

**CITIBANK INVESTMENTS LIMITED**

**(Registered Number: 1911126)**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**for the year ended 31 December 2004**



# **CITIBANK INVESTMENTS LIMITED AND SUBSIDIARIES**

## **REPORT OF THE DIRECTORS**

The Directors present their report and the financial statements of Citibank Investments Limited ("the Company") and its subsidiaries ("the Group") for the year ended 31 December 2004.

### **Principal activities**

The Company is the holding company for subsidiary undertakings of Citibank, N.A. in the United Kingdom primarily engaged in the provision of international banking and related financial services.

### **Acquisitions and disposals**

On 1 June 2004 the Company issued 800 ordinary shares and 200 ordinary shares respectively to Diners Club Italia SpA and Citibank Overseas Investments Corporation ("COIC") in consideration for the acquisition of the whole of the issued share capital (less four shares) of Diners Club France SA. Those shares were sold on the same date to the Company's subsidiary, Citibank International plc ("CIP"), in exchange for the issue to the Company of 1,000 ordinary shares of CIP. Diners Club France SA was subsequently dissolved under French law.

On 31 December 2004 the share capital of Citicorp Finanziaria SpA Citifin and Citiservice SpA was contributed by COIC to the Company in exchange for the issue to COIC of 85,485,983 ordinary shares of £1 each. The share capital of the two companies was contributed to CIP in exchange for the issue to the Company of 85,485,983 ordinary shares of £1 each in CIP.

### **Post balance sheet event**

On 1 January 2005 the share capital of Diners Club UK Limited ("DCUK") was contributed to the Company by Diners Club Europe SpA in exchange for the issue by the Company of 4,436,000 ordinary shares of £1 each. The share capital of DCUK was then contributed to CIP in exchange for the issue to the Company of 4,436,000 ordinary shares of £1 each in CIP.

### **Results and dividends**

The Company made a consolidated profit for the year after tax of £100.4 million (2003: £19.0 million loss).

### **Future developments**

The Group's strategy continues to be to take advantage of opportunities within the European Union and other European countries for the further development of its business.

# **CITIBANK INVESTMENTS LIMITED AND SUBSIDIARIES**

## **REPORT OF THE DIRECTORS (continued)**

### **Directors and their interests**

The following Directors held office at 31 December 2004:

S H Dean  
B J Gans (appointed 14 December 2004)  
M J Kirkwood  
W J Mills (appointed 14 December 2004)  
F P Vanni d'Archirafi

T F Huertas resigned as a director with effect from 13 August 2004. J R Walsh resigned as a director with effect from 13 November 2004.

None of the Directors, nor any member of their immediate families, held at any time during the year any material interest in the shares of or contracts involving the Company or any other group undertaking which is required to be disclosed under the Companies Act 1985.

### **Charitable donations and political contributions**

During the year the Company's subsidiary undertakings made payments amounting in aggregate to £67,399 for charitable purposes (2003: £99,547). Neither the Company nor any of its subsidiary undertakings made any payments for political purposes during the year.

### **Directors' responsibilities for financial statements**

Company law requires the Directors to prepare financial statements for each accounting reference period which give a true and fair view of the state of affairs of the Company and its subsidiaries and of the profit or loss for that period.

In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the provisions of the Companies Act 1985 as amended.

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.

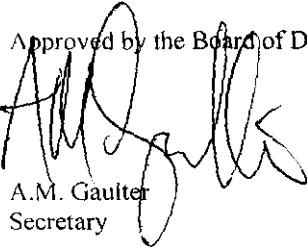
# **CITIBANK INVESTMENTS LIMITED AND SUBSIDIARIES**

## **REPORT OF THE DIRECTORS (continued)**

### **Auditors**

The Company's Auditor, KPMG Audit Plc, Chartered Accountants and Registered Auditor, has indicated its willingness to continue in office and, accordingly, a resolution for its re-appointment will be proposed at the forthcoming Annual General Meeting in accordance with the provisions of Section 385 of the Companies Act 1985, as amended.

Approved by the Board of Directors on 15 September 2005 and signed on their behalf by:



A.M. Gaulter  
Secretary

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

# **CITIBANK INVESTMENTS LIMITED AND SUBSIDIARIES**

## **Independent Auditors Report to the Members of CITIBANK INVESTMENTS LIMITED**

We have audited the financial statements on pages 5 to 49.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditors**

The Directors are responsible for preparing the Directors' Report and, as described on page 2, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and transactions with the Group is not disclosed.

### **Basis of audit opinion**

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

### **Opinion**

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31 December 2004 and of the profit of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*KPMG Audit Plc*

**KPMG Audit Plc**

Chartered Accountants  
Registered Auditor  
London

15 September 2005

# CITIBANK INVESTMENTS LIMITED AND SUBSIDIARIES

## CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the year ended 31 December 2004

	Note	Total 2004 £ Million	Total 2003 £ Million
Interest receivable and similar income		521.3	583.1
Interest payable		<u>(312.1)</u>	<u>(386.1)</u>
<b>Net interest income</b>		<b>209.2</b>	<b>197.0</b>
Dividend income from equity shares		0.8	0.7
Fees and commissions receivable		267.6	306.6
Fees and commissions payable		(5.2)	(48.7)
Net dealing income	31	28.9	9.5
Other operating income		<u>118.2</u>	<u>121.3</u>
<b>Operating income</b>		<b>619.5</b>	<b>586.4</b>
Administrative expenses	2	(379.1)	(375.8)
Amortisation and depreciation			
- amortisation	17	(1.9)	(7.4)
- depreciation	18	(109.8)	(117.7)
Other operating charges		(21.9)	(20.1)
Provisions			
- bad and doubtful debts	10	(3.5)	(71.5)
- liabilities and charges	25	<u>(1.6)</u>	<u>(16.4)</u>
<b>Operating profit/(loss)</b>		<b>101.7</b>	<b>(22.5)</b>
Gain on the disposal of equity shares held for investment		-	6.3
Gain on disposal of operations		<u>3.4</u>	<u>-</u>
<b>Profit/(loss) on ordinary activities before tax</b>	4	<b>105.1</b>	<b>(16.2)</b>
Tax on profit/(loss) on ordinary activities	6	(4.7)	(2.8)
<b>Profit/(loss) for the financial year</b>		<b>100.4</b>	<b>(19.0)</b>
<b>Retained profits brought forward</b>		<b>316.1</b>	<b>335.0</b>
Dividends	3	-	(0.4)
Foreign exchange adjustments		(0.5)	0.5
<b>Retained profits carried forward</b>		<b><u>416.0</u></b>	<b><u>316.1</u></b>

There is no difference between the profit/(loss) on ordinary activities before taxation and the profit/(loss) for the financial year, and their historical cost equivalents, except where fair values are used for traded instruments, as stated in the accounting policies, Note 1.

All gains and losses arising during the year relate to continuing operations.

## CITIBANK INVESTMENTS LIMITED AND SUBSIDIARIES

### STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES AND RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS for the year ended 31 December 2004

#### CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	Note	2004 £ Million	2003 £ Million
Profit/(loss) for the financial year	28	100.4	(19.0)
Foreign exchange adjustments		(0.5)	0.5
Total recognised gains and losses since last annual report		<u>99.9</u>	<u>(18.5)</u>

#### CONSOLIDATED RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Note	2004 £ Million	2003 £ Million
Profit/(loss) for the financial year	28	100.4	(19.0)
Dividends	3	-	(0.4)
Foreign exchange adjustments		(0.5)	0.5
Share capital issued in the year	27	85.5	-
Net movements to shareholders' funds		<u>185.4</u>	<u>(18.9)</u>
Opening shareholders' funds		1,046.9	1,065.8
Closing shareholders' funds		<u>1,232.3</u>	<u>1,046.9</u>

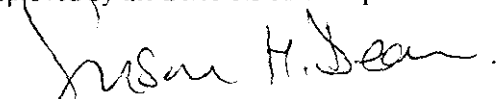
# CITIBANK INVESTMENTS LIMITED AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEET

as at 31 December 2004

	Note	2004 £ Million	2003 £ Million
<b>Assets</b>			
Cash and balances at central banks		94.0	108.5
Loans and advances to banks	8	9,004.1	9,154.7
Loans and advances to customers	9	6,307.0	5,398.0
Loans subject to non-recourse financing arrangements	11	432.2	206.3
Less: non-returnable finance		(424.1)	(200.2)
		8.1	6.1
Debt securities	12	4,092.1	3,568.4
Equity shares	13	10.1	9.5
Other participating interests		0.6	0.6
Intangible fixed assets: negative goodwill	17	-	(13.1)
Intangible fixed assets: positive goodwill	17	17.0	75.8
		17.0	62.7
Tangible fixed assets	18	275.4	378.3
Other assets	19	767.7	1,021.2
Prepayments and accrued income		222.4	157.9
<b>Total assets</b>	33	<u>20,798.5</u>	<u>19,865.9</u>
<b>Liabilities</b>			
Deposits by banks	21	11,739.1	10,414.7
Customer accounts	22	6,017.2	6,315.8
Debt securities in issue	23	122.0	122.6
Other liabilities	24	1,097.4	1,372.9
Accruals and deferred income		227.9	222.5
Provisions for liabilities and charges	25	26.8	34.7
Subordinated liabilities	26	335.8	335.8
		19,566.2	18,819.0
<b>Total liabilities</b>		<u>19,566.2</u>	<u>18,819.0</u>
<b>Shareholders' funds</b>			
Called up share capital	27	815.7	730.2
Capital reserve	28	0.6	0.6
Profit and loss account	28	416.0	316.1
Total shareholders' funds	29	1,232.3	1,046.9
<b>Total liabilities and shareholders' funds</b>	33	<u>20,798.5</u>	<u>19,865.9</u>
<b>Memorandum items</b>			
<b>Contingent liabilities:</b>			
- guarantees and assets pledged as collateral security	30	<u>1,539.9</u>	<u>1,788.9</u>
<b>Commitments:</b>			
- other commitments	30	<u>14,781.7</u>	<u>10,272.3</u>

Approved by the Directors on 15 September 2005 and signed on their behalf by:

  
Susan H. Dean



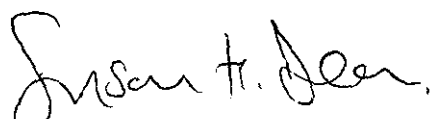
# CITIBANK INVESTMENTS LIMITED AND SUBSIDIARIES

## COMPANY BALANCE SHEET

as at 31 December 2004

	Note	2004 £ Million	2003 £ Million
<b>Fixed assets</b>			
Investments	13	0.1	0.1
Participating interests	15	0.6	0.6
Shares in subsidiary undertakings	16	<u>1,711.5</u>	<u>1,626.0</u>
		<u>1,712.2</u>	<u>1,626.7</u>
<b>Current assets</b>			
Loans and advances to banks	8	3.8	3.1
Loans and advances to customers	9	7.1	5.5
Other assets	19	<u>51.8</u>	<u>47.6</u>
		<u>62.7</u>	<u>56.2</u>
<b>Current liabilities</b>			
Deposits by banks	21	76.6	79.5
Customer accounts	22	2.8	2.9
Other liabilities	24	0.7	-
Accruals and deferred income		<u>45.8</u>	<u>42.2</u>
		<u>125.9</u>	<u>124.6</u>
<b>Net current liabilities</b>		<u>(63.2)</u>	<u>(68.4)</u>
<b>Total assets less current liabilities</b>		1,649.0	1,558.3
<b>Provision for liabilities and charges</b>			
Other provisions for liabilities and charges	25	(0.7)	(0.7)
<b>Subordinated loans</b>	26	(685.8)	(685.8)
<b>Net assets</b>		<u>962.5</u>	<u>871.8</u>
<b>Capital and reserves</b>			
Called up share capital	27	815.7	730.2
Capital reserve	28	0.6	0.6
Profit and loss account	28	<u>146.2</u>	<u>141.0</u>
<b>Total shareholders' funds</b>		<u>962.5</u>	<u>871.8</u>

Approved by the Board of Directors 15 September 2005 and signed on their behalf by:

  
 Susan H. Dean  
 Director

# CITIBANK INVESTMENTS LIMITED AND SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS

### 1. Principal accounting policies

The principal accounting policies, all of which have been applied consistently throughout the current year and the preceding year, are set out below:

#### a) Basis of presentation

The financial statements have been prepared under the historical cost convention as modified in certain cases by revaluations to fair value and in accordance with applicable Accounting Standards in the U.K.

The financial statements have been prepared in accordance with the Statements of Recommended Accounting Practice ("SORPs") issued by the British Bankers' Association ("BBA") and Irish Brokers' Federation ("IBF") and with the SORP "Accounting issues in the asset finance and leasing industry" issued by the Finance and Leasing Association ("FLA").

The financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to banking groups as applied by Schedule 9 of the Companies Act 1985 (Bank Accounts) Regulations 1991. As permitted by section 230 (4) of the Act no parent company profit and loss account has been disclosed.

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings to 31 December 2004 unless otherwise stated. The acquisition method of accounting has been adopted. Under this method the results of subsidiary undertakings acquired or disposed of in the year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal.

In accordance with the revised Financial Reporting Standard ("FRS") 1, the Group has not prepared a cash flow statement. The Group's results are consolidated in the financial statements of its ultimate parent Company, Citigroup Inc., which are made available to the public annually.

Under the subsidiary undertakings exemption of FRS 8, the Group is not required to disclose all transactions with other group companies and investees of the group qualifying as related parties.

#### b) Net interest income

Net interest income comprises interest receivable on loans, advances and deposits placed, and commitment commissions, less interest payable on deposits taken, credit for which is taken on an accruals basis. Where there is doubt over the collection of interest receivable, the interest is not accrued but is taken to the profit and loss account when received in cash.

#### c) Dividend income

Dividend income is credited to the profit and loss account when received, or accrued payable by the investee in respect of the current year.

#### d) Fees and commissions

Fees are accrued over the life of the underlying transaction except to the extent that they represent compensation for arranging the transaction, which is recognised in the profit and loss account on signing the agreement.

#### e) Net dealing income

Net dealing income comprises profits and losses from transactions in securities and from dealing in financial instruments, including interest and dividends receivable and associated funding costs.

# CITIBANK INVESTMENTS LIMITED AND SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 1. Principal accounting policies (continued)

#### f) Provision for bad and doubtful debts

Provisions for bad and doubtful debts are made as considered necessary, having regard to both specific and general factors. The general element arises in relation to existing losses, which although not separately identified, are known from experience to be present in any portfolio of bank advances. Provisions made (less amounts released) during the year are charged against profits.

In relation to the Corporate and Investment Banking business segment, a general provision is maintained based on management's estimate of probable losses inherent in the portfolio. This evaluation process is subject to numerous estimates and judgements, including the frequency of default, risk ratings, loss recovery rates and the size and diversity of credit exposures. In addition, specific provision is made in respect of individual credit exposures, where a loss is considered probable, taking into account the value of collateral held.

In respect of the Consumer business segment, specific provision is made for loans based on a pre-determined number of days past due on a contractual basis. Additionally, a general provision is maintained based on a review of overall portfolio indicators, including historical credit losses, delinquent and non-performing and classified credits, classified loans and portfolio mix and an analysis of probable losses in the portfolio. The Company does not accrue for suspended interest.

The global procedures in place to manage credit risk and provide for credit losses are detailed in the consolidated accounts of Citigroup Inc. The Group undertakes local credit risk management and provides for bad and doubtful debts on a consistent basis with Citigroup Inc.

#### g) Loans subject to non-recourse financing arrangements

Where the Group finances a portfolio of mortgage loans under non-recourse agreements, which transfer substantially all of the risk to the provider of the finance, a linked presentation is used in accordance with the provisions of Financial Reporting Standard No. 5 "Reporting the substance of transactions".

#### h) Finance and operating leases

##### *Operating leases*

Where the Group leases out equipment for less than its expected useful life or does not transfer substantially all the risks and rewards of ownership, the lease is accounted for as an operating lease.

##### *Finance leases*

Where the Group leases out equipment and there is a transfer of substantially all of the risks and rewards of ownership to the lessee, the lease is accounted for as a finance lease.

##### *Finance and operating leases – as lessee*

Assets held under finance leases and hire purchase contracts are capitalised and depreciated as described in Note 1(n). Finance charges are allocated to accounting periods using the sum of digits method so as to produce a constant periodic rate of interest on the remaining balance of the obligation for each accounting period. Rentals payable under operating leases are charged to the profit and loss account when incurred and are included within "Administrative expenses".

##### *Finance and operating leases – as lessor*

The net investment in finance leases is included in "Loans and advances to customers". The gross earnings over the period of the lease are allocated to give a constant periodic rate of return on the net investment. Costs of initiating leases are written off to the profit and loss account in the period that they are incurred.

# CITIBANK INVESTMENTS LIMITED AND SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 1. Principal accounting policies (continued)

#### h) Finance and operating leases (continued)

Assets held for the purpose of leasing to third parties under operating leases are included in "Tangible fixed assets". Rentals receivable are accounted for on a straight-line basis over the period of the lease and are included within "Interest receivable and similar income".

##### *Residual values*

Residual value exposure occurs due to the uncertain nature of the value of an asset at the end of an agreement. Throughout the life of an asset its residual value will fluctuate because of the uncertainty of the future market and technological changes or product enhancements as well as general economic conditions.

Residual values are set at the commencement of the lease based upon management's expectations of future values. During the course of the lease residual values are reviewed on an annual basis so as to identify any impairment provision required. This monitoring takes account of the Group's past history for residual values, current values and projections of the likely future market for each group of assets.

Any permanent impairment in the residual value of an asset is identified within such reviews and charged immediately to the profit and loss account.

#### i) Securities and negotiable instruments

Transactions in securities and negotiable instruments (comprising debt securities and equity shares) are recognised on a trade date basis. Balances are presented net of obligations to deliver the assets of the same issuer and same instruments sold but not yet purchased, and are valued at market prices prevailing at the year-end. Short positions have been disclosed separately in "Other liabilities".

Securities intended for use on a continuing basis in the Group's activities are classified as "investment securities" and are valued at cost adjusted for accreted premium or discount on acquisition, less any provision for impairment.

All other securities, including those assets held for trading, and debt securities held as collateral for various real-time clearing activities across Europe, are held at fair value based on quoted market prices prevailing at the year-end. Changes in fair value are recognised in the profit and loss account within "Net dealing income" as they arise.

Forward securities contracts are held at fair value, based on market rates prevailing at the year-end, adjusted for the premium amortisation or discount accretion.

#### j) Derivative contracts

Derivative contracts used in trading activities are carried at their fair value. Fair values are based on quoted market prices where available. If no quoted price exists for a particular contract, fair value is determined from market prices for its components using appropriate valuation models. Changes in the fair values of trading derivatives are included in "Net dealing income". Positive and negative fair values of trading derivatives are set-off with the same counterparty where the contracts have been entered into under master netting agreements or other agreements that give a legally enforceable right of setoff.

Derivatives held for hedging purposes are accounted for in the same manner as the underlying items hedged. Profits and losses on instruments hedging interest exposure are recognised over the life of the contract as an adjustment to interest receivable or payable. Any profit or loss on the early termination of a hedge is amortised over the remaining life of the underlying items it was hedging. If a hedged item is sold or settled, any unrecognised profit or loss on the related hedge is taken to the profit and loss account.

# CITIBANK INVESTMENTS LIMITED AND SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 1. Principal accounting policies (continued)

#### k) Sale and repurchase transactions

Securities, which have been sold with an agreement to repurchase, continue to be shown on the balance sheet and the sale proceeds recorded as a deposit. Securities acquired in reverse sale and repurchase transactions are not recognised in the balance sheet and the repurchase price is treated as a loan. The difference between the sale price and the repurchase price is accrued evenly over the life of the transaction and charged or credited to the profit and loss account as interest payable or receivable.

#### l) Shares in subsidiary undertakings

Shares in subsidiary undertakings, comprising unlisted securities, are shown at cost, less provisions for impairment.

Amounts receivable from the liquidation of subsidiary undertakings are included within "Other assets".

#### m) Intangible fixed assets

Assets and liabilities of businesses acquired are recorded at their fair value on the date of acquisition.

Purchased goodwill and intangible fixed assets are capitalised and amortised over the lesser of the expected economic life and twenty years.

An impairment review is performed in the first full financial year following the initial recognition of the intangible fixed asset or goodwill and also performed if there have been any changes in circumstances indicating that the assets' carrying value may not be recoverable in full.

Negative goodwill is disclosed separately on the face of balance sheet and is recognised in the profit and loss account over an appropriate period.

#### n) Tangible fixed assets

Tangible fixed assets are stated at cost, less accumulated depreciation. The cost of developed software includes directly attributable internal costs and the cost of external consultants. Depreciation is provided to write off the cost, less estimated residual value of each asset, on a straight-line basis over their estimated useful lives as follows:

Freehold buildings	50 years
Leasehold property and improvements	shorter of lease term and 10 years
Vehicles, developed software, furniture and equipment	between 1 and 10 years
Leased assets	between 1 and 20 years

Freehold land is not depreciated.

# **CITIBANK INVESTMENTS LIMITED AND SUBSIDIARIES**

## **NOTES TO THE FINANCIAL STATEMENTS (continued)**

### **1. Principal accounting policies (continued)**

#### **o) Taxation**

Corporate tax is provided on taxable profits/losses at the current tax rate.

Full provision is made for deferred tax assets and liabilities arising from timing differences between the recognition of gains and losses in the financial statements and their treatment for tax purposes on an undiscounted basis. Deferred tax assets are recognised to the extent that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

#### **p) Foreign currencies**

Transactions in foreign currencies are recorded using the rate of exchange at the date of transaction. At the balance sheet date monetary assets and liabilities are translated at the year end rates of exchange. Any exchange profits and losses are taken to the profit and loss account.

Exchange differences arising on the retranslation of opening net investments in overseas branches and subsidiaries at year end exchange rates and arising from the translation of the results of these overseas subsidiaries and branches at the average exchange rate are taken directly to the profit and loss reserve.

#### **q) Pension and other post-retirement benefit costs**

The Group accounts for pension costs in accordance with Statement of Standard Accounting Practice 24. The Group has made additional disclosures in accordance with FRS 17.

The Group participates in and operates defined contribution pension schemes for its employees, both in the UK and locally overseas. The charge against profit is the amount of contributions payable in respect of the year. Overseas branches also make contributions on behalf of their employees into locally run, non-state, pension schemes.

The Group also participates in and operates defined benefit pension schemes for employees in the UK, Spain, Netherlands, Belgium and Greece. Staff do not make contributions for basic pensions. For its overseas defined benefit obligations, the pension cost is calculated using actuarial valuation methods which give rise to a regular pension cost that is a substantially level percentage of the current and expected future pensionable payroll. Variations from the regular cost are allocated over the average remaining service lives of current employees in the scheme. The Group is not the principal employer of the UK defined benefit scheme and cannot separate its share of the scheme's assets and liabilities. The scheme is accounted for as if it were on a defined contribution basis.

Contributions to the Post Retirement Benefits Scheme, a group post retirement healthcare scheme, in respect of certain employees are assessed in accordance with the advice of an independent qualified actuary and provision is being made on a similar basis to the defined benefit scheme outlined above.

# CITIBANK INVESTMENTS LIMITED AND SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 2. Administrative expenses

	2004 £ Million	2003 £ Million
Staff costs		
- employee remuneration	145.8	124.7
- social security costs	20.5	23.0
- other pension costs (note 7)	6.7	8.6
- post-retirement benefit costs (note 7)	0.9	-
Other administrative expenses	205.2	219.5
	<u>379.1</u>	<u>375.8</u>

The average number of persons employed by the Group during the year was 2,883 (restated: 2003: 2,672). The comparative has been restated due to a revised method of identifying direct employees of the Group, in the UK. Employee services within the UK are primarily provided by employees of Citibank N.A, London branch.

U.K operating expenses are primarily incurred by Citibank, N.A, on behalf of the UK head office of Citibank International plc, and recharged to the Group.

### 3. Dividends paid

During 2003 dividends paid of £0.4 million related to an interim dividend in specie of the shares in a subsidiary company, Export Letters of Credit (Dublin) Limited. These were received from another subsidiary undertaking, Citibank International plc, and on the same day the Company transferred those shares to its immediate parent undertaking, Citibank Overseas Investment Corporation.

### 4. Profit/(loss) on ordinary activities before tax

	2004 £ Million	2003 £ Million
Profit on ordinary activities before tax is stated after charging:		
Interest payable on subordinated loan capital	17.8	15.0
Rentals payable on operating leases		
- leasehold property	5.5	37.7
- hire of equipment	0.9	1.4
Auditor remuneration - Group		
- audit services	0.6	0.5
- audit related services	0.1	0.2
And after crediting:		
Income from listed investments	0.2	(4.9)
Interest receivable under finance leases	81.9	111.6
Aggregate amounts receivable under operating leases	<u>28.4</u>	<u>27.0</u>

# CITIBANK INVESTMENTS LIMITED AND SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 5. Directors' emoluments

Directors' emoluments in respect of services to the Group were as follows:

	2004 £ 000's	2003 £ 000's
Aggregate emoluments	1,124	475
Group pension contributions to money purchase schemes	<u>3</u>	<u>2</u>

Contributions to defined benefit and money purchase schemes are accruing to 6 of the Directors (2003: 5). 7 of the Directors (2003: 6) of the Company participate in parent company share and share option plans and, during the year, 4 of the Directors (2003: 2) exercised options.

The emoluments of the highest paid Director were £0.6 million (2003: £0.3 million). The highest paid director did not exercise share options during the year.

The prior year figures have been restated on a basis comparable with current year presentation.

### 6. Tax on profit on ordinary activities

#### (a) Analysis of tax charge in the year

	2004 £ Million	2003 £ Million
<b>Current tax:</b>		
UK corporation tax on profits of the period	49.9	30.6
Adjustments in respect of corporation tax for earlier years	(9.6)	(1.5)
Double tax relief	(11.9)	(10.6)
Prior year group relief claimed for no consideration	(23.4)	-
Total UK corporation tax	<u>5.0</u>	<u>18.5</u>
Overseas current taxation	12.2	10.8
Adjustments in respect of corporation tax for earlier years	<u>1.1</u>	<u>-</u>
Total current tax (note 6b)	<u>18.3</u>	<u>29.3</u>
<b>Deferred tax:</b>		
Origination and reversal of timing differences		
- UK	(4.4)	(36.5)
- Overseas	4.6	4.9
Adjustments in respect of previous periods	(13.8)	5.1
Total deferred tax (note 20)	<u>(13.6)</u>	<u>(26.5)</u>
Tax on profit on ordinary activities	<u>4.7</u>	<u>2.8</u>

Included in the 2003 amount relating to timing differences is a credit of £32.6 million relating to the release of deferred tax liabilities. The release arose following the sale of lease receivables between related Citigroup affiliates. This transaction has not yet been reviewed by the Inland Revenue.



# CITIBANK INVESTMENTS LIMITED AND SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 6. Tax on profit on ordinary activities (continued)

#### (b) Factors affecting tax charge for the period

The tax assessed for the period is lower (2003: higher) than the standard rate of corporation tax in the UK (30%). The differences are explained below:

	2004 £ Million	2003 £ Million
Profit/(loss) on ordinary activities before tax	<u>105.1</u>	<u>(16.2)</u>
Profit/(loss) on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30%	31.5	(4.9)
Effects of:		
Intercompany dividend received	0.2	(0.2)
Gain on the disposal of operations	(1.0)	-
Amortisation of goodwill	0.6	2.2
Losses surrendered for no consideration	20.4	24.6
Capital element of finance lease income	18.7	29.2
Amounts written off investments	-	0.2
Capital allowances in excess of depreciation and finance lease income	(12.5)	(27.1)
Expenses not deductible for tax purposes, less revenues not taxable	0.2	6.9
Other short term timing differences	(8.2)	-
Higher tax rates on overseas earnings	0.3	0.2
Adjustment to tax charge in relation to previous periods	(31.9)	(1.8)
Current tax charge for period (note 6a)	<u>18.3</u>	<u>29.3</u>

### 7. Pension and other post retirement benefit costs

The total pension cost and other post retirement benefit cost for the Group was £7.6 million (2003: £8.5 million). Of this total pension cost, £5.2 million (2003: £5.7 million) relates to overseas schemes, which has been determined in accordance with U.K. accounting standards.

The Group participates in the Citibank (UK) Pension Plan, a funded plan which provides both defined benefit and defined contribution pension benefits. Pension costs are based on contributions by the Group as a whole. The pension costs and provision are assessed in accordance with an independent qualified actuary's advice and the latest actuarial valuation was as at 1 January 2003.

The latest actuarial calculations for the defined benefit section of the scheme was as at 1 January 2003. The principal assumptions used by the actuary in updating the latest valuation are an investment return of 5.25% p.a., the level of salary increases would be 4.25% p.a., the Retail Price Index would increase at 2.75% p.a., the level of discretionary pension increases would be 2.0% p.a. on pensions accrued before April 1997, 2.75% on pensions accrued after that date and the determination of liabilities is based on the projected unit method. The scheme's assets are held in separate trustee administered funds.

# CITIBANK INVESTMENTS LIMITED AND SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 7. Pension and other post retirement benefit costs (continued)

The Group is also a member of a Citigroup defined benefit post-retirement health care scheme from which 618 retired employees currently benefit and 643 current employees will become eligible. The cost of providing post-retirement health care benefits for the year was assessed in accordance with the advice of a qualified actuary and is recognised on a systematic basis over current employees' service lives. The accumulated obligation in respect of these benefits relating to existing employees at 1 January 1994 is being charged to the profit and loss account in equal instalments over 20 years. The scheme is unfunded and the latest full actuarial valuation was as at 1 January 2000. The principal actuarial assumptions for the year ended 31 December 2004 of the scheme were a discount rate of 5.25% p.a., the level of salary increases would be 4.25% p.a., the level of pension in payment increases would be 2.75% p.a. and the Retail Price Index would increase at 2.75% p.a.

The Group also contributes to locally operated defined benefit and defined contributions schemes for its European branches. The overseas branches in Belgium, Netherlands, Spain and Greece operate locally defined benefit schemes. In some of the European countries employers pay contributions towards the state pension scheme. The Group fulfils its duties in this regard as required by local statute.

#### Additional disclosures required under FRS 17

Whilst the Group continues to account for pension costs in accordance with Statement of Standard Accounting Practice 24 "Accounting for pension costs", under FRS 17 "Retirement benefits" the following transitional disclosures are required for the Group's defined benefit schemes operated in the UK and locally overseas.

The main financial assumptions used in calculating the liabilities as at 31 December 2004 are as follows:

	2004	2003	2002
Discount rate for assessing scheme liabilities	4.25% - 5.25%	4.8% - 5.5%	5.0% - 5.8%
Rate of increase in salaries	3.0% - 4.5%	3.0% - 4.0%	3.0% - 3.5%
Rate of increase for pensions in payment	0% - 2.75%	2.5%	2.0%
Inflation rate assumption	1.75% - 2.75%	1.8% - 2.5%	2.0% - 2.5%

#### Overseas schemes:

The fair value of the Group's overseas schemes' assets, together with the present value of the overseas schemes' liabilities, are shown as follows:

	Value £ Million			Long-term rate of return expected		
	2004	2003	2002	31/12/2004	31/12/2003	31/12/2002
Equities	37.2	31.8	22.7	8.16%	8.90%	7.00%
Bonds	63.5	40.4	20.8	5.00%	4.60%	5.00%
Other	18.5	27.0	41.2	4.84%	4.30%	3.75%
Total fair value of assets	119.2	99.2	84.7			
Present value of plan liabilities	(132.9)	(112.2)	(89.0)			
Deficit in plan	(13.7)	(13.0)	(4.3)			
Related deferred tax asset	4.1	3.9	1.3			
Net pension deficit	(9.6)	(9.1)	(3.0)			

# CITIBANK INVESTMENTS LIMITED AND SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 7. Pension and other post retirement benefit costs (continued)

#### Additional disclosures required under FRS 17 (continued)

UK scheme:

The Group is unable to identify its share of the scheme assets and liabilities on a consistent and reasonable basis. The scheme has been accounted for as if it were a defined contribution scheme. At the year-end the total UK scheme assets and liabilities were £356.0 million and £354.4 million respectively, resulting in a surplus of £1.6 million.

	2004 £ Million	2003 £ Million
Profit and loss reserve of the Group as per Note 28:		
Profit and loss reserve, excluding overseas net pension liability	416.0	316.1
Overseas net pension liability	(9.6)	(9.1)
Profit and loss reserve stated under adoption of FRS 17	406.4	307.0

The amount charged to operating profit under FRS 17 was entirely in respect of current service cost of £2.6 million (2003: £2.3 million).

Analysis of the amount which would be credited to other finance income under FRS 17:

	2004 £ Million	2003 £ Million
Expected return on pension scheme assets	6.2	5.9
Interest on pension scheme liabilities	(6.2)	(5.5)
Net return	-	0.4

Analysis of amount which would be recognised in statement of total recognised gains and losses (STRGL) under FRS 17:

	2004 £ Million	2003 £ Million	2002 £ Million
Actual return less expected return on pension scheme assets:			
- Amount	2.5	(1.3)	(11.2)
- Percentage	2.1%	1.3%	13.2%
Experience gains and (losses) arising on the scheme liabilities			
- Amount	2.5	(8.5)	2.3
- Percentage	1.9%	7.6%	2.6%
Changes in assumptions underlying the present value of the scheme liabilities			
- Amount	(12.8)	(3.7)	1.0
- Percentage	9.6%	3.3%	1.1%
Actuarial loss which would be recognised in STRGL under FRS 17			
- Amount	(9.9)	(13.5)	(7.9)
- Percentage of present value of scheme liabilities	7.4%	12.0%	8.9%

# CITIBANK INVESTMENTS LIMITED AND SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 7. Pension and other post retirement benefit costs (continued)

#### Additional disclosures required under FRS 17 (continued)

	2004 £ Million	2003 £ Million
Movement in surplus during the year:		
Deficit in scheme as at 1 January	(13.0)	(4.3)
Movement in year:		
Current service cost	(3.1)	(2.3)
Past service costs	(5.6)	-
Contributions	17.9	7.2
Other finance income	-	(0.1)
Actuarial loss	(9.9)	(13.5)
Deficit in scheme as at 31 December under FRS 17	<u>(13.7)</u>	<u>(13.0)</u>

### 8. Loans and advances to banks

	Group		Company	
	2004 £ Million	2003 £ Million	2004 £ Million	2003 £ Million
Remaining maturity:				
- on demand or at short notice	3,213.5	1,276.5	3.8	3.1
- 3 months or less	2,863.1	4,446.4	-	-
- 1 year or less but over 3 months	629.5	2,095.3	-	-
- 5 years or less but over 1 year	2,296.7	1,187.3	-	-
- over 5 years	1.3	149.2	-	-
	<u>9,004.1</u>	<u>9,154.7</u>	<u>3.8</u>	<u>3.1</u>
Amounts include:				
Due from Group companies	<u>5,174.5</u>	<u>6,895.3</u>	<u>3.8</u>	<u>3.1</u>

### 9. Loans and advances to customers

	Group		Company	
	2004 £ Million	2003 £ Million	2004 £ Million	2003 £ Million
Remaining maturity:				
- on demand or at short notice	514.1	789.6	7.1	5.5
- 3 months or less	610.2	1,002.4	-	-
- 1 year or less but over 3 months	1,394.5	624.7	-	-
- 5 years or less but over 1 year	2,576.6	2,244.4	-	-
- over 5 years	1,347.4	908.1	-	-
	<u>6,442.8</u>	<u>5,569.2</u>	<u>7.1</u>	<u>5.5</u>
General and specific bad and doubtful debt provisions (note 10)	<u>(135.8)</u>	<u>(171.2)</u>	<u>-</u>	<u>-</u>
	<u>6,307.0</u>	<u>5,398.0</u>	<u>7.1</u>	<u>5.5</u>
Amounts include:				
Due from Group companies	<u>-</u>	<u>-</u>	<u>7.1</u>	<u>5.5</u>

# CITIBANK INVESTMENTS LIMITED AND SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 9. Loans and advances to customers (continued)

The Group's cost of assets acquired for the purpose of letting under finance leases and hire purchase contracts during the year was £99.7 million (2003: £228.6 million). Aggregate rental receivables with respect to finance leases in the year were £81.9 million (2003: £111.6 million).

The unguaranteed residual values included within finance lease receivables mature over the periods detailed below are:

	<b>Group</b>	
	<b>2004</b>	<b>2003</b>
	<b>£ Million</b>	<b>£ Million</b>
Less than 1 year	6.2	7.1
1-2 years	1.9	7.9
2-5 years	19.6	15.0
Over 5 years	1.9	2.2
<b>Total</b>	<b>29.6</b>	<b>32.2</b>

The following concentrations of loans and advances are considered significant (amounts are before general and specific bad and doubtful debts provisions):

	<b>Group</b>		<b>Company</b>	
	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
	<b>£ Million</b>	<b>£ Million</b>	<b>£ Million</b>	<b>£ Million</b>
UK residential mortgages	118.6	3,300.4	-	-
Charge and credit card debtors	564.7	64.7	-	-
Commercial loans	3,648.9	788.6	7.1	5.5
Consumer loans	1,336.4	418.5	-	-
Overseas residential mortgages	113.5	67.4	-	-
Other loans and advances	660.7	929.6	-	-
	<b>6,442.8</b>	<b>5,569.2</b>	<b>7.1</b>	<b>5.5</b>

### 10. Provisions for bad and doubtful debts

#### Group

	<b>2004</b>			<b>2003</b>		
	<b>Specific</b>	<b>General</b>	<b>Total</b>	<b>Specific</b>	<b>General</b>	<b>Total</b>
	<b>£ Million</b>	<b>£ Million</b>	<b>£ Million</b>	<b>£ Million</b>	<b>£ Million</b>	<b>£ Million</b>
At 1 January	121.8	49.4	171.2	92.1	44.6	136.7
Acquisitions	-	-	-	-	-	-
Exchange adjustments	0.4	-	0.4	6.0	0.1	6.1
Charge against profits	12.5	(9.0)	3.5	64.9	6.6	71.5
Amounts written off	(31.5)	(0.9)	(32.4)	(20.8)	(1.9)	(22.7)
Disposals	(14.7)	8.6	(6.1)	(20.4)	-	(20.4)
Recoveries	(0.8)	-	(0.8)	-	-	-
<b>At 31 December</b>	<b>87.7</b>	<b>48.1</b>	<b>135.8</b>	<b>121.8</b>	<b>49.4</b>	<b>171.2</b>

Provisions for bad and doubtful debts relate to 'loans and advances to customers'.

# CITIBANK INVESTMENTS LIMITED AND SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 11. Loans subject to non-recourse financing arrangements

#### The Group

#### Securitised assets

All of the debts subject to non-recourse financing arrangements relate to business and commercial mortgages. During the year an expense of £0.9 million (2003: £0.0 million) was recognised in the profit and loss account of the Group and Company, comprising interest receivable of £23.6million (2003: £0.1 million) less interest payable and other expenses of £24.5 million (2003: £0.1 million).

The proceeds generated from the mortgage loans are to be utilised in priority to meet the claims of the providers of finance after the payment of the trustees costs and other administrative expenses. On 4 August 2004 the Company securitised £414.7 million of mortgages into Marlin (EMC-II) B.V. The Group and Company does not hold any options to repurchase the assets or transfer additional assets to Marlin (EMC-II) B.V.

Neither, the Group nor the Company is obliged to support any losses, nor do either intend to do so. Floating rate notes associated with these financing arrangements were issued on the basis that the holders are only entitled to seek repayment of the finance, as to both principal and interest, to the extent that sufficient funds are generated by the mortgages they have financed and that they will not seek recourse from the Group or Company in any form.

Information about the securitisations involved is set out in the table below:

Securitisation Group	Type of mortgage	Date of securitisation	At 31 December 2004		At 31 December 2003	
			Customer loans £ Million	Returnable finance £ Million	Customer loans £ Million	Returnable finance £ Million
Nightingale Funding plc	Business and commercial	9 December 2003	230.1	6.1	206.3	6.1
Marlin (EMC-II) B.V.	Business and commercial	4 August 2004	202.1	2.0	-	-
Total			<u>432.2</u>	<u>8.1</u>	<u>206.3</u>	<u>6.1</u>

All the shares of Nightingale Funding plc are owned by Nightingale Funding (Holdings) Ltd.

All the shares of Marlin (EMC-II) B.V. are owned by Stitching Marlin (EMC-II), a foundation established under the laws of Netherlands.

Neither the Group nor the Company own, directly or indirectly, any of the share capital of the securitised undertakings or their parent companies.

Included within "Customer loans" in Nightingale Funding plc are cash balances of £54.8 million (2003: £39.3 million) which are available to the Group to purchase additional loans for securitisation.

# CITIBANK INVESTMENTS LIMITED AND SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 12. Debt securities

#### Group

	Trading securities and securities held for collateral (at fair value)		Investment securities (at cost)		Total	
	2004	2003	2004	2003	2004	2003
	£ Million	£ Million	£ Million	£ Million	£ Million	£ Million
<b>Book value:</b>						
Issued by public bodies						
- Government securities	2,727.7	1,980.2	-	-	2,727.7	1,980.2
Issued by others						
- other debt securities	1,363.6	1,587.4	0.8	0.8	1,364.4	1,588.2
	<u>4,091.3</u>	<u>3,567.6</u>	<u>0.8</u>	<u>0.8</u>	<u>4,092.1</u>	<u>3,568.4</u>

	Trading securities and securities held for collateral (at fair value)		Investment securities (at cost)		Total	
	2004	2003	2004	2003	2004	2003
	£ Million	£ Million	£ Million	£ Million	£ Million	£ Million
<b>Analysed by listing status:</b>						
- listed	2,861.5	2,111.3	-	-	2,861.5	2,111.3
- unlisted	1,229.8	1,456.3	0.8	0.8	1,230.6	1,457.1
	<u>4,091.3</u>	<u>3,567.6</u>	<u>0.8</u>	<u>0.8</u>	<u>4,092.1</u>	<u>3,568.4</u>

#### Analysed by maturity:

- less than 1 year	1,424.9	2,126.6	-	-	1,424.9	2,126.6
- 1 to 5 years	1,704.3	880.0	0.2	0.2	1,704.5	880.2
- greater than 5 years	962.1	561.0	0.6	0.6	962.7	561.6
	<u>4,091.3</u>	<u>3,567.6</u>	<u>0.8</u>	<u>0.8</u>	<u>4,092.1</u>	<u>3,568.4</u>

The cost of securities carried at fair value is not disclosed as it cannot be determined without unreasonable expense. There is therefore no note of historical cost profits and losses.

The movement in debt securities held for investment comprised:

	2004 £ Million	2003 £ Million
<b>Cost and net book value</b>		
At 1 January	0.8	0.7
Exchange adjustment	-	0.1
At 31 December	<u>0.8</u>	<u>0.8</u>

# CITIBANK INVESTMENTS LIMITED AND SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 13. Equity shares

#### Group

	Total	
	2004	2003
	£ Million	£ Million
- listed	-	0.2
- unlisted	10.1	9.3
	<u>10.1</u>	<u>9.5</u>

#### Company

	Total	
	2004	2003
	£ Million	£ Million
- unlisted	0.1	0.1
	<u>0.1</u>	<u>0.1</u>

There are no equity shares held for trading purposes. The Directors consider the cost less provision for impairment of equity shares held for investment to be representative of their market value.

Equity shares held for investment comprised:

	Group	Company
	2004	2004
	£ Million	£ Million
<b>Cost</b>		
At 1 January	11.4	0.2
Exchange adjustment	0.1	-
Additions	3.2	-
Disposals	(2.5)	-
At 31 December	<u>12.2</u>	<u>0.2</u>
<b>Provisions</b>		
At 1 January	1.9	0.1
Additions	-	-
Charge for the year	-	-
Exchange adjustment	0.2	-
At 31 December	<u>2.1</u>	<u>0.1</u>
<b>Net book value</b>		
At 31 December	<u>10.1</u>	<u>0.1</u>
At 1 January	<u>9.5</u>	<u>0.1</u>



# CITIBANK INVESTMENTS LIMITED AND SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 14. Acquired operations

The following table discloses the book and fair values of assets and liabilities of Citicorp Finanziaria S.p.A Citifin and Citiservice S.p.A. acquired during the year, together with the fair values of the consideration. There were no fair value adjustments to the book values on acquisition and the consideration paid was in the form of shares issued to Citibank Overseas Investment Corporation ("COIC").

	<b>Citicorp Finanziaria S.p.A Citifin £ Million</b>	<b>Citiservice S.p.A £ Million</b>	<b>Total £ Million</b>
Cash, loans and advances	999.7	15.2	1,014.9
Other assets	82.5	10.1	92.6
Deposits by banks	(791.9)	-	(791.9)
Other liabilities	(214.1)	(16.0)	(230.1)
Net assets	<u>76.2</u>	<u>9.3</u>	<u>85.5</u>
Consideration	<u>76.2</u>	<u>9.3</u>	<u>85.5</u>
Goodwill	<u>-</u>	<u>-</u>	<u>-</u>

### 15. Other participating interests

The Group's only participating interest is in the share capital of Volbroker.com Limited, a company incorporated in Great Britain.

#### Group and Company

	<b>2004 £ Million</b>	<b>2003 £ Million</b>
Unlisted	<u>0.6</u>	<u>0.6</u>
	<b>Carrying value 2004 £ Million</b>	<b>Carrying value 2003 £ Million</b>
As 1 January	0.6	0.6
At 31 December	<u>0.6</u>	<u>0.6</u>

# CITIBANK INVESTMENTS LIMITED AND SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 16. Shares in subsidiary undertakings

The Company's investments in the share capital of subsidiary undertakings comprised:

	2004 £ Million
Cost	
At 1 January	1,626.0
Additions	85.5
At 31 December	<u>1,711.5</u>

Details of principal group subsidiary undertakings held at 31 December 2004 are as follows:

Name	Nature of business
Citibank International plc	International corporate, investment and consumer banking
CIB Properties Limited	Group services company
Citiloans Limited	Loan provider to Greek residents
Citicorp Trustee Company Limited	Trustee for unit and investment trusts
Citigroup Partners UK	Limited partnership holding subordinated notes and investments
Citibank Trustees (Ireland) Limited ("CTIL")	Trustee services
CitiCapital Leasing Limited	Lease finance
CitiCapital Leasing (March) Limited	Lease finance
CitiCapital Leasing (June) Limited	Lease finance
Citicorp Finanziaria SpA Citifin	Consumer finance
CitiService SpA	Consumer finance

*CitiCapital Leasing (June) Limited (formerly known as EEF Leasing (June) Limited) has an accounting period ending 30 June. CitiCapital Leasing (March) Limited has an accounting period ending on 31 March. For the purpose of these consolidated financial statements, management accounts for the year ended 31 December 2003 have been used.*

All of the above subsidiary undertakings are wholly owned and are all incorporated in Great Britain with their respective registered offices in England and Wales with the exception of CTIL (incorporated and registered in Ireland), Citicorp Finanziaria SpA Citifin (incorporated and registered in Italy) and CitiService SpA (incorporated and registered in Italy).

On 31 December 2004 85,485,983 Ordinary Shares of £1 each were allotted fully paid at par to Citibank Overseas Investment Corporation ("COIC") in consideration for the acquisition of the share capital of Citicorp Finanziaria SpA Citifin and Citiservice SpA.

# CITIBANK INVESTMENTS LIMITED AND SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 17. Intangible fixed assets

#### Group

	<b>Purchased goodwill £ Million</b>	<b>Negative goodwill £ Million</b>	<b>Total goodwill £ Million</b>
<b>Cost</b>			
At 1 January 2004	98.4	(15.1)	83.3
Disposals	(79.3)	15.1	(64.2)
At 31 December 2004	<u>19.1</u>	<u>-</u>	<u>19.1</u>
<b>Amortisation</b>			
At 1 January 2004	22.6	(2.0)	20.6
Charged in year	3.0	(1.1)	1.9
Disposals	(23.5)	3.1	(20.4)
At 31 December 2004	<u>2.1</u>	<u>-</u>	<u>2.1</u>
<b>Net carrying value</b>			
At 31 December 2004	<u>17.0</u>	<u>-</u>	<u>17.0</u>
At 31 December 2003	<u>75.8</u>	<u>(13.1)</u>	<u>62.7</u>

At the beginning of the year the whole of purchased negative goodwill related to the acquisition of the assets and liabilities of Associates Commercial Corporation Limited on 23 August 2002. This entity was disposed of during the period. Negative goodwill was credited to the profit and loss account over a ten-year period, up to the date of sale.

Purchased positive goodwill in the Group at the beginning of the year includes goodwill arising on the acquisition of the assets and liabilities of the Greece branch of Citibank, N.A. on 2 December 2002. The useful economic life of the goodwill purchased is considered to be twenty years and amortisation during this period is on a straight-line basis.

Purchased positive goodwill at 1 January 2004 also included goodwill on the acquisition of the UK business assets and liabilities of PeoplesBank credit card portfolio on 1 April 2001. These assets and liabilities were disposed of during the year. The useful economic life of the portfolio was considered to be ten years and was amortised on a straight-line basis, up to the date of sale.

# CITIBANK INVESTMENTS LIMITED AND SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 18. Tangible fixed assets

	Freehold land and buildings £ Million	Long leasehold property £ Million	Leasehold improve- ments £ Million	Vehicles, furniture and equipment £ Million	Leased or hire purchase assets £ Million	Assets in the course of cons- truction £ Million	Total £ Million
<b>Cost</b>							
1 January 2004	64.0	11.9	68.6	422.5	209.8	2.8	779.6
Additions	-	-	0.8	58.5	70.9	8.1	138.3
Acquisitions	-	-	1.0	2.4	16.4	-	19.8
Disposals	(0.3)	-	(7.9)	(24.3)	(217.1)	(1.4)	(251.0)
Transfer	1.8	-	2.7	-	-	(4.5)	-
Write-offs	-	-	-	(0.6)	-	-	(0.6)
FX movement	-	-	-	(0.2)	(2.1)	-	(2.3)
31 December 2004	<u>65.5</u>	<u>11.9</u>	<u>65.2</u>	<u>458.3</u>	<u>77.9</u>	<u>5.0</u>	<u>683.8</u>
<b>Depreciation</b>							
1 January 2004	3.8	3.5	33.9	286.7	73.4	-	401.3
Charged in year	1.4	0.2	7.1	71.9	29.2	-	109.8
Acquisitions	-	-	0.3	0.6	1.8	-	2.7
Disposals	(0.1)	-	(7.6)	(18.4)	(77.2)	-	(103.3)
Write-offs	-	-	-	(0.6)	-	-	(0.6)
FX movement	-	-	-	(0.4)	(1.1)	-	(1.5)
31 December 2004	<u>5.1</u>	<u>3.7</u>	<u>33.7</u>	<u>339.8</u>	<u>26.1</u>	<u>-</u>	<u>408.4</u>
<b>Net book value</b>							
31 December 2004	<u>60.4</u>	<u>8.2</u>	<u>31.5</u>	<u>118.5</u>	<u>51.8</u>	<u>5.0</u>	<u>275.4</u>
31 December 2003	<u>60.2</u>	<u>8.4</u>	<u>34.7</u>	<u>135.8</u>	<u>136.4</u>	<u>2.8</u>	<u>378.3</u>

The Group occupies all the land and buildings for its own activities. The net book value of assets leased to customers was £51.8 million (2003: £136.4 million). Included within "Vehicles, furniture, and equipment" are amounts relating to internally developed software.

The residual values of operating leases included within 'leased or hire purchase assets' mature over the following periods:

	2004 £ Million	2003 £ Million
Less than 1 year	0.3	3.3
1-2 years	3.5	5.2
2-3 years	2.4	11.5
3-5 years	8.1	17.5
Over 5 years	6.6	6.7
<b>Total</b>	<u>20.9</u>	<u>44.2</u>

# CITIBANK INVESTMENTS LIMITED AND SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 19. Other assets

	Group		Company	
	2004	2003	2004	2003
	£ Million	£ Million	£ Million	£ Million
Foreign exchange and interest rate contracts	436.6	720.6	-	-
Equity contracts	7.2	8.8	-	-
Counterparty receivables on sale of securities	0.1	-	-	-
Credit card acceptance receivables	23.3	23.0	-	-
Tax recoverable	35.3	32.2	-	1.7
Deferred tax (see note 20)	67.2	27.5	-	-
Dividends receivable	-	-	50.0	43.1
Other balances	198.0	209.1	1.8	2.8
	<u>767.7</u>	<u>1,021.2</u>	<u>51.8</u>	<u>47.6</u>

### 20. Deferred tax

	The Group	
	2004	2003
	£ Million	£ Million
The deferred tax assets are as follows:		
- capital allowances	13.7	20.5
- short-term timing differences	53.5	7.0
	<u>67.2</u>	<u>27.5</u>
At 1 January	27.5	34.0
Acquisitions during the year	41.5	(33.0)
Released during the year	(0.2)	-
Disposals	(15.8)	26.5
Exchange adjustments	0.4	-
Adjustments to prior years	13.8	-
At 31 December	<u>67.2</u>	<u>27.5</u>

### 21. Deposits by banks

	Group		Company	
	2004	2003	2004	2003
	£ Million	£ Million	£ Million	£ Million
Repayable on demand	1,824.7	1,392.9	-	-
With agreed maturity dates or periods of notice, by remaining maturity:				
- 3 months or less but not on demand	4,416.6	5,168.5	76.6	79.5
- 1 year or less but over 3 months	1,277.1	1,405.8	-	-
- 5 years or less but over 1 year	3,950.5	2,338.9	-	-
- over 5 years	270.2	108.6	-	-
	<u>11,739.1</u>	<u>10,414.7</u>	<u>76.6</u>	<u>79.5</u>
Amounts include:				
Due to group companies	<u>9,069.1</u>	<u>9,313.9</u>	<u>-</u>	<u>79.5</u>

# CITIBANK INVESTMENTS LIMITED AND SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 22. Customer accounts

	Group		Company	
	2004 £ Million	2003 £ Million	2004 £ Million	2003 £ Million
Repayable on demand	3,452.1	3,391.2	2.8	2.9
With agreed maturity dates or periods of notice, by remaining maturity:				
- 3 months or less but not on demand	1,607.2	1,700.3	-	-
- 1 year or less but over 3 months	628.3	649.3	-	-
- 5 years or less but over 1 year	329.6	574.9	-	-
- over 5 years	-	0.1	-	-
	<u>6,017.2</u>	<u>6,315.8</u>	<u>2.8</u>	<u>2.9</u>
Amounts include:				
Due to group companies	<u>7.2</u>	<u>134.8</u>	<u>-</u>	<u>2.9</u>

### 23. Debt securities in issue

#### Group

	2004 £ Million	2003 £ Million
Other debt securities in issue, by remaining maturity:		
- 1 year or less but over 3 months	12.7	33.0
- 5 years or less but over 1 year	60.2	73.5
- over 5 years	49.1	16.1
	<u>122.0</u>	<u>122.6</u>

### 24. Other liabilities

	Group		Company	
	2004 £ Million	2003 £ Million	2004 £ Million	2003 £ Million
Foreign exchange and interest rate contracts	371.3	692.3	-	-
Equity contracts	7.2	11.3	-	-
Counter-party payables on purchase of securities	0.5	-	-	-
Trade finance acceptances	-	80.9	-	-
Credit card acceptance payables	44.9	77.1	-	-
Tax - due within one year	32.5	-	-	-
Other balances	641.0	511.3	0.7	-
	<u>1,097.4</u>	<u>1,372.9</u>	<u>0.7</u>	<u>-</u>

Included within "other balances" are amounts payable for £350 million (2003: £350 million) to a fellow group undertaking under the terms of a redeemable limited partnership interest.

# CITIBANK INVESTMENTS LIMITED AND SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 25. Provisions for liabilities and charges

	Pension obligations and other post-retirement benefit commitments £ Million	Restructuring provision £ Million	Provision for property costs £ Million	Other provisions £ Million	Total £ Million
At 1 January 2004	8.2	10.1	13.9	2.5	34.7
Acquisitions	-	-	-	1.2	1.2
Additions	-	0.9	-	0.1	1.0
Exchange adjustments	0.1	-	0.1	-	0.2
Charge to profits	2.1	(0.2)	0.5	0.8	3.2
Provisions utilised	(2.3)	(4.9)	(4.6)	(0.1)	(11.9)
Release of provision	-	(1.6)	-	-	(1.6)
At 31 December 2004	<u>8.1</u>	<u>4.3</u>	<u>9.9</u>	<u>4.5</u>	<u>26.8</u>

“Provision for pension obligations and post-retirement benefit commitments” relates to retirement payments to ex-employees and staff contributions to overseas national government pension schemes, which are accounted for as a defined contribution scheme. The staff contributions are based on actuarial estimates and assumptions. The £8.1 million provision existing at the year end will be utilised when staff retire.

The “restructuring provision” relates to the provision of staff redundancies and compensation. The full amount is expected to be fully utilised in 2005. There are no reimbursements anticipated.

Of the “provision for property costs” £1.7 million relates to dilapidation and onerous property costs, which are expected to be fully utilised without any recoverable amounts in 2008. £7.5 million represents dilapidation costs of vacating a property in London. It is expected that the provision will be utilised by 2006.

The “other provisions” relate to potential litigation provisions, which are assessed on a case by case basis, taking into account legal advice for each case. The information usually required by FRS 12 for the “other provisions” is not disclosed on the grounds that it can be expected to prejudice the outcome of the litigation.

#### The Company

	Provision for property costs £ Million	Total £ Million
At 1 January 2004	0.7	0.7
At 31 December 2004	<u>0.7</u>	<u>0.7</u>

# CITIBANK INVESTMENTS LIMITED AND SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 26. Subordinated liabilities

	Group		Company	
	2004	2003	2004	2003
	£ Million	£ Million	£ Million	£ Million
Subordinated loans at 31 December	<u>335.8</u>	<u>335.8</u>	<u>685.8</u>	<u>685.8</u>

On 26 October 2001 the Company entered into a subscription agreement, whereby Citigroup Capital Finance Limited subscribed for £335,750,000 Subordinated Floating Rate Notes due 2031 in the Company at that date. These notes are fully subordinated to the rights and claims of senior creditors of the Company and bear interest at a 3 month market rate.

On 26 October 2001 the Company entered into a subscription agreement, whereby Citigroup Partners UK subscribed for £350,000,000 Subordinated Floating Rate Notes due 2031 in the Company at that date. These notes are fully subordinated to the rights and claims of senior creditors of the Company and bear interest at a 2 year market rate.

### 27. Called up share capital

Authorised	2004 £ Million	2003 £ Million
1,000,000 Sterling ordinary shares of £1 each (2003: 1,000,000)	1,000.0	1,000.0
600,000 5% Fixed rate cumulative redeemable preference shares of £1 each (2003: 600,000)	600.0	600.0
	<u>1,600.0</u>	<u>1,600.0</u>
Issued and fully paid	2004 £ Million	2003 £ Million
Sterling ordinary shares of £1 each		
769,705,569 (2003: 684,218,586) sterling ordinary shares of £1 each	769.7	684.2
45,970,355 6.5% Fixed rate cumulative redeemable preference shares of £1 each (2003: 45,970,355)	46.0	46.0
Total share capital at 31 December	<u>815.7</u>	<u>730.2</u>

The 6.5% Fixed Rate Cumulative Redeemable Preference shares are redeemable at the option of the Company, exercisable after 20 years.

The holders of the preference shares are entitled, on the winding up of the Company, to priority over the ordinary and preferred ordinary shareholders as regards payment of capital and any arrears or deficiency of the fixed cumulative preferential dividend. They are not entitled to any further participation in the profits or assets of the Company and accordingly these shares are classified as non-equity shares. The parent company has waived its right to receive dividends.

The holders of all classes of shares are entitled to receive notice of, attend and vote at all general meetings of the Company.

On 1 June 2004 the Company issued 800 ordinary shares and 200 ordinary shares respectively to Diners Club Italia SpA and Citibank Overseas Investments Corporation ("COIC") in consideration for the acquisition of the whole of the issued share capital (less four shares) of Diners Club France SA. Those shares were sold on the same date to the Company's subsidiary, Citibank International plc ('CIP'), in exchange for the issue to the Company of 1,000 ordinary shares of CIP. Diners Club France SA was subsequently dissolved under French law.



# CITIBANK INVESTMENTS LIMITED AND SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 27. Called up share capital (continued)

On 31 December 2004 the share capital of, Citicorp Finanziaria SpA Citifin and Citiservice SpA, were contributed by COIC to the Company in exchange for the issue to COIC of 85,485,983 ordinary shares of £1 each. The share capital of the two companies were contributed to CIP in exchange for the issue to the Company of 85,485,983 ordinary shares of £1 each in CIP.

### 28. Reserves

#### Group

	Capital reserve £ Million	Profit and loss account £ Million	Total £ Million
At 1 January 2004	0.6	316.1	316.7
Profit for the financial year	-	100.4	100.4
Foreign exchange adjustments	-	(0.5)	(0.5)
At 31 December 2004	<u>0.6</u>	<u>416.0</u>	<u>416.6</u>

#### Company

	Capital reserve £ Million	Profit and loss account £ Million	Total £ Million
At 1 January 2004	0.6	141.0	141.6
Profit for the financial year	-	5.2	5.2
At 31 December 2004	<u>0.6</u>	<u>146.2</u>	<u>146.8</u>

### 29. Total shareholders' funds

#### Group

	2004 £ Million	2003 £ Million
Total shareholders' funds is represented by:		
- equity shareholders' funds	1186.3	1,000.9
- non-equity shareholders' funds	46.0	46.0
	<u>1,232.3</u>	<u>1,046.9</u>

# CITIBANK INVESTMENTS LIMITED AND SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 30. Contingent liabilities and commitments

The tables below give the nominal principal amounts and risk weighted amounts of contingent liabilities and commitments. The nominal principal amounts indicate the volume of business outstanding at the balance sheet date and do not represent amounts at risk. The risk weighted amounts have been calculated in accordance with the Financial Services Authority's (FSA) guidelines on capital adequacy.

The Group	2004 Contract amount £ Million	2004 Risk Weighted Amount £ Million	2003 Contract amount £ Million	2003 Risk weighted amount £ Million
<b>Contingent liabilities</b>				
Guarantees and assets pledged as collateral				
- guarantees and irrevocable letters of credit	1,539.9	1,352.0	1,788.9	1,461.8
	<u>1,539.9</u>	<u>1,352.0</u>	<u>1,788.9</u>	<u>1,461.8</u>
<b>Commitments</b>				
Other commitments:				
- documentary credits and short term trade related transactions.	821.3	154.7	160.2	15.3
- undrawn formal standby facilities, credit lines and other commitments to lend:				
- less than 1 year	2,883.8	-	4,522.0	-
- 1 year and over	11,076.6	4,874.4	5,590.1	2,571.6
	<u>14,781.7</u>	<u>5,029.1</u>	<u>10,272.3</u>	<u>2,586.9</u>

### 31. Financial instruments

#### Objectives, policies and strategies

Financial instruments are fundamental to the Group's business and constitute the core elements of its operation. The risks associated with financial instruments are a significant component of the risk faced by the Group. Financial instruments create, modify or reduce the liquidity, credit and market risk of the Group's balance sheet.

The purpose for which the Group holds or issues financial instruments can be classified into five main categories:

- **Customer loans and deposits:** Customer loans and deposits (both retail and institutional) form a large part of the Group's business. The Group has detailed policies and strategies in respect of its customer loans and deposits which seek to minimise the risks associated with these financial instruments
- **Investment securities:** The Group holds securities, excluding strategic investments, for use on a continuing basis in the Group's activities. The objective of holding such financial instruments is to generate funds over the term of the investment, in the form of distributions and/or appreciation in value. Funds generated are used in the Group's operations.

# CITIBANK INVESTMENTS LIMITED AND SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 31. Financial instruments (continued)

#### Objectives, policies and strategies (continued)

- **Finance:** The Group issues financial instruments to fund that portion of the Group's assets not funded by customer deposits. The objective of using financial instruments for financing purposes is to manage the Group's balance sheet in terms of minimising market risk. Responsibility for overseeing and implementing balance sheet management lies with the Group's Treasury department.
- **Hedging:** Where financial instruments form part of the Group's interest rate management strategy they are classified as hedges. The objective for holding financial instruments as hedges is to match or minimise the risk arising because of adverse movements in interest rates, exchange rates or equity prices. Cash products are the main instruments used for economically hedging the balance sheet.
- **Trading:** The Group trades in financial instruments for its own account and to facilitate customer transactions. As a market maker in these products the Group facilitates a two way flow. Trading activity is restricted to certain areas in the Group and is subject to strict policies and limits. Responsibility for setting trading policies and monitoring adherence thereto lies with Group Risk Management.

In the normal course of business, the Group enters into a variety of derivative transactions principally in the equity, interest rate and foreign exchange markets. They are used to provide financial services to customers and to take, hedge and modify positions as part of trading activities. Derivatives may also be used to hedge or modify risk exposures arising on the balance sheet from a variety of activities including lending and securities investment. Most of the counterparties in the Group's derivative transactions are banks and other financial institutions. The risks involved in derivatives include market, credit, liquidity and foreign exchange risk.

The principal types of derivative contracts into which the Group enters are described below.

- **Swaps:** These are over-the-counter ("OTC") agreements between two parties to exchange periodic payments of interest, or payments for the change in value of currencies, or related indices, over a set period based on notional principal amounts. The Group enters into swap transactions in several markets. Interest rate swaps exchange fixed rates with floating rates of interest based on notional amounts. Basis swaps exchange floating or fixed interest calculated using different bases. Cross currency swaps are the exchange of interest based on notional values of different currencies.

The Group enters into credit default swaps to hedge the risk associated with the issuance of credit linked medium term notes.

- **Options:** Currency, equity and interest rate options confer the right, but not the obligation, on the buyer to receive or pay a specific quantity of an asset or financial instrument for a specified price at or before a specified date. Options may be exchange traded or OTC agreements.
- **Futures and forwards:** Short term interest rate futures and forward foreign exchange contracts are all agreements to deliver, or take delivery of a specified amount of an asset or financial instrument based on the specified rate, price or index applied against the underlying asset or financial instrument, at a specified date. Futures are exchange traded at standardised amounts of the underlying asset or financial instrument. Forward contracts are OTC agreements and are principally dealt in by the Group in interest rates as forward rate agreements and in currency as forward foreign exchange contracts.

All of the interest rate and customer generated foreign exchange derivative transactions have the associated risks transferred to other Citigroup entities.

# CITIBANK INVESTMENTS LIMITED AND SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 31. Financial instruments (continued)

The following table analyses, by maturity and contract type, the notional principal amounts of the Group's derivatives held for trading purposes:

Maturity (original tenor)	2004			
	1 year or less £ Million	1-5 years £ Million	Over 5 years £ Million	Total £ Million
<b>Exchange rate contracts</b>				
Forwards and futures	6,707.1	42.4	-	6,749.5
Currency swaps	73.6	28.8	68.5	170.9
Options	-	7,690.8	-	7,690.8
<b>Total exchange rate contracts</b>	<u>6,780.7</u>	<u>7,762.0</u>	<u>68.5</u>	<u>14,611.2</u>
Includes OTC contracts of:	<u>6,780.7</u>	<u>7,762.0</u>	<u>68.5</u>	<u>14,611.2</u>
<b>Interest rate contracts</b>				
Interest rate swaps	560.5	954.8	212.9	1,728.2
Interest rate options	353.2	1,373.4	-	1,726.6
<b>Total interest rate contracts</b>	<u>913.7</u>	<u>2,328.2</u>	<u>212.9</u>	<u>3,454.8</u>
Includes OTC contracts of:	<u>913.7</u>	<u>2,328.2</u>	<u>212.9</u>	<u>3,454.8</u>
<b>Equity derivative contracts</b>				
Options	277.2	6.2	30.7	314.1
<b>Total equity derivative Contracts</b>	<u>277.2</u>	<u>6.2</u>	<u>30.7</u>	<u>314.1</u>
Includes OTC contracts of:	<u>277.2</u>	<u>6.2</u>	<u>30.7</u>	<u>314.1</u>
<b>Total at 31 December</b>	<u>7,971.6</u>	<u>10,096.4</u>	<u>312.1</u>	<u>18,380.1</u>

# CITIBANK INVESTMENTS LIMITED AND SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 31. Financial instruments (continued)

#### Derivative financial instruments (continued)

The following table analyses, by maturity and contract type, the notional principal amounts of the Group's derivatives held for trading purposes:

Maturity (original tenor)	2003			
	1 year or less £ Million	1-5 years £ Million	Over 5 years £ Million	Total £ Million
<b>Exchange rate contracts</b>				
Forwards and futures	5,835.7	348.8	-	6,184.5
Currency swaps	184.4	14.9	600.3	799.6
Options	259.0	27.0	-	286.0
<b>Total exchange rate contracts</b>	<u>6,279.1</u>	<u>390.7</u>	<u>600.3</u>	<u>7,270.1</u>
Includes OTC contracts of:	<u>6,279.1</u>	<u>390.7</u>	<u>600.3</u>	<u>7,270.1</u>
<b>Interest rate contracts</b>				
Interest rate swaps	1,717.9	2,282.7	743.9	4,744.5
Interest rate options	138.9	656.9	35.2	831.0
<b>Total interest rate contracts</b>	<u>1,856.8</u>	<u>2,939.6</u>	<u>779.1</u>	<u>5,575.5</u>
Includes exchange traded contracts of:	<u>405.7</u>	<u>-</u>	<u>-</u>	<u>405.7</u>
Includes OTC contracts of:	<u>1,451.1</u>	<u>2,939.6</u>	<u>779.1</u>	<u>5,169.8</u>
<b>Equity derivative contracts</b>				
Options	7.7	31.3	-	39.0
<b>Total equity derivative Contracts</b>	<u>7.7</u>	<u>31.3</u>	<u>-</u>	<u>39.0</u>
Includes exchange traded contracts of:	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Includes OTC contracts of:	<u>7.7</u>	<u>31.3</u>	<u>-</u>	<u>39.0</u>
<b>Total at 31 December</b>	<u>8,143.6</u>	<u>3,361.6</u>	<u>1,379.4</u>	<u>12,884.6</u>

# CITIBANK INVESTMENTS LIMITED AND SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 31. Financial instruments (continued)

#### Derivative financial instruments (continued)

The following table analyses, by maturity and contract type, the replacement cost of the Group's derivatives held for trading purposes:

Maturity (original tenor)	2004			Total £ Million
	1 year or less £ Million	1-5 years £ Million	Over 5 years £ Million	
<b>Exchange rate contracts</b>				
Forwards and futures	116.0	0.2	-	116.2
Currency swaps	89.4	14.8	59.1	163.3
Options	-	20.4	-	20.4
<b>Total exchange rate contracts</b>	<u>205.4</u>	<u>35.4</u>	<u>59.1</u>	<u>299.9</u>
Includes OTC contracts of:	<u>205.4</u>	<u>35.4</u>	<u>59.1</u>	<u>299.9</u>
<b>Interest rate contracts</b>				
Interest rate swaps	31.3	47.8	49.6	128.7
Interest rate options	0.6	7.4	-	8.0
<b>Total interest rate contracts</b>	<u>31.9</u>	<u>55.2</u>	<u>49.6</u>	<u>136.7</u>
Includes OTC contracts of:	<u>31.9</u>	<u>55.2</u>	<u>49.6</u>	<u>136.7</u>
<b>Equity derivative contracts</b>				
Options	7.1	0.1	-	7.2
<b>Total equity derivative Contracts</b>	<u>7.1</u>	<u>0.1</u>	<u>-</u>	<u>7.2</u>
Includes OTC contracts of:	<u>7.1</u>	<u>0.1</u>	<u>-</u>	<u>7.2</u>
<b>Effect of netting</b>				(251.5)
<b>Total at 31 December</b>				<u>192.3</u>

# CITIBANK INVESTMENTS LIMITED AND SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 31. Financial instruments (continued)

#### Derivative financial instruments (continued)

The following table analyses, by maturity and contract type, the replacement cost of the Group's derivatives held for trading purposes:

Maturity (original tenor)	2003			Total £ Million
	1 year or less £ Million	1-5 years £ Million	Over 5 years £ Million	
<b>Exchange rate contracts</b>				
Forwards and futures	86.9	16.2	-	103.1
Currency swaps	63.3	0.5	41.5	105.3
Options	21.6	5.1	-	26.7
<b>Total exchange rate contracts</b>	<u>171.8</u>	<u>21.8</u>	<u>41.5</u>	<u>235.1</u>
Includes OTC contracts of:	<u>171.8</u>	<u>21.8</u>	<u>41.5</u>	<u>235.1</u>
<b>Interest rate contracts</b>				
Interest rate swaps	5.8	57.5	48.9	112.2
Interest rate options	0.1	4.2	1.4	5.7
<b>Total interest rate contracts</b>	<u>5.9</u>	<u>61.7</u>	<u>50.3</u>	<u>117.9</u>
Includes OTC contracts of:	<u>5.9</u>	<u>61.7</u>	<u>50.3</u>	<u>117.9</u>
<b>Equity derivative contracts</b>				
Options	1.0	-	-	1.0
<b>Total equity derivative Contracts</b>	<u>1.0</u>	<u>-</u>	<u>-</u>	<u>1.0</u>
Includes OTC contracts of:	<u>1.0</u>	<u>-</u>	<u>-</u>	<u>1.0</u>
<b>Effect of netting</b>				(231.8)
<b>Total at 31 December</b>				<u>122.2</u>

# CITIBANK INVESTMENTS LIMITED AND SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 31. Financial instruments (continued)

#### Derivative financial instruments (continued)

The following table discloses the Fair Value of derivatives held for trading purposes. The Directors consider Fair Value to be the same as replacement cost.

	2004			2003		
	Notional principal amount £ Million	Fair value		Notional principal amount £ Million	Fair value	
		Asset £ Million	Liability £ Million		Asset £ Million	Liability £ Million
<b>Exchange rate related contracts</b>						
Forwards and futures	6,749.5	116.2	112.6	6,184.5	103.5	94.5
Currency swaps	170.9	163.3	82.8	799.6	105.3	41.6
Options	7,690.8	20.4	20.4	286.0	26.7	-
	<u>14,611.2</u>	<u>299.9</u>	<u>215.8</u>	<u>7,270.1</u>	<u>235.5</u>	<u>136.1</u>
<b>Interest rate related contracts</b>						
Interest rate swaps	1,728.2	128.7	147.6	4,744.5	112.2	461.7
Options	1,726.6	8.0	8.0	831.0	5.7	-
	<u>3,454.8</u>	<u>136.7</u>	<u>155.6</u>	<u>5,575.5</u>	<u>117.9</u>	<u>461.7</u>
<b>Equity and commodity related contracts</b>						
Options	314.1	7.2	7.2	39.0	2.5	2.5
	<u>314.1</u>	<u>7.2</u>	<u>7.2</u>	<u>39.0</u>	<u>2.5</u>	<u>2.5</u>
Effect of netting		(251.5)	(251.5)		(231.8)	(231.8)
		<u>192.3</u>	<u>127.1</u>		<u>124.1</u>	<u>368.5</u>

Generally, the Group's policy is to take little or no risk in exchange rate or interest rate contracts.



# CITIBANK INVESTMENTS LIMITED AND SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 31. Financial instruments (continued)

#### Derivative financial instruments (continued)

The following table discloses the counterparty and potential credit exposure with respect to OTC traded derivatives:

	Fair value £ Million	Potential future exposure £ Million	Credit equivalent amount £ Million	Risk weighted amount £ Million
<b>2004</b>				
- financial institutions	216.1	205.3	421.4	84.3
- non-financial institutions	119.2	325.8	445.0	221.0
<b>Total OTC contracts</b>	<u>335.3</u>	<u>531.1</u>	<u>866.4</u>	<u>305.3</u>
	Fair value £ Million	Potential future exposure £ Million	Credit equivalent amount £ Million	Risk weighted amount £ Million
<b>2003</b>				
- financial institutions	1.3	115.9	117.2	23.4
- non-financial institutions	120.9	40.8	161.7	80.9
<b>Total OTC contracts</b>	<u>122.2</u>	<u>156.7</u>	<u>278.9</u>	<u>104.3</u>

#### Risk management

Risk management is the cornerstone of the Group's business. Risks arise from lending, trading and other activities routinely undertaken. The following sections summarise the processes that were in place during 2004 for managing the Group's major risks.

#### Market risk

Market risk encompasses liquidity risk and price risk, both of which arise in the normal course of business of a global financial intermediary. Liquidity risk has two elements. Firstly, the risk that the Group may be unable to meet a financial commitment to a customer, creditor, or investor when due. Secondly, the market is able to absorb substantial positions without an impact on market price/valuation in relation to our trading portfolios. Price risk is the risk to earnings that arises from changes in interest rates, foreign exchange rates, equity and commodity prices, and in their implied volatilities.

# CITIBANK INVESTMENTS LIMITED AND SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 31. Financial instruments (continued)

#### Market risk (continued)

The Group and its affiliates' business and corporate oversight groups have well-defined market risk management responsibilities. Within each business, a process is in place to control market risk exposure. The risk management process includes the establishment of appropriate market risk controls and limits, policies and procedures, appropriate senior management risk oversight with thorough risk analysis and reporting, and independent risk management with capabilities to evaluate and monitor risk limits. Management of this process begins with the professionals nearest to the Group's customers, products, and markets, and extends up to the senior executives who manage these businesses and to the country level. Market risk management is an evolutionary process that integrates changes in markets, products and technologies into policies and practices. Periodic reviews are conducted by Audit Risk and Review to ensure compliance with institutional policies and procedures for the assessment, management, and control of market risk.

Price risk is measured using various tools, including Interest Rate Gap Analysis, Interest Rate Exposure (IRE) limits, stress and scenario analysis, which are applied to interest rate risk arising in the non-trading portfolios, factor sensitivity limits and Value-at Risk, stress and scenario analysis, which are applied to the trading portfolios.

The primary risk taking activities during the year were in relation to Euro Commercial Paper (ECP) positioning and hedging. Price risk also arises from residual treasury interest rate and foreign exchange hedging activity.

#### Trading price risk

##### *Overall objectives*

The group uses a daily VaR measure, in conjunction with factor sensitivity and stress reporting, as a mechanism for monitoring and controlling market risk. The VaR is calculated at a 99% confidence level assuming a one-day horizon. Daily losses are expected to exceed the VaR, on average, once every one hundred business days.

##### *VaR Methodology*

The VaR engine is based on the structured Monte-Carlo approach where 5000 scenarios of market rates/prices are simulated. The covariance matrix of volatility and correlation is updated quarterly, based on three years' worth of market data.

# CITIBANK INVESTMENTS LIMITED AND SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 31. Financial instruments (continued)

#### Trading price risk (continued)

##### *VaR limitations*

Although extensive backtesting of the VaR hypothetical portfolios, with varying concentrations by industry, risk rating and so on are performed, the VaR cannot necessarily provide an indication of the potential size of loss when it occurs. Hence a comprehensive set of factors sensitivity limits and stress tests are used, in addition to VaR limits.

A VaR trigger is in place for the Company which ensures any excesses are discussed and resolved between Risk and the Business and Entity management. In addition, the ECP desk is subject to formal limits on interest rate and issuer exposures which are closely monitored by Risk Management and Senior Business Management. A VaR guideline is also in place for the ECP desk.

The Group's principal trading price risks are generated by the ECP business (the Group's assets held for trading) and are governed by a comprehensive set of factor sensitivity limits, stress test and VaR controls. The following table summarises trading price risk by disclosing the Group's highest, lowest and average exposure of its trading book to VaR during the reporting period, together with the exposure as at 31 December 2004:

	<u>2004</u> ECP £ Million	<u>2003</u> ECP £ Million
<b>During the year</b>		
Highest	2.9	0.3
Lowest	1.1	0.1
Average	1.7	0.1
As at 31 December	1.6	0.1

Net dealing income from fixed income products comprises the following:

	<u>2004</u> £ Million	<u>2003</u> £ Million
Debt securities (includes mark-to-market on debt securities)	25.9	16.6
European commercial paper	<u>3.0</u>	<u>(7.1)</u>
	<u>28.9</u>	<u>9.5</u>

#### Non-trading price risk

Price risk in the non-trading portfolios, which is mainly interest rate risk is measured using Interest Rate Gap Analysis, Interest Rate Exposure (IRE) limits, stress and scenario analysis. Interest Rate Gap Analysis utilizes the maturity or repricing schedules of balance sheet items to determine interest rate exposures within given tenor buckets. Interest Rate Exposure (IRE) measures the potential earnings impact, over a specified reporting period, from a defined standard set of parallel shifts in the curve. IRE is calculated separately for each currency and reflects the repricing gaps in the position, as well as option positions, both explicit and embedded. Limits are set for the UK country and business activity, of which the Group is a part. These limits are monitored by Price Risk Management.

# CITIBANK INVESTMENTS LIMITED AND SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 31. Financial instruments (continued)

#### Trading price risk (continued)

#### Non-trading price risk

The following table shows the contractual re-pricing terms for each category of non-trading asset and liability, together with management's estimate of the interest rate sensitivity gap for the Group as at 31 December 2004. Loans and advances to customers are shown on a gross basis before provisions for bad debts. Contractual re-pricing terms are shown according to management's expectations. Positions may not be reflective of those in subsequent periods. Major changes in position can be made promptly as market outlooks change. In addition significant variations in interest rate sensitivity may exist within the re-pricing periods presented and among the currencies in which the Group has interest rate positions.

#### Repricing mismatches of financial assets and liabilities

	3 months or less £ Million	Greater than 3 months and less than or equal to 6 months £ Million	Greater than 6 months and less than or equal to 1 year £ Million	Greater than 1 year and less than or equal to 5 years £ Million	Greater than 5 years £ Million	Non- interest bearing £ Million	Trading assets	Total £ Million
<b>2004</b>								
<b>Assets</b>								
Cash & balances at central banks	69.3	-	-	-	-	24.7	-	94.0
Loans and advances to banks	5,897.0	380.3	472.9	2,135.9	98.8	19.2	-	9,004.1
Loans and advances to customers	3,606.3	879.3	296.2	1,282.4	326.6	(83.8)	-	6,307.0
Loans subject to non recourse financing arrangements	-	-	-	-	-	8.1	-	8.1
Debt securities held for investment	-	-	-	-	0.2	0.6	-	0.8
Total non trading assets	9,572.6	1,259.6	769.1	3,418.3	425.6	(31.2)	-	15,414.0
Non-interest earning assets	-	-	-	-	-	1,293.2	-	1,293.2
Total non trading assets	9,572.6	1,259.6	769.1	3,418.3	425.6	1,262.0	-	16,707.2
Trading assets							4,091.3	4,091.3
Total assets	9,572.6	1,259.6	769.1	3,418.3	425.6	1,262.0	4,091.3	20,798.5
<b>Liabilities</b>								
Deposits by banks	6,237.8	517.9	769.5	3,940.3	270.2	3.4	-	11,739.1
Customer deposits	4,809.4	393.8	247.6	329.6	-	236.8	-	6,017.2
Debt securities in issue	(0.1)	12.7	-	60.3	49.1	-	-	122.0
Subordinated loans	352.6	-	-	-	-	-	-	352.6
Other loans	28.6	-	-	350.0	-	-	-	378.6
	11,428.3	924.4	1,017.1	4,680.2	319.3	240.2	-	18,609.5
Interest free liabilities	-	-	-	-	-	956.7	-	956.7
Shareholder equity	-	-	-	-	-	1,232.3	-	1,232.3
Total liabilities	11,428.3	924.4	1,017.1	4,680.2	319.3	2,429.2	-	20,798.5
<b>Net Position</b>								
Interest rate sensitivity gap	(1,855.7)	335.2	(248.0)	(1,261.9)	106.3	(1,167.2)	4,091.3	
Cumulative interest rate sensitivity gap	(1,855.7)	(1,520.5)	(1,768.5)	(3,030.4)	(2,924.1)	(4,091.3)	-	
Cumulative interest rate sensitivity gap %	(8.9)	(7.3)	(8.5)	(14.6)	(14.1)	(19.7)	-	

# CITIBANK INVESTMENTS LIMITED AND SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 31. Financial instruments (continued)

#### Repricing mismatches of financial assets and liabilities (continued)

	3 months or less £ Million	Greater than 3 months and less than or equal to 6 months £ Million	Greater than 6 months and less than or equal to 1 year £ Million	Greater than 1 year and less than or equal to 5 years £ Million	Greater than 5 years £ Million	Non- interest bearing £ Million	Trading assets	Total £ Million
<b>2003</b>								
<b>Assets</b>								
Cash & balances at central banks	108.4	-	-	-	-	0.1	-	108.5
Loans and advances to banks	7,068.9	703.7	100.6	1,251.8	10.6	19.1	-	9,154.7
Loans and advances to customers	3,379.7	500.4	288.1	790.4	519.1	91.5	-	5,569.2
Loans subject to non recourse financing arrangements	-	-	-	-	-	6.1	-	6.1
Debt securities held for investment	-	-	-	-	0.2	0.6	-	0.8
Debt securities	1,385.0	732.2	769.9	122.4	558.9	-	-	3,568.4
Total non trading assets	10,557.0	1,204.1	388.7	2,042.2	529.9	117.4	-	14,839.3
Non-interest earning assets	-	-	-	-	-	1,459.0	-	1,459.0
Total non trading assets	10,557.0	1,204.1	388.7	2,042.2	529.9	1,576.4	-	16,298.3
Trading assets	-	-	-	-	-	-	3,567.6	3,567.6
Total assets	10,557.0	1,204.1	388.7	2,042.2	529.9	1,576.4	3,567.6	19,865.9
<b>Liabilities</b>								
Deposits by banks	6,349.1	995.7	436.2	2,472.3	92.5	68.9	-	10,414.7
Customer deposits	4,948.9	403.1	348.7	472.3	0.1	142.7	-	6,315.8
Debt securities	33.0	-	-	-	89.6	-	-	122.6
Subordinated loans	349.7	-	-	-	-	-	-	349.7
Other loans	27.9	-	-	350.0	-	-	-	377.9
	11,708.6	1,398.8	784.9	3,294.6	182.2	211.6	-	17,580.7
Interest free liabilities	-	-	-	-	-	1,238.3	-	1,238.3
Shareholder equity	-	-	-	-	-	1,046.9	-	1,046.9
Total liabilities	11,708.6	1,398.8	784.9	3,294.6	182.2	2,496.8	-	19,865.9
<b>Net position</b>								
Interest rate sensitivity gap	(1,151.6)	(194.7)	(396.2)	(1,252.4)	347.7	(920.4)	3,567.6	
Cumulative interest rate sensitivity gap	(1,151.6)	(1,346.3)	(1,742.5)	(2,994.9)	(2,647.2)	(3,567.6)	-	
Cumulative interest rate sensitivity gap %	(6.6)	(7.7)	(9.9)	(17.0)	(15.1)	(20.3)		

The main operating or functional currencies of the Group's subsidiaries are sterling, euros, US dollars, Danish kroner, Swedish kroner and Norwegian kroner. Since the Group prepares its consolidated financial statements in sterling, the Group's balance sheet is affected by movements between those currencies and sterling. These currency exposures are referred to as structural currency exposures.

The Group seeks to mitigate the effect of the currency exposures arising from its net investments overseas by remitting all profits or losses to its head office branch in the UK. Gains and losses arising on net investments overseas and the financial instruments used to hedge the currency exposures are recognised in the statement of total recognised gains and losses. In the current year the remaining structural currency exposure after hedging is not considered material.

# CITIBANK INVESTMENTS LIMITED AND SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 31. Financial instruments (continued)

#### Transactional currency exposures of the non-trading book

##### Functional currency of the operation

£ Million	2004				
	GBP	USD	Euro	Others	Total
GBP	-	2.94	(1.40)	(0.66)	0.88
Euro	(10.93)	3.27	-	(0.35)	(8.01)
Others	(0.39)	0.46	0.10	(0.12)	0.05
Total	<u>(11.32)</u>	<u>6.67</u>	<u>(1.30)</u>	<u>(1.13)</u>	<u>(7.08)</u>

£ Million	2003				
	GBP	USD	Euro	Others	Total
GBP	-	2.41	(0.38)	(0.45)	1.58
Euro	2.98	6.35	-	(3.43)	5.90
Others	(0.44)	0.46	0.14	(0.85)	(0.69)
Total	<u>2.54</u>	<u>9.22</u>	<u>(0.24)</u>	<u>(4.73)</u>	<u>6.79</u>

Transactional currency exposures occur as a result of normal operations and/or cross-border inter-branch transactions.

#### Liquidity risk

Management of liquidity is the responsibility of the Group Treasurer who ensures that all funding obligations are met when due.

The forum for liquidity issues is the Asset/Liability Management Committee (ALCO), which includes senior executives within the Group. The ALCO reviews the current and prospective funding requirements for the Group, as well as the capital position and balance sheet.

A liquidity plan is prepared annually and the liquidity profile is monitored on an on-going basis and reported daily. Liquidity risk is measured and managed using the Market Access Report (MAR) process in accordance with the Liquidity Risk Management Policy for Citigroup.

In the UK, the FSA sets liquidity risk guidelines. Positions are measured and monitored for compliance with the guidelines on a daily basis. Quarterly liquidity reports are made to the FSA. Branches of the Group operate similar policies in compliance with their local regulatory requirements. In order to meet these requirements, the Group measures and manages its cashflow commitments on a daily basis to meet its wholesale sterling obligations and a 5 per cent outflow of its retail obligations, and maintains a diversified portfolio of high quality liquid and marketable assets.

#### Credit risk

Within the Group, line management conducts the day-to-day credit process in accordance with core policies established by the Chief Risk Officer of Citigroup Inc. which are guided by the overall risk appetite and portfolio targets set by senior management. Line management initiates and approves all extensions of credit and is responsible for credit quality. The managers are required to identify problem credits or programs as they develop, and to correct deficiencies as needed through remedial management. Credit Risk Management and Audit and Risk Review conducts independent periodic examinations of both portfolio quality and the credit process at the individual business level.

Citigroup's credit policies are organised around two basic approaches - credit programs and credit transactions.

# **CITIBANK INVESTMENTS LIMITED AND SUBSIDIARIES**

## **NOTES TO THE FINANCIAL STATEMENTS (continued)**

### **31. Financial instruments (continued)**

#### **Credit risk (continued)**

Credit programs, used primarily for the consumer businesses, focus on the decision to extend credit to sets of customers with similar characteristics and/or product needs. Approvals under this approach cover the expected level of aggregate exposure, the terms, risk acceptance criteria, operating systems, and reporting mechanisms.

This is a cost-effective way of handling high-volume, small-dollar amount transactions. Credit programs are reviewed annually, with approvals tiered on the basis of projected outstandings as well as the maturity and performance of the product.

Citigroup's credit transaction approach focuses on the decision to extend credit to an individual customer or customer relationship. It starts with target market definition and risk acceptance criteria, and requires detailed customised financial analysis. Approval requirements for each decision are tiered based on the transaction amount, the customer's aggregate facilities, credit risk ratings, and the banking business serving the customer.

Credit exposure on derivative and foreign exchange instruments is managed as part of the overall extension of credit to individual customer relationships, subject to the same credit approvals, limits, and monitoring procedures used for other activities. The extension of credit in a derivative or foreign exchange contract is the loss that could result if the counter-party were to default. The current replacement cost of a derivative or foreign exchange contract is equal to the amount, if any, of the Group's unrealised gain on the contract.

#### **Operational risk**

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people or systems, or from external events. It includes reputation and franchise risks associated with business practices or market conduct that the Company may undertake with respect to activities in a fiduciary role, as principal, as well as agent. The Company is guided by Citigroup's Operational Risk Policy, which requires the establishment of appropriate procedures, controls, risk assessment and business continuity arrangements. The Company has established an operational risk committee that reviews operational risks, events and the control environment. This operational risk framework facilitates the Company's response to the requirements of emerging regulatory guidance on operational risk, including those relating to Basel II and the European Union's proposed Capital Requirements Directive.

#### **Hedges**

Gains or losses on hedge accounted financial instruments are not recognised or are deferred in the balance sheet to the extent necessary to achieve a common timing of recognition with the transaction being hedged. The Group and Company utilises interest rate swaps to hedge its interest rates, however the amounts are not significant.

#### **Fair value information**

For the trading book and derivatives held in the non-trading book, fair value is equal to the carrying values on the balance sheet. Fair values of publicly traded securities are disclosed in notes 12 and 13. Financial instruments (inter-bank placements and deposits) in the non-trading book that have a liquid or active market are carried at fair value.

# CITIBANK INVESTMENTS LIMITED AND SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 32. Operating lease commitments

Group	Land and buildings 2004 £ Million	Other 2004 £ Million	Total 2004 £ Million
At the year-end, the annual rental commitments under non-cancellable operating leases were as follows:			
Expiring:			
- within one year	6.9	0.2	7.1
- between one and five years	3.3	0.9	4.2
- in five years or more	23.3	-	23.3
Total	<u>33.5</u>	<u>1.1</u>	<u>34.6</u>
	Land and buildings 2003 £ Million	Other 2003 £ Million	Total 2003 £ Million
At the year-end, the annual rental commitments under non-cancellable operating leases were as follows:			
Expiring:			
- within one year	5.9	0.3	6.2
- between one and five years	3.5	0.8	4.3
- in five years or more	23.9	-	23.9
Total	<u>33.3</u>	<u>1.1</u>	<u>34.4</u>

### 33. Total assets and liabilities

	Group		Company	
	2004 £ Million	2003 £ Million	2004 £ Million	2003 £ Million
Assets and liabilities denominated in foreign currency:				
Denominated in sterling	8,823.5	4,277.5	1,774.9	1,681.1
Denominated in currencies other than sterling	11,975.0	15,588.4	-	1.8
<b>Total assets</b>	<u>20,798.5</u>	<u>19,865.9</u>	<u>1,774.9</u>	<u>1,682.9</u>
Denominated in sterling	8,990.8	4,282.1	1,774.9	1,682.9
Denominated in currencies other than sterling	11,807.7	15,583.8	-	-
<b>Total liabilities</b>	<u>20,798.5</u>	<u>19,865.9</u>	<u>1,774.9</u>	<u>1,682.9</u>



# CITIBANK INVESTMENTS LIMITED AND SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 34. Segmental analysis

#### (i) Classes of businesses

2004				
	Corporate and investment banking	Consumer banking	Private banking and asset management	Total
	£ Million	£ Million	£ Million	£ Million
Interest receivable	313.7	204.5	3.1	521.3
Interest payable	(231.5)	(79.0)	(1.6)	(312.1)
Net interest receivable	82.2	125.5	1.5	209.2
Total other income	247.5	118.0	53.4	418.9
Total expenses	(287.2)	(220.0)	(15.8)	(523.0)
Profit on ordinary activities before tax	42.5	23.5	39.1	105.1
<hr/>				
Total assets	14,412.1	6,319.8	66.6	20,798.5
<hr/>				
Net assets	1,212.7	25.4	(5.8)	1,232.3
<hr/>				
Average net assets	1,633.3	114.9	(2.2)	1,746.0
<hr/>				
2003				
	Corporate and investment banking	Consumer banking	Private banking and asset management	Total
	£ Million	£ Million	£ Million	£ Million
Interest receivable	367.1	213.3	2.7	583.1
Interest payable	(317.5)	(67.6)	(1.0)	(386.1)
Net interest receivable	49.6	145.7	1.7	197.0
Total other income	295.4	109.9	39.1	444.4
Total expenses	(401.6)	(253.2)	(2.8)	(657.6)
Profit on ordinary activities before tax	(56.6)	2.4	38.0	(16.2)
<hr/>				
Total assets	15,962.5	3,877.7	25.7	19,865.9
<hr/>				
Net assets	841.2	204.3	1.4	1,046.9
<hr/>				
Average net assets	866.2	188.9	0.9	1,056.0
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The Group has not disclosed turnover in the segmental analysis, as it is not a statutory requirement.

## **CITIBANK INVESTMENTS LIMITED AND SUBSIDIARIES**

### **NOTES TO THE FINANCIAL STATEMENTS (continued)**

#### **34. Segmental analysis (continued)**

##### **(ii) Geographical segments**

All of the Group's and the Company's activities are conducted in Western Europe.

#### **35. Post balance sheet events**

On 1 January 2005 the share capital of Diners Club UK Limited ("DCUK") was contributed to the Company by Diners Club Europe SpA in exchange for the issue by the Company of 4,436,000 ordinary shares of £1 each. The share capital of DCUK was then contributed on to CIP in exchange for the issue to the Company of 4,436,000 ordinary shares of £1 each in CIP.

#### **36. Parent companies**

The immediate parent company of the group is Citibank Overseas Investment Corporation, which is incorporated in the United States of America.

The ultimate parent company of the group is Citigroup Inc., which is incorporated in the United States of America under the laws of the State of Delaware.

The largest group in which the results of the Group are consolidated is that headed by Citigroup Inc. Copies of these group accounts are available to the public and may be obtained from their offices at Document Services, 140 58<sup>th</sup> Street, Brooklyn, New York, NY. 11220, United States of America.