains a key focus of the Group with operating expenses decreasing 12 per cent year on year to £171 million.

A significant portion of expenses within the Group originate from services provided by the CSCs to other Citi entities, both globally and regionally. These costs are allocated out to businesses and legal entities based on a number of drivers. The Group both charges and recovers expenses. All of these transfer pricing agreements are reviewed regularly for appropriateness.

The Group's expense base benefited from the disposal of EMSO Partner Limited in August 2013, which led to a £13 million expense save year on year.

Improvements in credit ratings on the corporate loan book gave rise to provision releases against undrawn commitments, with the prior year experiencing large provision builds.

Balance sheet

Total assets of £20.2 billion at 30 June 2014 were 2 per cent lower than at 31 December 2013. The Group has significantly reduced its balances with the Netherlands Central Bank, owing to negative interest rates in the second quarter, with the funds being used to enter into reverse repurchase agreements to maintain a stable liquidity asset buffer.

Liquidations

On 3 January 2014 Diners Club UK Limited, a subsidiary of the Company, was liquidated. The activities of the subsidiary did not have a material impact to the position or performance of the Group during the current or prior year.

Key performance indicators

In addition to monitoring the financial results of the Company, senior management also consider the tracking of key non-financial items, i.e. regulatory capital and liquidity requirements, as critical to the Company's future. Please refer to the Strategic Report of the Group's financial statements for the year ended 31 December 2013 for further information.

Financial instruments

The financial risk management objectives and policies and the exposure to price risk, credit risk and liquidity risk of the Group have been disclosed in the risk management policies in the strategic report of the Group's financial statements for the year ended 31 December 2013 and have not materially changed in the reporting period.

Statement of Directors' responsibilities

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare group financial statements for each financial year. Under that law they have elected to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and applicable law.

CITIBANK INTERNATIONAL PLC

These condensed consolidated interim financial statements are unaudited

DIRECTORS' REPORT

for the six months ended 30 June 2014

Statement of Directors' responsibilities (continued)

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and of their profit or loss for that period. In preparing each of the group financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRS as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Statement of Corporate Governance

The Company is a wholly-owned subsidiary of Citi Holdings Bahamas Limited (CHBL) and its ultimate parent company is Citigroup Inc. At 30 June 2014 there are no special rights attached to the shares held by CHBL. As the Company is a wholly-owned subsidiary, there are no special powers given to the Directors in relation to the appointment and replacement of Directors, amendments to the articles of association and the issuance and buying back of shares.

Internal control and financial reporting

The Company's ultimate parent company is an entity listed and regulated in the US whose governance framework, for internal control and financial reporting purposes, primarily follows the Sarbanes-Oxley Act of 2002 (The Act). The Act is administered by the Securities and Exchange Commission (SEC), which sets deadlines for compliance and publishes rules on requirements. Section 404 of the Act requires management to acknowledge its responsibility for establishing and maintaining adequate internal controls, including asserting their effectiveness in writing. This is done at the Citi EMEA regional level.

Management maintains a comprehensive system of controls intended to ensure that transactions are executed in accordance with management's authorisation, assets are safeguarded, and financial records are reliable.

Procedures for the on-going identification, evaluation and management of the significant risks faced by the Company and Group have been in place throughout the period and up to the date of approval of the financial statements.

The Directors and senior management of the Group have formally adopted Risk and Controls policies which set out the Company's and Citigroup's attitude to risk and internal control. Key risks, including business risks, are identified and reviewed by senior and operating management on a continuous basis using Sarbanes-Oxley principles. There is an appropriate governance structure incorporating Governance and Audit Committee forums.

The Directors receive regular reports on any risk matters that need to be brought to their attention. Significant risks identified in connection with the development of new activities are subject to consideration by the Directors.

There are well established management reporting procedures in place and reports are presented regularly to the Directors detailing business results and performance.

CITIBANK INTERNATIONAL PLC

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DIRECTORS' REPORT

for the six months ended 30 June 2014

Statement of Corporate Governance (continued)

The effectiveness of the internal control system is reviewed regularly by the Directors and the Audit Committee, which receives reports of assessments undertaken by the internal audit function. Certain aspects of the internal control system are also subject to regulatory supervision, the results of which are monitored closely by the Directors and senior management. Citi has also established a Management Control Assessment (MCA) program to help managers self-assess key operational risks and controls and identify and address weaknesses in the design and/or effectiveness of internal controls that mitigate significant operational risks.

The Audit Committee and Directors are also responsible for monitoring the preparation of the financial statements and for reviewing and monitoring the independence of the statutory auditor, in particular the provision by the auditor of additional services to the Group.

Directors and their interests

The Directors who held office during the period ended 30 June 2014 were:

Non-Executive

J P Asquith (Chair, Citi UK Legal Vehicles Governance)

D J Challen (resigned on 31 March 2014)

S H Dean (Chair, Citi UK Legal Vehicles Audit Committee)

D L Taylor (Member, Remuneration Committee)

Executive

J D K Bardrick (appointed on 7 March 2014)

J C Cowles

A M Duffell

P McCarthy

M N B Thompson (resigned on 27 March 2014)

G J Von Lehmden

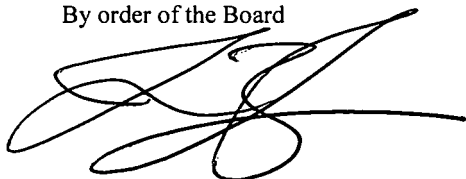
Directors' indemnity

Throughout the year and at the date of this report the Company is party to a group-wide indemnity policy which benefits all of its current Directors and is a qualifying third party indemnity provision for the purpose of section 236 of the Companies Act 2006.

Auditor

The Group has elected not to have an audit of these interim consolidated financial statements. A full group audit will be performed at 31 December 2014.

By order of the Board



J D K Bardrick
Director

27 August 2014

Registered in England and Wales

Registered Office: Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB

Registered Number: 1088249

CITIBANK INTERNATIONAL PLC

These condensed consolidated interim financial statements are unaudited

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

For the six months ended 30 June 2014

	Note	30 June 2014 £ Million	30 June 2013 £ Million
Continuing operations			
Interest and similar income		86	116
Interest expense and similar charges		<u>(40)</u>	<u>(43)</u>
Net interest income		46	73
Net fee and commission income		132	132
Net income on items at fair value through profit and loss		18	35
Net investment income		1	-
Other operating income		<u>18</u>	<u>5</u>
Total operating income		215	245
Personnel expenses		(103)	(98)
General and administrative expenses		(26)	(58)
Amortisation and write off of intangible assets		(24)	(18)
Depreciation of property and equipment		<u>(18)</u>	<u>(20)</u>
Operating profit		44	51
Provisions for unfunded lending commitments		11	(19)
Net credit losses recoveries/(losses)		<u>3</u>	<u>(12)</u>
Profit before income tax for continuing operations		58	20
Income tax (charge)/credit	6	(14)	7
Profit for the period from continuing operations		<u>44</u>	<u>27</u>
Discontinued operations			
Loss after tax for the period from discontinued operations	5	(18)	(25)
Profit for the financial period		<u>26</u>	<u>2</u>

The accompanying notes on pages 11 to 17 form an integral part of these financial statements.

CITIBANK INTERNATIONAL PLC

These condensed consolidated interim financial statements are unaudited

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2014

	30 June 2014 £ Million	30 June 2013* £ Million
Profit for the period	26	2
Items that will never be reclassified to profit or loss:		
Remeasurements of defined benefit liability/(asset)	(17)	3
Related tax	4	(1)
	<u>(13)</u>	<u>2</u>
Items that are or have been reclassified to profit or loss:		
Foreign currency translation differences for foreign operations	41	(53)
Net profit on hedges of net investments in foreign operations	(41)	35
Fair value reserve (Available-for-sale financial assets):		
- Net change in fair value	21	(9)
- Net amount transferred to profit or loss	(1)	-
Related tax	(4)	2
	<u>16</u>	<u>(25)</u>
Other comprehensive profit/(loss) for the period, net of tax	<u>3</u>	<u>(23)</u>
Total comprehensive profit/(loss) for the period	<u><u>29</u></u>	<u><u>(21)</u></u>

* Prior year disclosure has been restated to be consistent with current year presentation as described in Note 3 – 'Principal accounting policies'.

The accompanying notes on pages 11 to 17 form an integral part of these financial statements.

CITIBANK INTERNATIONAL PLC

These condensed consolidated interim financial statements are unaudited

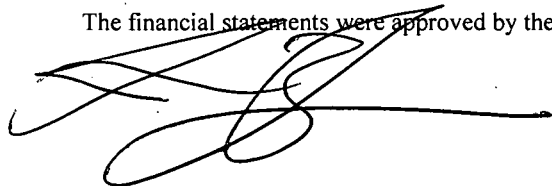
CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

As at 30 June 2014

	Note	30 June 2014 £ Million	31 Dec 2013 £ Million
Assets			
Cash and balances at central banks		2,017	4,257
Trading assets		620	1,103
Derivative financial instruments		407	241
Loans and advances to banks		7,022	5,727
Loans and advances to customers		4,295	4,205
Investment securities		2,234	2,351
Assets of discontinued operations held for sale	5	134	-
Prepayments and accrued income		29	92
Current tax assets		5	9
Other assets		2,911	2,092
Property, plant and equipment		87	83
Goodwill and intangible assets		224	181
Deferred tax assets		185	215
Total assets		20,170	20,556
Liabilities			
Deposits by banks		5,891	7,082
Customer accounts		8,139	8,270
Derivative financial instruments		406	255
Debt securities in issue		231	800
Liabilities of discontinued operations held for sale	5	772	-
Accruals and deferred income		110	122
Other liabilities		2,123	1,536
Provisions for liabilities		46	67
Deferred tax liabilities		1	1
Total liabilities		17,719	18,133
Equity shareholders' funds			
Share capital	9	1,757	1,757
Share premium account	8	64	64
Other reserves	8	1,212	1,197
Retained earnings	8	(582)	(595)
Total shareholders' funds		2,451	2,423
Total liabilities and equity shareholders' funds		20,170	20,556

The accompanying notes on pages 11 to 17 form an integral part of these financial statements.

The financial statements were approved by the Directors on 27 August 2014 and were signed on their behalf by:



J D K Bardrick
Director

Registered Number: 1088249

CITIBANK INTERNATIONAL PLC

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CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2014

	Attributable to equity holders of the Group							Total
	Share capital	Share premium	Capital reserve	Translation reserve	Fair value reserve	Equity reserve	Retained earnings	
	£ Million	£ Million	£ Million	£ Million	£ Million	£ Million	£ Million	£ Million
Balance at 1 January 2013	1,757	64	1,152	25	21	20	(558)	2,481
Total comprehensive income/(loss):								
Profit for the period	-	-	-	-	-	-	2	2
Other comprehensive income/(loss), net of tax:								
Remeasurements of defined benefit liability/(asset)	-	-	-	-	-	-	3	3
Foreign currency translation differences for foreign operations	-	-	-	(53)	-	-	-	(53)
Net profit on hedge of net investment in foreign operation	-	-	-	35	-	-	-	35
Tax on other comprehensive income/(loss)	-	-	-	-	2	-	(1)	1
Total other comprehensive income/(loss)	-	-	-	(18)	(7)	-	2	(23)
Total comprehensive income/(loss)	-	-	-	(18)	(7)	-	4	(21)
Transactions with owners, recorded directly in equity:								
Contributions by and distributions to owners:								
Equity settled share-based payment	-	-	-	-	-	(2)	-	(2)
Total contributions by and distributions to owners	-	-	-	-	-	(2)	-	(2)
Balance at 30 June 2013	1,757	64	1,152	7	14	18	(554)	2,458
Balance at 1 January 2014	1,757	64	1,152	24	3	18	(595)	2,423
Total comprehensive income/(loss):								
Profit for the period	-	-	-	-	-	-	26	26
Other comprehensive income/(loss), net of tax:								
Remeasurements of defined benefit liability/(asset)	-	-	-	-	-	-	(17)	(17)
Foreign currency translation differences for foreign operations	-	-	-	41	-	-	-	41
Net profit on hedge of net investment in foreign operation	-	-	-	(41)	-	-	-	(41)
Fair value reserve (Available-for-sale financial assets):								
- Net change in fair value	-	-	-	-	21	-	-	21
- Net amount transferred to profit or loss	-	-	-	-	(1)	-	-	(1)
Tax on other comprehensive income/(loss)	-	-	-	-	(4)	-	4	(0)
Total other comprehensive income/(loss)	-	-	-	-	16	-	(13)	3
Total comprehensive income/(loss)	-	-	-	-	16	-	13	29
Transactions with owners, recorded directly in equity:								
Contributions by and distributions to owners:								
Equity settled share-based payment	-	-	-	-	-	(1)	-	(1)
Total contributions by and distributions to owners	-	-	-	-	-	(1)	-	(1)
Balance at 30 June 2014	1,757	64	1,152	24	19	17	(582)	2,451

The accompanying notes on pages 11 to 17 form an integral part of these financial statements.

CITIBANK INTERNATIONAL PLC

These condensed consolidated interim financial statements are unaudited

CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT

For the six months ended 30 June 2014

	30 June 2014 £ Million	30 June 2013 £ Million
Cash flow from/(used in) operating activities:		
Profit/(loss) before income tax	42	(16)
Adjustments to reconcile net loss to cash flow from/(used in) operating activities:		
Non-cash items included in net loss and other adjustments:		
Depreciation of property and equipment	18	20
Amortisation and write off of intangible assets	24	18
Provisions for unfunded lending commitments	(11)	19
Net credit losses	(5)	24
Changes in fair value of debt securities	(1)	(1)
Loss on sales of operations less expenses directly related to sale	-	8
Net (increase)/decrease in operating assets:		
Change in loans and advances to banks	143	(271)
Change in loans and advances to customers	(192)	13
Change in trading assets	483	(2)
Change in derivative assets	(166)	(63)
Change in prepayments and accrued income	60	29
Change in other assets	(808)	(724)
Net increase/(decrease) in operating liabilities:		
Change in deposits by banks	(1,191)	861
Change in customer accounts	628	545
Change in derivative liabilities	151	29
Change in accruals and deferred income	(6)	2
Change in other liabilities	562	391
Change in provisions for liabilities	(8)	3
Income taxes paid	(5)	(5)
Net cash flow (used in)/from operating activities	(281)	880
Cash flow from/(used in) investing activities:		
Proceeds from sale of business units and subsidiary undertakings	-	19
Purchase of property, plant and equipment	(23)	(18)
Purchase of intangible assets	(67)	(67)
Purchase of investment securities	(903)	(9)
Disposal of investment securities	995	467
Net cash flow from investing activities	2	392
Cash flow from/(used in) financing activities:		
Issuance of debt securities	120	-
Redemption of debt securities	(691)	(120)
Net cash flow used in financing activities	(571)	(120)
Effects of exchange rate differences	48	(2)
Net (decrease)/increase in cash and cash equivalents	(802)	1,150
Cash and cash equivalents, beginning of the period	9,888	9,046
Cash and cash equivalents, end of the period	9,086	10,196

The accompanying notes on pages 11 to 17 form an integral part of these financial statements.

CITIBANK INTERNATIONAL PLC

These condensed consolidated interim financial statements are unaudited

NOTES TO THE FINANCIAL STATEMENTS

1. Reporting entity

The condensed consolidated interim financial statements of Citibank International Plc as at and for the six months ended 30 June 2014 comprises the Company and its subsidiaries (together referred to as the Group).

The consolidated financial statements of the Group at the year ended 31 December 2013 are available upon request from the Company's registered office at Citigroup Centre, Canada Square, Canary Wharf, London, E14 5LB.

2. Statement of compliance

These condensed consolidated financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU. They have been prepared in accordance with IAS 34 Interim Financial Reporting. They do not include all the information required for the full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2013.

3. Principal accounting policies

Apart from those mentioned below, the accounting policies applied by the Group in these condensed consolidated financial statements are the same as those applied by the Group in its consolidated financial statements for the year ended 31 December 2013.

As per the financial statements as at the year end, the statement of comprehensive income has been updated to reflect IAS 1 – *Presentation of Items of Other Comprehensive Income* – Amendments. The amendments to IAS 1 change the grouping of items presented in other comprehensive income (OCI). Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, net gains on hedges of net investments, exchange differences on translation of foreign operations, net movements on cash flow hedges and net losses or gains on available-for-sale financial assets) would be presented separately from items that will never be reclassified (for example, actuarial gains and losses on defined benefit plans). The amendment affects presentation only and has no impact on the Group's financial position or performance. Comparative information has been re-presented on the same basis.

As mentioned in the Directors' Report, during the period the Group signed an agreement to sell its Greek Consumer banking business to Alpha Bank, pending regulatory and other customary approvals. These operations contribute significantly to the Citi Holdings segment of the Group and represent a separate cash generating unit under IFRS. As such, the Greek Consumer banking business is classified as held for sale as part of a single co-ordinated plan to dispose of a separate major line of business and geographical area of operations under IFRS 5, '*Non-current Assets Held for Sale and Discontinued Operations*'.

The results of discontinued operations have been disclosed separately as a single amount in the consolidated income statement for the relevant periods presented, comprising the post-tax profit or loss of discontinued operations and the post-tax gain or loss recognised on measurement to fair value less costs to sell. The assets and liabilities of the business to be sold have been presented as assets of discontinued operations held for sale and liabilities of discontinued operations held for sale, respectively, in the consolidated balance sheet. Assets and liabilities are reclassified as held for sale in the period in which the disposal determination is made, and prior periods are not reclassified.

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale rather than through continuing use. Such non-current assets and disposal groups are classified as held for sale but are measured according to the IAS 39 classification applied at initial recognition. The criteria for held for sale is regarded as met only when the sale is highly probable, management are committed to a plan and there is an active buyer.

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale.

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NOTES TO THE FINANCIAL STATEMENTS

Additional disclosures have been provided in Note 5 'Discontinued operations'.

3. Principal accounting policies (continued)

Changes in accounting policy and disclosures

IFRS 10 – *Consolidated Financial Statements*, IAS 27 – *Consolidated and Separate Financial Statements*. The EU endorsed standard became effective for annual periods beginning on or after 1 January 2014. It replaces the requirements of IAS 27 that address the accounting for consolidated financial statements and SIC 12 Consolidation – Special Purpose Entities. What remains in IAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. Due to a reassessment of control under IFRS 10, certain structured entities are no longer consolidated as part of the Group. The adoption of this standard has not had a material impact on the financial position or performance of the Group.

4. Use of assumptions and estimates

The results of the Group are sensitive to the accounting policies, assumptions and estimates that underlie the preparation of its consolidated financial statements. The assumptions and estimates used in the preparation of the consolidated financial statements are described in detail in the Group's consolidated financial statements as at and for the year ended 31 December 2013.

Discontinued operations

On 13 June 2014, the Group signed an agreement to sell its Consumer banking business in Greece to Alpha Bank. The business is part of the Group's Citi Holdings segment and the disposal is expected to be completed in the third quarter of 2014, following regulatory and other customary approvals. The disposal is part of Citi's strategy to reduce exposure to Citi Holdings assets and the transaction is expected to complete in the third quarter of 2014. Therefore, as explained in Note 3 'Principal accounting policies' the operations of the Group's Consumer banking business in Greece are classified as discontinued operations and as a disposal group held for sale. At this reporting date, the Directors believe the business meets the criteria of discontinued operations set forth in IFRS 5, 'Non-current Assets Held for Sale and Discontinued Operations.'

For more details on the discontinued operation and assets and liabilities held for sale please refer to Note 5 'Discontinued operations'.

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NOTES TO THE FINANCIAL STATEMENTS

5. Discontinued operations

On 13 June 2014, the Group signed an agreement to sell its Consumer banking business in Greece to Alpha Bank. The business is part of the Group's Citi Holdings segment and the disposal is expected to be completed in the third quarter of 2014, following regulatory and other customary approvals. The business is part of the Group's Citi Holdings Western Europe segment and the disposal is expected to be completed in the third quarter of 2014. As at 30 June 2014, the Group's Consumer banking business in Greece was classified as a disposal group held for sale and as a discontinued operation. The results of the discontinued operation for the six months ended 30 June 2014 are presented below:

	30 June 2014 £ Million	30 June 2013 £ Million
Total operating income	26	28
Expenses	(44)	(44)
Net credit gains/(losses)	2	(12)
Loss on disposal of operations	-	(8)
Loss before tax from discontinued operations	(16)	(36)
Tax	(2)	11
Loss after tax from discontinued operations	(18)	(25)

The major classes of assets and liabilities of the Consumer banking business in Greece classified as held for sale as at 30 June 2014 are as follows:

	30 June 2014 £ Million
Assets	
Loans and advances to customers	107
Prepayments and accrued income	3
Other assets	3
Property, plant and equipment	1
Deferred tax asset	20
	<u>134</u>
Liabilities	
Customer accounts	(759)
Accruals and deferred income	(6)
Other liabilities	(5)
Provisions for liabilities	(2)
	<u>(772)</u>

In line with IFRS 5.40 'Non-current Assets Held for Sale and Discontinued Operations; Presentation and Disclosure' the Company has not reclassified or restated assets and liabilities of Discontinued Operations held for sale in the balance sheet for the prior period.

CITIBANK INTERNATIONAL PLC

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NOTES TO THE FINANCIAL STATEMENTS

5. Discontinued operations (continued)

The net cash flows incurred by the Consumer banking business in Greece are as follows:

	30 June 2014 £ Million	30 June 2013 £ Million
Operating	(83)	25
Investing	-	19
Financing	-	-
Net cash (outflow)/ inflow	(83)	44

6. Income tax

The Group's consolidated effective tax rate for the year ended 30 Jun 2014 was 40% (for the half year ended 30 June 2013: 110%). This variance in effective rate compared with the standard rate of 20% was a result of the following factors during the period:

- The UK Government announced that the corporation tax rate will reduce to 20% from 1 April 2015. The reduction in corporation tax rate to 23% was enacted in July 2012 and the reduction in corporation tax rate to 21% and 20% was enacted in July 2013. ;
- branches current tax expense;
- the number also includes the branches deferred tax offset, and
- other expenses not deductible for tax purposes.

The main rate of corporation tax for the year beginning 1 April 2014 reduced from 23% to 21% which results in a weighted average tax rate of 21.49% for 2014 (2013: 23.25%).

Deferred tax in the UK has been recognised at 20% which was the rate substantively enacted at 31 Dec 2013.

7. Goodwill and intangible assets

The Group performs its annual impairment testing of goodwill during the six months ending 31 December 2014. As a result impairment assessments are presented in the full year financial statements.

During the period the Group recognised intangible assets as a result of costs incurred that were directly associated with the production of identifiable, unique software products, controlled by the Group and which will generate economic benefits exceeding costs beyond one year. The cost of developed software includes directly attributable internal and external costs.

8. Capital and reserves

Further details regarding capital and reserve movements are shown in the Condensed Consolidated Interim Statement of Changes in Equity on page 9.

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.

The fair value reserve includes the cumulative net change in the fair value of available for sale investments until the investment is derecognised or impaired.

The equity reserve arises from the adoption of IFRS 2 and is the fair value movement of share-based incentives issued.

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These condensed consolidated interim financial statements are unaudited

NOTES TO THE FINANCIAL STATEMENTS

9. Share capital

Allotted, called-up and fully paid	2014 £ Million	2013 £ Million
1,757,011,711 sterling ordinary shares of £1 each	<u>1,757</u>	<u>1,757</u>
Ordinary shares of £1 each	2014 Shares	2013 Shares
At 1 January and 30 June	<u>1,757,011,711</u>	<u>1,757,011,711</u>

10. Related party transactions

The Company is a wholly owned subsidiary undertaking of CHBL, which is incorporated in the Bahamas. The largest group in which the results of the Group are consolidated is that headed by Citigroup Inc. which is incorporated in the United States. The Group and Company define related parties as the Board of Directors, their close family members, parent and fellow subsidiaries and associated companies.

A number of arm's length transactions are entered into with related parties.

These include loans and deposits that provide funding to Group companies as well as derivative contracts used to hedge residual risks that are included in the other assets and other liabilities balances. Various services are provided between related parties and these are all also provided at arm's length. No provisions have been recognised in respect of loans given to related parties (2013: £nil). On 19 December 2013, the Company's shares were acquired by CHBL from Citibank Investments Limited (CIL). The tables below summarise the Group's balances with related parties where CHBL is the parent undertaking (2013: CHBL) and transactions where CHBL is the parent undertaking (2013: CIL). There were no related party transactions with the ultimate parent company, Citigroup Inc.

	30 June 2014		
	Parent undertaking £ Million	Other Citigroup undertakings £ Million	Total £ Million
Assets			
Loans and advances to banks	-	6,845	6,845
Other assets and derivatives	-	1,285	1,285
Liabilities			
Deposits by banks	-	5,657	5,657
Other liabilities and derivatives	-	344	344
Income statement			
Interest and similar income	-	7	7
Interest expense and similar charges	-	(18)	(18)
Net fee and commission income	-	15	15
Net income on items at fair value through profit and loss	-	(137)	(137)
Other operating income	-	12	12
General and administrative expenses	-	24	24

The large loss in "Net income on items at fair value through the profit and loss" facing other Citigroup undertakings is driven by new third party customer derivative transactions and is offset by fair value through the profit and loss gains against third party customers. The Group back-to-backs all customer derivative transactions with other Citigroup companies to minimise risk.

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NOTES TO THE FINANCIAL STATEMENTS

11. Related party transactions (continued)

	31 December 2013		
	Parent undertaking £ Million	Other Citigroup undertakings £ Million	Total £ Million
Assets			
Loans and advances to banks	-	5,269	5,269
Other assets and derivatives	-	887	887
Liabilities			
Deposits by banks	-	6,357	6,357
Other liabilities and derivatives	-	202	202
	30 June 2013		
Income statement			
Interest and similar income	-	4	4
Interest expense and similar charges	-	(19)	(19)
Net fee and commission income	-	(2)	(2)
Net income on items at fair value through profit and loss	-	(3)	(3)
Other operating income	-	5	5
General and administrative expenses	-	-	-

12. Financial instruments and risk management

All aspects of the Group's financial risk management objectives and policies are consistent with that disclosed in the consolidated financial statements as at and for the year ended 31 December 2013.

13. Segmental analysis

The Group's management reviews the performance of the Group based on the same reporting segments as Citigroup Inc. uses to report its performance.

The Group is organised into two main reporting segments, Citicorp and Citi Holdings and it conducts its business in the United Kingdom and Western Europe. There are several operational segments within each reporting segment which have been aggregated into reporting segments.

Citicorp provides the Group's Institutional Clients Group business comprising of Capital Markets Origination, Corporate and Investment Banking, Markets, Citi Private Bank and the Securities and Treasury and Trade Solutions business. Citicorp also provides the Group's Global Consumer Bank business.

Citi Holdings delivers a wide array of retail banking, cards, lending, insurance and investment services through a network of local branches, offices and electronic delivery systems. The Citi Holdings business services both individual consumers as well as small businesses.

Transactions between reporting segments are undertaken on an arm's length basis.

Gross income includes dividend income, net fee and commission income, net income on items at fair value through profit and loss and net investment income. 'Impairment charge – loans' includes the impairment charge on loans and advances to customers plus recoveries.

CITIBANK INTERNATIONAL PLC

These condensed consolidated interim financial statements are unaudited

NOTES TO THE FINANCIAL STATEMENTS

13. Segmental analysis (continued)

	30 June 2014								
	Citicorp			Citi Holdings			Total		
	United Kingdom £ Million	Western Europe £ Million	Total £ Million	United Kingdom £ Million	Western Europe £ Million	Total £ Million	United Kingdom £ Million	Western Europe £ Million	Total £ Million
Gross income	166	87	253	2	-	2	168	87	255
Interest income	71	14	85	1	-	1	72	14	86
Interest expense	(33)	(4)	(37)	(3)	-	(3)	(36)	(4)	(40)
Profit/(loss) before tax	84	2	86	(13)	(15)	(28)	71	(13)	58
Income tax credit/(charge)	(6)	(4)	(10)	-	(4)	(4)	(6)	(8)	(14)
Discontinued operations net of tax	-	-	-	-	(18)	(18)	-	(18)	(18)
Profit/(loss) for the period	78	(2)	76	(13)	(37)	(50)	65	(39)	26
Other segment items:									
Total revenue from third parties	287	58	345	2	26	28	289	84	373
Total assets	15,754	3,998	19,752	182	236	418	15,936	4,234	20,170

	30 June 2013								
	Citicorp			Citi Holdings			Total		
	United Kingdom £ Million	Western Europe £ Million	Total £ Million	United Kingdom £ Million	Western Europe £ Million	Total £ Million	United Kingdom £ Million	Western Europe £ Million	Total £ Million
Gross income	207	86	293	(4)	(1)	(5)	203	85	288
Interest income	95	18	113	3	-	3	98	18	116
Interest expense	(34)	(5)	(39)	(4)	-	(4)	(38)	(5)	(43)
Profit/(loss) before tax	54	(18)	36	(11)	(5)	(16)	43	(23)	20
Income tax credit	5	2	7	-	-	-	5	2	7
Discontinued operations net of tax	-	-	-	-	(25)	(25)	-	(25)	(25)
Profit/(loss) for the period	59	(16)	43	(11)	(30)	(41)	48	(46)	2
Other segment items:									
Total revenue from third parties	209	66	275	(3)	35	32	206	101	307
Total assets at 31 December 2013	13,667	6,366	20,033	213	310	523	13,880	6,676	20,556

14. Parent companies

The Company is a subsidiary undertaking of CHBL, which is incorporated in the Bahamas.

The largest group in which the results of the Group are consolidated is that headed by Citigroup Inc. The audited consolidated financial statements of Citigroup Inc. are made available to the public annually in accordance with Securities and Exchange Commission regulations and may be obtained from <http://www.citigroup.com/citi/investor/qer.htm>